



Annual Report
2010 - 2011

Creating Gaming IP Assets



7SEAS™
ENTERTAINMENT LTD

(Formerly known as 7Seas Technologies Ltd.)

INDIA'S FIRST ISO 9001:2008 Certified Independent Games Development Company.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. L. Maruti Sanker	–	Managing Director
Mr. Devabhaktuni V. Sai Prasad	–	Director
Mr. M. Ramamohan Rao	–	Director
Mr. A.S.R. Murthy	–	Director

REGISTERED OFFICE
6-3-1239/2/A, 3rd Floor,
Kotis Court, Renuka Enclave, Rajbhavan Road
Somajiguda, Hyderabad - 500082
Ph.Nos.040-30686161 / 30686162
Fax: 040-30686163

AUDITORS
M/s. M M REDDY & CO.
Chartered Accountants, Hyderabad

AUDIT COMMITTEE
Mr. Devabhaktuni V. Sai Prasad
Mr. M. Ramamohan Rao
Mr. L. Maruti Sanker

REMUNERATION COMMITTEE
Mr. Devabhaktuni V. Sai Prasad
Mr. L. Maruti Sanker
Mr. M. Ramamohan Rao

INVESTOR GRIEVANCES COMMITTEE
Mr. M. Ramamohan Rao
Mr. Devabhaktuni V. Sai Prasad
Mr. L. Maruti Sanker

BANKERS
Union Bank of India
Tilak Road, Hyderabad - 500001

HDFC Bank Ltd
Rajbhavan Road, Hyderabad - 500082

Listing
Ahmedabad Stock Exchange Limited
Bombay Stock Exchange Limited (Indonext model)

REGISTRAR & SHARE TRANSFER AGENTS
M/s. Venture Capital and
Corporate Investments Private Limited
12-10-167, Bharat Nagar, Hyderabad - 500018
Ph.Nos.040-23818475 / 23818476 / 23868023
Fax: 040-23868024



NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of 7SEAS ENTERTAINMENT LIMITED will be held on Thursday, the 22nd September 2011 at 9.30 AM at Hotel Inner Circle, 6-3-905, Saboo Heights, Behind Saboo Maruti Showroom, Somajiguda, Hyderabad-500082 to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, the Audited Profit and Loss Account and the Cash Flow statement for the year ended 31st March, 2011, and the Balance Sheet as at that date.

2. To appoint a director in place of Mr. Devabhaktuni V. Sai Prasad who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT Mr. A.S.R. Murthy, who was appointed as additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 23.07.2011 and who holds the office up-to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation."

5. **Increase in Authorised Share Capital**

   To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

   "Resolved that pursuant to Section 16 and Section 94 of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, the authorised share capital of the company be and is hereby increased from ₹ 8,00,00,000 (Rupees Eight crores) divided into 80,00,000 equity shares of ₹ 10/- (Rupees ten) each to Rs.10,00,00,000 (Rupees Ten crores) divided into 1,00,00,000 equity shares of ₹ 10/- (Rupees ten) each and consequently the existing Clause V of the Memorandum of Association of the company be and is hereby altered by deleting the same and substituting in its place and instead thereof, the following as new Clause V:

   "The authorised share capital of the Company is ₹ 10,00,00,000 (Rupees Ten Crores) divided into 1,00,00,000 equity shares of ₹ 10/- (Rupees Ten) each with the rights, privileges, and conditions attaching thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify, or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company."

   "Further Resolved that the Board of Directors or its committee thereof be and is hereby authorised to take all such necessary steps / actions as may be deemed expedient to give effect to this resolution including signing all such necessary documents as may be required in this regard."

6. **To Consider the Issue of Warrants on Preferential Basis to the Promoters**

   To consider and, if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:

   "RESOLVED THAT in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with Ahmedabad Stock Exchange where the Company's shares are listed, and in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as may be applicable to the preferential issue of Equity Shares and other applicable regulations of SEBI, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any committees thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, have been delegated) and subject to such consents and approvals of SEBI, Stock Exchanges, Government of India or such other bodies or authorities as may be required by law and as may be necessary and subject to such conditions and modifications as may be imposed upon and accepted by the Board while granting such consents and approvals, and which may be agreed to by or any other authority as may be necessary for that purpose, the consent of the members of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more trenches up to 5,50,000 convertible warrants to the promoters namely Mr. Maruti Sanker Lingamaneni and Mrs. Hemalatha Lingamaneni, at a price including such premium as may be decided as per SEBI (ICDR) Regulations, 2009 convertible into equal number of Equity Shares with in a period not exceeding 18 months from the date of allotment of warrants at

a price of Rs. 10/- per Equity Share with such premium as may be determined in accordance with the preferential issue regulations given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto:

"RESOLVED FURTHER THAT the pricing of the Equity Shares to be allotted on shall be calculated in accordance with the SEBI's Preferential Issue Regulations with reference to the 'Relevant Date'"

The "relevant date" for the purpose of pricing of the resultant share is **23.08.2011** i.e. thirty days prior to the date on which this General Meeting is held in terms of Section 81(1A) of the Companies Act, 1956. (AGM will be held on **22.09.2011**).

"RESOLVED THAT the Equity Shares issued on conversion of warrants shall rank pari-passu with the existing Equity Shares of the Company in all respects and that the equity shares so allotted during the financial year shall be entitled to the dividend, if any, declared including other corporate benefits, if any, for which the book closure or the Record Date falls subsequent to the allotment of Equity Shares."

"RESOLVED FURTHER THAT the aforesaid warrants shall be in accordance with the following terms and conditions:

- A warrant by itself shall not give to a warrant holder thereof, any rights of the shareholder of the company.
- In the event, the equity shares of the company are either sub-divided or consolidated before the conversion of the warrants into equity shares of the company, then the face value, the number of equity shares to be acquired on conversion of the warrants and the warrant issue price shall automatically stand adjusted in the same proportion, as the present value of the equity shares of the company bears, to the newly sub-divided / consolidated equity shares without affection any right or obligation of the said warrant holders: and
- In the event the company's equity capital is affected or changed due to any other corporate actions such as a merger, demerger, consolidation of business, or other reorganization of the company, tender offer for equity shares of sale of undertaking, necessary adjustments with respect to the terms of the aforesaid warrants shall be made by the company and such other action as may be deemed necessary or appropriate by the Board shall be taken to reflect such corporate actions, including but without limitation, suitable adjustment of the warrant issue price, subject to necessary approvals.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to modify and decide the price, terms and conditions of the Issue of the warrants, if necessary, keeping in view the provisions of various Acts and Guidelines in force from time to time. However, the issue price shall in no case be less than the price determined as per the Preferential Issue Regulations as provided in Chapter VII of (ICDR) Regulations, 2009."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such condition(s), modification(s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to such modification(s) and to resolve and settle all questions, difficulties or doubts that may arise in this regard to implementation of this Resolution, issue and allotment of warrants and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Company do apply for listing of the new equity shares."

"RESOLVED FURTHER THAT the Company do make an application to the Depositories for admission of the new equity shares."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions."

7. Employee Stock Option Scheme - 2011

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board / Committee of Directors to grant, offer and issue, in one or more trenches, to such permanent employees (including joining employees) of the Company whether working in India or out of India and directors of the

company whether whole-time directors or otherwise (hereinafter collectively referred as the "Employees") who are eligible to participate as per the Guidelines and as may be decided by the Board / Committee, under a plan titled "7SEAS ENTERTAINMENT LIMITED EMPLOYEES STOCK OPTION SCHEME - 2011" (hereinafter referred to as "the Scheme') the salient features of which are detailed in the explanatory statement, such number of options which could rise to the issue of equity shares of the Company not exceeding 5,00,000 equity shares at such price and on such terms and conditions as may be determined by the Board/Committee in accordance with the Guidelines or any other applicable provisions as may be prevailing at that time.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the Scheme on such terms and conditions as contained in the Explanatory Statement to this item in the notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in the terms and conditions of Scheme from time to time including but not limited to, amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the Plan.

"Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares".

"RESOLVED FURTHER THAT any new equity shares to be issued and allotted as aforesaid shall Rank pari passu inter se with the then existing equity shares of the Company in all respects.

"Resolved further that in case 7Seas Entertainment Limited's equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the equity shares allotted under the Scheme on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

8. Grant of Options to the Employees of Subsidiary and Step Down Subsidiary Company Under Employee Stock Options Scheme – 2011

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution:

"RESOLVED THAT in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/ Committee of Directors to extend the benefits of the "7SEAS ENTERTAINMENT LIMITED EMPLOYEE STOCK OPTION SCHEME - 2011" referred to in the resolution under item No.7 in this Notice and duly passed at this meeting, also to such permanent employees (including joining employees) of the subsidiary companies including step down subsidiary companies whether working in India or out of India and directors of the company whether whole-time directors or otherwise, as may be decided by the Board and / or Committee or such other persons, as may from time to time, be allowed under prevailing laws and regulations on such terms and conditions as may be decided by the Board".

"Resolved further that the approval be and is hereby accorded for issue and allotment of equity shares equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to the employees for their outstanding performance / contribution at the time of allotment of options / equity shares".

"Resolved further that in case 7Seas Entertainment

Limited's equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/ rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected".

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

9. Reappointment of Mr. L. Maruti Sanker as Managing Director:

To consider and, if thought fit, to pass with or without modifications, the following resolution as an Special Resolution:

"RESOLVED THAT, pursuant to the provision of Sections 198,269,309,310 and other applicable provisions, if any, of the companies Act, 1956, read with Schedule XIII (as amended from time to time) to the said Act, Mr.L.Maruti Sanker be and is hereby re-appointed as Managing Director of the company for a period of 5 years with effect from 29.04.2011 at a remuneration and on such terms and conditions as detailed below:

I. Salary and other allowances
₹ 200,000 per month

II. The other terms and conditions of the appointment, remain unchanged

"FURTHER RESOLVED THAT, notwithstanding anything contained to the contrary herein, where in any financial year during the currency of the tenure of Mr. L. Maruti Sanker, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances, and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as in force from time to time."

For and on behalf of the Board
7SEAS ENTERTAINMENT LIMITED

Sd/-
L. MARUTI SANKER
Managing Director

Place : Hyderabad
Date : 23.07.2011

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on a poll instead of himself / herself and the Proxy need not be a member of the Company.
2. Proxies, in order to be effective must be received by the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from 18.09.2011 to 22.09.2011 (Both days inclusive).
4. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
5. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
6. Members are requested to kindly bring their copies of the Annual Report to the meeting. As a measure of economy, copies of Annual Report will not be distributed at the AGM
7. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

EXPLANATORY STATEMENT

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

Item No. 4: Appointment of Mr. A.S.R. Murthy

The members may note that Mr. A.S.R. Murthy, was inducted into Board as an Additional Director of the company, with effect from 23.07.2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from a member of the company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

The Board recommends the resolution for your approval.

None of Directors except Mr. A.S.R. Murthy may be deemed to be concerned or interested in the resolution.

Details of the Director appointed

Particulars	Mr. A.S.R. Murthy
Date of Birth	22.11.1968
Date of Appointment	23.07.2011
Expertise in specific functional areas	IT and Administration
Qualifications	B.Com
No. of Shares held in the Company	Nil
Directorships held in other companies (excluding private limited and foreign companies)	Nil
Positions held in mandatory committees of other companies	Nil

Item No. 5
Increase in Authorised Share Capital

The present authorised share capital of the company is ₹ 8,00,00,000/- divided into 80,00,000 equity shares of ₹ 10/- each. The company is proposing to issue further shares on preferential basis to the promoters and employees. Considering the further issue, the Board has approved, subject to the shareholders' approval, an increase in the authorised share capital to ₹ 10,00,00,000/- divided into 1,00,00,000 equity shares of ₹ 10/- each.

Pursuant to the provisions of Sections 16 and 94 of the Companies Act, 1956, an increase in the authorised share capital of the company and consequent amendments in the capital clause of the Memorandum of Association of the company requires approval of the members. Approval of the members is, therefore, sought in terms of the said sections.

None of the directors of the company is in any way concerned or interested in the resolution.

Item No. 6
Issuance of convertible warrants on preferential basis:

Disclosures which are required to be given in terms of clause 73(1) of Chapter VII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

(1) Objects of the issue through preferential offer:

The purpose of the issue of convertible Warrants is to aid the Company to raise the funds to finance the expansion plans of the Company, working capital requirements, meeting other General Corporate purposes etc including acquisition of other companies.

(2) The Proposal of the Promoters, Directors or Key Management personnel of the Issuer to subscribe to the offer:

The proposed allottees for preferential issue of 5,50,000 (Five Lakhs Fifty Thousand only) Convertible Equity Warrants are Mr. Maruti Sanker Lingamaneni and Mrs. Hemalatha Lingamaneni, as referred to in the resolution, belong to the promoters group.

Keeping in view of the present market conditions, the said allottees propose to subscribe for the total 5,50,000 (Five Lakhs Fifty Thousand only) Convertible Equity Warrants. The objects of the Company are already mentioned and hence, the requirement of issue of securities on preferential basis is necessitated.

(3) Shareholding Pattern of the Company before and after proposed preferential issue:

Sl. No.	Category	Pre issue holding details		Post issue holding details*	
		No. of shares	% to capital	No. of shares	% to Capital
A	Promoter Share Holding				
1	Indian Promoters	27,22,264	43.89	32,72,264	48.46
2	Foreign Promoters	0	0	0	0
	Sub-Total (A)	27,22,264	43.89	32,72,264	48.46
B	Public Share holding				
1	Institutions	0	0	0	0
2	Non-Institutions				
a)	Bodies Corporate	193,448	3.12	1,93,448	2.87
b)	Individuals	32,35,284	52.16	32,35,284	47.90
c)	NRIs	49,207	0.79	49,207	0.73
d)	Others (Clearing Member)	2,737	0.04	2,737	0.04
	Sub-Total (B)	34,80,676	56.11	34,80,676	51.54
	Grand Total (A+B)	62,02,940	100.00	67,52,940	100.00

* Assuming that all warrants are converted into equity shares

(4) Proposed time within which the Preferential Issue shall be completed:

The Board may allot Convertible Warrants at a price not being less than the price as decided as per the SEBI (ICDR) Regulations, 2009.

The allotment of Convertible Warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the Members provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

An amount, as may be decided by the Board of Directors, not being less than 25% of the issue price shall be payable on allotment of the warrants. The warrants would be allotted on the following terms:

a. The holder of Warrants will have an option to apply for and be allotted 1 (one) Equity Share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches.

b. Upon receipt of the payment as above, the Board

shall allot one Equity Share per Warrant by appropriating ₹ 10 towards Equity Share Capital and the balance amount paid against each Warrant, towards the Securities Premium.

c. If the entitlement against the warrants to apply for the Equity Share is not exercised within the period specified, the entitlement of the Warrant holder to apply for Equity Shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.

d. The warrant holder shall also be entitled to any future bonus / rights issue(s) of equity shares or other securities convertible into Equity Shares by the Company, in the same proportion and manner as any other Members of the Company for the time being.

e. The warrants by itself do not give to the holder thereof any rights of the Members of the Company.

(5) Identity of the proposed allottees and percentage of Pre and Post Preferential issue capital that may be held by them:

Name of the proposed allottee	Pre issue holding details		Warrants proposed to be allotted *	Post issue holding details	
	No of Shares held	% to capital		No. of Shares	% to capital
1) Maruti Sanker Lingamaneni	10,08,000	16.25	4,00,000	14,08,000	20.85
2) Hemalatha Lingamaneni	2,20,000	3.55	1,50,000	3,70,000	5.48
TOTAL	12,28,000	19.80	5,50,000	17,78,000	26.33

* Assuming that all warrants are converted into equity shares.

(6) Change in Control

As a result of the proposed preferential allotment of Convertible Warrants, there will be no change in the control of the Company.

(7) Pre-issue holding of shares, non disposal of shares by the proposed allottees and Lock-in Period of shares:

a. The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.

b. The Convertible Equity Warrants allotted to the proposed allottee shall be subject to 'lock-in' for a period of three years from the date of allotment as per Clause 78(1) of Chapter VII of SEBI (ICDR) Regulations, 2009.

c. pre-issue holding, if any, of the proposed allot tees shall be kept in lock-in from the relevant date and six months from the date of allotment

(8) Pricing of the issue and Relevant Date:

The issue price of the Convertible Equity Warrants shall be as per the SEBI (ICDR) Regulations, 2009.

The price of the convertible warrants will be such price, including premium as per the SEBI (ICDR) Regulations, 2009 to be issued based on the relevant date being **23.08.2011** and calculated in the manner specified for pricing of shares to be allotted as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

For this purpose, the share price quotations available at the Bombay Stock Exchange Limited, Mumbai, will be considered and the issue price will be determined as per SEBI (ICDR) Regulations, 2009.The average of the high and low of the weekly closing prices preceding 6 months and 2 weeks of the relevant date determined as per the said Regulations. The minimum issue price shall not be less than the price determined as per the SEBI (ICDR) Regulations, 2009. A Certificate will be obtained from the Statutory Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guidelines and showing the calculation thereof and the same will be made available for inspection at the Registered Office of the Company.

(9) Auditor's Certificate

M/s. M M REDDY & CO, Chartered Accountants will provide Auditor's Certificate confirming that the proposed issue of convertible warrants are in accordance with the SEBI (ICDR) Regulations / Guidelines, and will be available for inspection up to the date of the Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

(10) Compliances

The company has complied with the requirements of listing agreement including clause 40A i.e., maintaining a minimum of 25% of the paid up capital in the hands of public.

(11) Approval under the Companies Act, 1956

Section 81(1A) of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be first offered to the existing shareholders of the Company in the manner laid down in the said section, unless the Members decide otherwise in general meeting by way of special resolution.

Accordingly, the consent of the Members is being sought pursuant to the provisions of section 81(1A) and all other applicable provisions of the Companies Act, 1956, SEBI Regulations and the provisions of the Listing Agreement with the Stock Exchanges for authorizing

the Board to offer, issue and allot Convertible Warrants as stated in the resolution, which would result in a further issuance of securities of the Company to the promoters group on a preferential allotment basis, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice.

Managing Director of the company Mr. L. Maruti Sanker may be deemed as concerned or interested in the above said resolution to the extent of issue of Equity Shares to the promoters under promoters' category.

Item Nos. 7 and 8:

ESOP scheme and grant of options to the employees of subsidiary and step down subsidiary company under employee stock options scheme – 2011

The main objective of this scheme is to give employees who are performing well, a certain minimum opportunity to gain from the Company's performance, thereby acting as a retention tool and to attract best talent available in the market. The Employees Stock Option Scheme 2011(The Scheme) will be administered by the Compensation Committee of the Board or the Board in terms of the Employee Stock Option Guidelines.

A Special Resolution was also passed for issuing/granting of options to the employees of the subsidiary and step down subsidiary to 7Seas Entertainment Limited. The Board / Compensation Committee will formulate inter alia the detailed terms and conditions of the Scheme including:

The tranches within which the options are to be granted in accordance with the Eligibility Criteria. The terms and conditions subject to which the options granted would vest in the respective employees. The terms and conditions subject to which the options vested would be exercised by the employees. The right of the employees to Exercise all the options vested in him at one time or at various points of time within the Exercise Period; Conditions under which the options vested in the employees may lapse. The procedure for making fair and reasonable adjustment to the number and options and exercise price in case of any corporate actions, such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the Board / compensation committee:

1. The number and the price of options shall be adjusted in a manner such that total value of the options remains the same after the corporate action. For this purpose global best practice in this area including the procedures followed by the derivative markets in India and abroad shall be considered.
2. The Vesting Period and the life of the options shall be left unaltered as far as possible to protect the rights of the Option holders.
3. The procedure for cashless exercise of options, if any.
4. Obtaining permission from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all rules and SEBI ESOP Guidelines applicable to the "7SEAS ENTERTAINMENT LIMITED EMPLOYEES STOCK OPTION SCHEME - 2011"; framing suitable policies and systems to ensure that there is no violation by any person of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations,1992,Securities and Exchange Board of India(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any statutory modifications and re-enactments thereof.
5. Framing appropriate procedure for granting, vesting and exercising of options.

Salient Features of 7seas Entertainment Limited Employees Stock Option Scheme – 2011:

(a). The total number of options to be granted:-

The total number of options that may in the aggregate, be granted shall be up to 5,00,000 options that shall be converted into 5,00,000 fully paid up equity shares of the face value Rs.10 each of the Company. Any vested option(s) that lapse due to non-exercise or unvested option(s) that do not vest due to any reasons whatsoever would be available for re-grant at a future date.

(b). Identification of classes of employees entitled to participate in EMPLOYEES STOCK OPTIONS SCHEME-2011

Persons who are "permanent employees" of the Company, subsidiary company and step down subsidiary company including joining employees, as defined in the ESOP Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time will be entitled to participate in the Scheme based on annual appraisal process.

An employee who is a promoter or belongs to the promoter group and a director who either by himself or through his relative or through anybody corporate, directly or indirectly holds more than 10 % of the outstanding equity shares of the company shall not be eligible to participate in the ESOP scheme.

The options granted under the scheme shall not be renounced, transferred, pledged,

Hypothecated, mortgaged or otherwise alienated, other than the manner specified in the Scheme.

(c). Requirement of vesting, period of vesting including maximum period within which options shall be vested:

i) Continuation of employment is the requirement for vesting of Options.

ii) There shall be a minimum period of one year