

Annual Report

2012-2013



(Formerly known as 7Seas Technologies Ltd.)

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

C O N T E N T S

1	Corporate Information	-
2.	Notice of Annual General Meeting	1
3.	Directors' Report	10
4.	Management's Discussion and Analysis	15
5.	Report on Corporate Governance	17
6.	Auditor's Certificate on Corporate Governance	30
7.	Auditor's Report	31
8.	Annexure to Auditor's Report	33
9.	Balance Sheet	36
10.	Profit and Loss Account	38
11.	Cash Flow Statement	39
12.	Notes to Accounts	40
13.	Statement Pursuant to Section 212	51
14.	Consolidated Auditor's Report	52
15.	Consolidated Balance Sheet	54
16.	Consolidated Profit & Loss Account	56
17.	Consolidated Cash Flow Statement	57
18.	Consolidated Notes to Accounts	58
19.	Proxy Form & Attendance Slip	68

CORPORATE INFORMATION

Board of Directors:

- | | |
|--------------------------|---------------------|
| 1. Mr. L. Maruti Sanker | --Managing Director |
| 2. Mr. M. Rama Mohan Rao | --Director |
| 3. Mr. A.S.R. Murthy | --Director |

Company Secretary:

Mr. S. Vivek

Registered Office:

6-3-1239/2/A, Renuka Enclave
3rd Floor, Kotis Court, 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. M. Rama Mohan Rao
Mr. A.S.R. Murthy
Mr. L. Maruti Sanker

Remuneration Committee:

Mr. M. Rama Mohan Rao
Mr. A.S.R. Murthy
Mr. L. Maruti Sanker

Investor Grievance Committee:

Mr. M. Rama Mohan Rao
Mr. A.S.R. Murthy
Mr. L. Maruti Sanker

Bankers:

Indian Overseas Bank
Rajbhavan Road, Hyderabad – 500082

Listing/Trading:

Ahmedabad Stock Exchange Limited
BSE Limited (Indonext model)

Registrar & Share Transfer Agents:

M/s. Venture Capital and Corporate Investments Private Limited
12-10-167, Bharat Nagar, Hyderabad - 500 018
Ph.Nos.040-23818475/23818476/23868023
Fax: 040-23868024

NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of M/s 7SEAS ENTERTAINMENT LIMITED will be held on Saturday, 28.09.2013 at 9.30 a.m. at the registered office of the Company at 6-3-1239/2/A, Renuka Enclave, 3rd Floor, Kotis Court, Rajbhavan Road, Somajiguda, Hyderabad-500082 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as on 31st March, 2013 and Profit & Loss A/c and Cash Flow Statement for the year ended on that date, together with all schedules and notes attached thereto, along with the report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. A.S.R. Murthy who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. M M Reddy & Co., Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at remuneration as may be fixed by the Board.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification(s), 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 Agreement entered into by the Company with the 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 committee 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 Exchange, 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 75,000 equity shares of Rs. 10 each at an issue price of Rs. 11/- each which includes a premium of Re. 1 per share and 1,75,000 convertible warrants to the promoter Mr. L. Maruti Sanker, at an issue price of Rs.11 per warrant convertible into equal number of Equity Shares within a period not exceeding 18 months from the date of allotment which includes a premium of Re.1/- per warrant as determined in accordance with the preferential issue guidelines 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 Guidelines with reference to the 'Relevant Date'. However, the issue price shall in no case be less than the price determined as per the Preferential Issue Guidelines as provided in Chapter VII of SEBI (ICDR) Regulations."

The "relevant date" for the purpose of pricing of the share / resultant share is 29.08.2013 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 to be held on -28.09.2013).

"RESOLVED THAT the new equity shares and 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 allotted in terms of this resolution and the resultant equity shares arising on exercise of right attached to such warrants shall be subject to lock-in requirements as per the provisions of Chapter VII of SEBI ICDR Regulations."

"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 share 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-

7SEAS ENTERTAINMENT LTD.

divided / consolidated equity shares without affection of 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."

"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 does apply for listing of the new equity shares."

"RESOLVED FURTHER THAT the Company does 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."

**For and on behalf of the Board
For 7Seas Entertainment Limited**

**Place: Hyderabad
Date: 14.08.2013**

**Sd/-
L. Maruti Sanker
Managing Director**

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. Proxies, in order to be effective must be received by the company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from 25.09.2013 to 28.09.2013 (Both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
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. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
6. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the office of the Registrar and Transfer Agent of the Company.
7. Corporate Members/Trusts are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution/ Letter of Authority authorising their representative to attend and vote at the Annual General Meeting.
8. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e., Electric/Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the company/RTA without delay.

9. 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.
10. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
11. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
12. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Venture Capital & Corporate Investments Pvt. Ltd. Share Transfer Agents of the Company for their doing the needful.
13. 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.

**For and on behalf of the Board
For 7Seas Entertainment Limited**

**Place: Hyderabad
Date: 14.08.2013**

**Sd/-
L. Maruti Sanker
Managing Director**

EXPLANATORY STATEMENT

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

Item No. 4:

Issuance of equity shares and convertible warrants on preferential basis:

The special resolution as mentioned above proposes to authorise the Board of directors to issue to the promoter up to 75,000 equity shares at an issue price of Rs.11 each and 1,75,000 convertible warrants at an issue price of Rs. 11/- each convertible into equal number of equity shares of Rs.10 each with a premium of Re. 1/- each.

Information pertaining to the proposed preferential allotment in terms of the Chapter VII of SEBI (ICDR) Regulations and subsequent amendments there to as set out as below:

(1) Objects of the issue through preferential offer:

The purpose of the issue of equity shares and convertible warrants is to aid the Company to raise the funds to meet ever increasing working capital requirements as a part of scaling up operations and other general corporate purposes.

(2) Pricing of the issue and Relevant Date:

The “relevant date” for the above purpose means the date thirty days prior to the date of AGM in terms of Section 81(1A) of the Act as the date of AGM is 28.09.2013, the “relevant date” is 29.08.2013.

The above said warrants on conversion shall rank pari-passu in all respects with, and carry the same rights including dividend as the existing equity shares.

The issue price of shares and convertible warrants is calculated and fixed in the manner specified for pricing of shares, as per the SEBI's (ICDR)/Preferential Issue Guidelines. For this purpose, the price quotations on BSE Limited are considered.

(3) The proposal of the promoters, directors or key managerial personnel of the issuer to subscribe to the offer:

The proposed allottee i.e., Mr. L. Maruti Sanker for 75,000 equity shares and 1,75,000 convertible warrants belong to promoters category.

Accordingly the promoters propose to subscribe for the above said equity shares and convertible warrants.

7SEAS ENTERTAINMENT LTD.

The Company is interested in expanding the business activities and meeting working capital requirement. Hence the requirement of securities on preferential basis is necessitated.

- (4) Identity of the proposed allottee and percentage of pre and post preferential issue capital that may be held by them:

	Name of the proposed allottee	Pre issue holding		Shares and Warrants proposed to be allotted	Post issue holding	
		Shares	% of Shares		Shares	% of Shares
	PROMOTERS GROUP					
	L. Maruti Sanker	1440500	20.47	250000 (75000 shares and 175000 warrants)	1690500*	23.20
	TOTAL	1440500	20.47	250000	1690500	23.20

* Assuming that all warrants are converted into equity shares

- (5) **Shareholding Pattern before and after preferential issue of the capital would be as follows:**

Sl. No.	CATEGORY	Pre issue holding details		Share and warrants proposed to be allotted	Post issue holding details	
		No. of shares	% of shares		No. of shares	% of shares
A	Promoter Share Holding					
1.	Indian Promoters	3404764	48.39	250000 (75000 Equity shares and 175000 warrants)	3654764*	50.16
2.	Foreign Promoters	-	-	-	-	-
	Sub-Total (A)	3404764	48.39		3654764	50.16
B	Public Share Holding					
1	Institutions	-	-	-	-	-
2	Non-Institutions	-	-	-	-	-
A	Bodies Corporate	106347	1.51	-	106347	1.46
B	Individuals	3463341	49.22		3463341	47.54
C	NRIs	50507	0.72	-	50507	0.69
D	Others (Clearing Member)	10941	0.16	-	10941	0.15
	Sub-Total (B)	3631136	51.61		3631136	49.84
	Grand Total (A+B)	7035900	100	250000	7285900	100

* Assuming that all warrants are converted into equity shares