



ACCELTRANSMATIC LTD

26th Annual Report 2011-12

ACCEL ANIMATION STUDIOS
P R E S E N T S



ONCE UPON A JUNGLE.....

the
KING &
the
MAGIC BALL

DVD
VIDEO

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



BOARD OF DIRECTORS

N R Panicker
Chairman

M R Narayanan
Independent Director

A Mohan Rao
Independent Director

Philip John
Whole Time Director

S T Prabhu
Company Secretary

Statutory Auditors
M/s. Varma & Varma
Chartered Accountants
Adyar, Chennai 600 020

Internal Auditors
M/s. Vijayakumar & Easwaran
Chartered Accountants
Sasthamangalam, Trivandrum 695 010

Legal advisors
M/s S Ramasubramaniam & Associates
6/1 Bishop Wallers Avenue (West)
Mylapore, Chennai 600 004

Registrars & transfer agents
M/s Integrated Enterprises (India) Ltd
2nd Floor, Kences Towers
No. 1 Ramakrishna Street, North Usman Road
T Nagar, Chennai 600 017

Bankers
State Bank of India
Commercial Branch,
Thiruvananthapuram 695 014

Registered office
T.C 17 / 27 Jagathy
Thiruvananthapuram 695 014
Phone: +91 471 234 2215 / 2265
Fax: +91 471 2339205

Corporate office
"Accel House", 75 Nelson Manickam Road
Aminjikarai, Chennai 600 029
Phone: +91 44 44 4225 2200
E Mail : stprabhu@transmaticsystems.com
Website : www.acceltransmatic.com

Animation Division
1) No. 132, III Floor, Murugesu Naicker Office Complex,
Hussain Mansion, Greaves Road,
Thousand Lights, Chennai - 600 006.
Phone: +91-44-42015105 / 42015237

2) DRISHYA Building,
Animation SEZ
KINFRA Film & Video Park,
Kazhakuttam, Thiruvananthapuram - 695 585
Phone : +91-471-2417434 / 2417435



Forward looking statement

In this annual report, we have mentioned certain forward looking information to enable investors to comprehend our business model and future prospects and make informed investment decisions. This annual report and other communications from us, oral or written, may include certain forward looking statements that set out certain anticipated results based on managements assumptions and plans. Even though the management believes that they have been prudent in making such assumptions, we cannot guarantee that these forward looking statements will be realised. We undertake no obligation to update forward looking statements. The achievement of results is subject to various risks, known and unknown. We request readers to bear this in mind while reading this report.

Contents

Notice of 26th annual general meeting	3
Directors' report	6
Management discussion and analysis	7
Reports on corporate governance	9
Directors responsibility statement	16
CEO / CFO Certificate	16
Auditor's report to financial statements	18
Financial statements	20

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



Notice

Notice is hereby given that the Twenty Sixth Annual General Meeting of the members of Accel Transmatic Limited will be held at Conference Hall, Park Centre, KINFRA Film & Video Park, Kazhakuttom, Thiruvananthapuram - 695 585 on 14th August 2012 at 12 Noon to transact the following business :

Ordinary business:

1. To consider and adopt the audited Profit and Loss account for the financial year ended 31st March 2012 and the audited Balance Sheet as at that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N.R. Panicker who retires by rotation and being eligible has offered himself for re-appointment as a Director of the company. A brief resume of Mr. N.R. Panicker has been given in the Corporate Governance section of the Directors' Report.

Accordingly, to consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. N.R. Panicker, be and is hereby re-appointed a Director of the company."

3. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED that Mr. Philip John, a Director liable to retire by rotation, who does not seek re-election, is not reappointed a Director of the Company.

RESOLVED FURTHER that the vacancy, so created on the Board of Directors of the Company, be not filled."

4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution; provided that in the event of the provisions of Section 224A of the Companies Act, 1956, becoming applicable to the Company on the date of holding this meeting, the same will be proposed as a special resolution.

"RESOLVED THAT the Auditors, M/s. Varma & Varma, Chartered Accountants, who retire at the conclusion of this meeting, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company, at a remuneration to be fixed by the Board, in consultation with the Auditors.

Special business:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof and subject to such approvals / consents, if any, approval of the company be and is hereby accorded to the re-appointment of Mr. Philip John as Wholtime Director with effect from 01.04.2012 for the period

upto the holding of Annual General Meeting on 14.08.2012 to consider the accounts for the year ended 31.03.2012, on the terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms and conditions and / or remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take such steps as may be necessary to execute and sign the agreement and other documents and desirable to implement and give effect to the foregoing Resolution.

Explanatory statement pursuant to section 173 (2) of the Companies Act ,1956

Item 3 :

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Mr. Philip John, retires by rotation but has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company be not filled.

Mr. Philip John is a Wholtime Director of the Company since 01.04.2004. Mr. Philip John ceases to be a wholtime director of the company from 15th August 2012. The Board places on record its appreciation for the contribution made by him to the company.

Item 5 :

The company had appointed Mr. Philip John for a period of three years and such period has expired on 31.03.2012.

However, Mr. Philip John is not seeking re-election as a Director and will be a Director only upto the holding of the Annual General Meeting of the company i.e 14.08.2012.

The software operations which Mr. Philip John was directly supervising were also hived off to another company.

Considering that Mr. Philip John will cease to be a Director as on date of the Annual General Meeting, it has been decided that Mr. Philip John continues as a Wholtime Director till the holding of the Annual General Meeting to be held to consider the accounts for the year ended 31.03.2012.

Mr. Philip John is interested in the resolution, as it relates to his appointment. However no remuneration is being paid to Mr. Philip John for the period from April 1, 2012.

None of the other Directors is interested in the resolution set out in the Notice.

Mr. Philip John holds 152,721 shares in the Company.

Mr. Philip John is not related to any other Director of the Company.

This explanatory statement together with the accompanying notice may be treated as an abstract of the terms of appointment of Mr. Philip John under section 302 (7) of the Companies Act 1956.

Accordingly, the company is proposing to pass this resolution

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



in this Annual General Meeting as a Special Resolution.

Information required under Clause (iv) of proviso to paragraph 1(B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given below :

The information below is in relation to the proposal contained in Item No.5 of the Notice relating to re-appointment of Mr. Philip John as Wholetime Director of the Company.

(i) Background details

An engineer and a M.Tech from IIT, Chennai, with 34 33 years of experience in organizations like ER&DC, Thiruvananthapuram as the President of Software division, NEST group of companies and Managing Director of erstwhile Ushus Technologies Private Limited.

(ii) Past Remuneration

For the financial year, 2011 – 2012, Mr. Philip John 's total remuneration was Rs.30.06 lacs.

(iii) Recognition or awards / Job profile and his suitability.

Mr. Philip John has managed the Technologies Division ably over the last six years.

In the opinion of the Board, he is eminently suited for the position he holds.

(iv) Remuneration

Mr. Philip John will not be paid any remuneration. He shall be reimbursed only the actual expenses incurred for the company.

(v) Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any.

Other than the equity holdings as stated above, Mr. Philip John has no other pecuniary relationship directly or indirectly with the company or any of its Directors.

(vi) Other Information

The Agreement also sets out the duties and various obligations of Mr. Philip John. The appointment of Mr. Philip John as a Wholetime Director as aforesaid, are required to be approved by the members at this Annual General Meeting in terms of section 269 of the Act. The Resolution at item 5 of Special Business is intended for this purpose.

(vii) General Information

Nature of Interest

The Company is a provider of Media solutions & services.

Date or expected date of commencement of commercial production.

The Company has been in business for about 24 years.

In case of new companies, expected date of commencement of activities.

Not applicable, as the company is an existing company.

Financial performance based on given indicators.

(Amount in Rupees Lacs)

	31.03.12	31.03.11	31.03.10
Sales	2389.77	1966.85	1828.63
Profit Before Tax	28.89	(365.15)	(142.53)
Profit After Tax	28.89	(365.15)	(165.17)
Shareholders' Funds	508.76	480.44	804.53
Rate of Dividend on equity shares (%)	NIL	NIL	NIL

Export performance

The Company's export for the past three years are as follows :

(Amount in Rupees Lacs)

	31.03.12	31.03.11	31.03.10
Income from services	806.74	1846.44	1415.47

Foreign investments or collaborators, if any.

Not applicable.

The company as a part of its long term plan has invested in animation business which has a long gestation period. This has resulted in losses or inadequate profits for the year. Eventhough the company incurred losses, it has gained invaluable experience in its line of business and is expected to make profits in future years.

By Order of the Board of Directors,

Chennai.
29th May 2012

N.R. Panicker
Chairman

Registered Office:
17/27, Jagathy, Trivandrum – 695 014.

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member, a proxy may not vote except on a poll. The proxy form, in order to be effective, should be received at the registered office of the company not later than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business as set out above to be transacted at the Meeting is annexed hereto and forms part of this Notice.
3. The Register of Members and Share Transfer Books of the Company shall remain closed during the Book Closure period, ie., from Monday, 6th August 2012 to Tuesday, 14th August 2012 (both days inclusive).
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting upto the date of Annual General Meeting.
5. The Members / Proxies are requested to bring their copy of the Annual Report with them at the Meeting and to produce

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



the admission slip, duly completed and signed, at the entrance for admission to the meeting hall.

6. Notice alongwith explanatory statement, Annual Report as well as Annual Accounts of the subsidiary companies and Register of Directors' Shareholding are open for inspection, during the business hours, at the Registered Office of the Company.
7. Members are hereby informed that Dividend which remains unclaimed/ un-encashed over a period of 7 years, has to be transferred as per the provisions of Section 205A of the Companies Act, 1956, by the Company to "The Investor Education and Protection Fund" (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956.

Hereunder are the details of Dividends paid by the Company and their respective due dates of transfer of unclaimed / un-encashed dividends to the designated fund of the Central Government;

Dividend for the Financial Year	Date of Declaration of Dividend	Due date of transfer to the Central Government
2005-06	15-09-2006	14-09-2013
2006-07	24-09-2007	23-09-2014

It may please be noted that once the unclaimed / un-encashed dividend is transferred to "The Investors Education & Protection Fund", no claim shall lie with the company in respect of such amount by the shareholder.

In view of the above, the shareholders are advised to send their un-encashed dividend warrants to the Registered Office of the Company for revalidation and encash them before the due date for transfer to the IEPF.

8. The particulars of the Director, retiring by rotation and eligible for re-appointment, are given in the Report of the Directors to the Members and also in the Report on Corporate Governance.
9. The company whole-heartedly welcomes members / proxies at the annual general meeting of the company, however, the members / proxies may please note that no gifts / gift coupons will be distributed at the meeting.
10. Members who wish to obtain any information on the Company or the accounts may visit Company's website www.acceltransmatic.com or may send their queries at least 10 days before the date of the Meeting to the Company at the Corporate office at III Floor, 75, Nelson Manickam Road, Chennai - 600 029 or at the Company's Registered office at T.C 17/27, Jagathy, Trivandrum - 695 014 or email to stprabhu@transmaticsystems.com.
11. While Members holding shares in physical form may write to the Company for any change in their address and bank mandates, Members having shares in electronic form may inform any change in address and bank details to their depository participant immediately so as to enable the Company to dispatch dividend warrants at correct address.
12. Members holding more than one share certificate in the same name or joint names in same order but under different Ledger folios, are requested to apply for consolidation of such Folios and send the relevant share certificates to the Registrars and

Share Transfer Agents to enable them to consolidate all such holdings into one single account.

13. Members holding shares in the physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrars and Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, 2nd floor, Kences Towers, No.1 Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017.
14. In case the mailing address mentioned on this Annual Report is without Pin-code, Members are requested to kindly notify their Pin-codes immediately.
15. Members are requested to bring their Annual Report copies and the duly filled in attendance slips sent herewith while coming for attending the Annual General Meeting.
16. Members are requested to register their e-mail addresses with the Company for receiving the Report and Accounts, Notices, etc., in electronic mode, as a measure of support to the Green Initiative in Corporate Governance of the Ministry of Corporate Affairs, Government of India. The form for such registration can be downloaded from the Company's corporate website www.acceltransmatic.com under the section "Investor Relations".

By Order of the Board of Directors

Chennai.
29th May 2012

N.R. Panicker
Chairman

Registered Office:
17/27, Jagathy, Trivandrum - 695 014.

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



Director's report

Dear shareholders,

Your directors are pleased to present the 26th annual report together with the audited accounts of the company for the year ended March 31, 2012.

INR in million

Financial results		
	2012	2011
Total Income	237.42	202.69
Profit before interest, depreciation & tax	85.77	30.85
Interest	30.90	22.30
Depreciation	51.97	45.06
Provision for tax	-	-
Profit/(loss) after tax	2.89	(36.52)

Review of operations:

During the financial year 2011-12, your company recorded total income of Rs 237.42 mn (previous year Rs 202.69 mn) comprising income from technology services of Rs 72.95 mn, animation services of Rs 17.18 mn, other services Rs.6.74 mn and profit on sale of technologies division of Rs 140.55 mn. During the year, the company completed development of its second intellectual property "Raju The Rickshaw". The company reported a net profit of Rs 2.89 mn.

During the year, the company sold its technology services business with effect from 15.08.2011 to M/s Accel Frontline Limited for cash consideration of Rs. 199.70 mn after obtaining necessary approval of the shareholders. The net tangible assets of the division on the date of transfer stood at Rs.59.15 mn, resulting in a profit on sale of undertaking of Rs.140.55 mn. The amount realized was used to repay liabilities of the company, apart from funding production of Intellectual properties, Raju the Rickshaw and Shaktimaan etc. During the financial year the company incurred cash losses mainly on account of Animation Business and the same was also funded from the consideration.

With the transfer of the technologies division, the company's future focus will be in content development services in Animation and other activities in media & entertainment space.

During the year the animation division reported a negative EBITDA of Rs 67.54 mn (previous year, a positive EBITDA of Rs.0.60 mn) and reported a loss of Rs 146.38 mn mainly due to the high interest outgo on the term loan availed for creation of infrastructure and the amortization of its Intellectual properties without realizing a matching revenue by exploiting the same through global distribution. During the financial year under review, the company capitalized amounts spent on development of the second intellectual property and a co production property amounting to Rs 38.34 mn.

The highlights of the performance are discussed in detail in the management discussion and analysis report attached as Annexure to this report.

Report on conservation of energy, technology absorption etc.

Information as required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (disclosure of particulars in the report of board of directors) rule, 1988 regarding conservation

of energy, technology absorption are given in Annexure I to this Report. The details regarding foreign exchange earnings and outgo are mentioned in the Notes to the Accounts.

Management discussion and analysis

The management discussion and analysis and various initiatives and future prospects of the company are enclosed, separately as Annexure II to this Report.

Report of corporate governance

A report on Corporate Governance together with auditor's certificate on compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is provided in Annexure III to this Report.

Auditors Certificate on corporate governance

The certificate issued by the auditors of the company on corporate governance is given in Annexure IV to this Report.

Directors responsibility statement

The directors responsibility statement pursuant to sub section 2 AA of Section 217 of the Companies Act 1956 is given in Annexure V to this Report.

CEO /CFO Certification

The Chairman and the Company Secretary have submitted a certificate to the Board regarding the financial statements and other matters, as required under Clause 49 (V) of the Listing Agreement. This is provided as Annexure VI to this Report.

Particulars of employees

The particulars regarding employees of the company pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure VII to the Director's Report. However, in terms of sec 219 (1) (b) (iv) of the Companies Act, 1956 the Directors Report (excluding Annexure VII) is being sent to all the shareholders of the company. Any shareholder interested in obtaining a copy of the said Annexure may write to the Company Secretary at the registered office of the company.

Dividends

Considering the losses and the necessity to conserve resources, the Directors do not recommend any dividend on the equity shares.

Directors

Mr. N.R. Panicker and Mr. Philip John Directors of the company, retire by rotation.

Mr. N R Panicker being eligible for re-appointment offers himself for reappointment.

Mr. Philip John, though being eligible for reappointment, do not intend to offer himself for reappointment and it has been decided that such vacancy is not filled up.

Quality management

Your company's quality policy is to enhance customer satisfaction through continued improvement of skills, processes and technologies. During the year the company continued to invest

ACCEL TRANSMATIC LIMITED

Annual Report 2011-12



in technologies, infrastructure and processes in order to keep our quality management systems updated.

Auditors

M/s Varma & Varma, Chartered Accountants, Chennai, auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. The company has received confirmation from them that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their reappointment. The necessary resolution is being placed before the shareholders for approval.

Internal control systems

Your company has adequate internal control procedures commensurate with the size and nature of its operations. The Audit Committee constituted by the Board of Directors is functioning effectively. The Internal Audit for the year 2011-2012 was carried out by M/s. Vijayakumar & Easwaran, Chartered Accountants, Trivandrum covering all areas of operations. All significant observations were discussed in the Audit Committee, which met 4 times during the year under review.

Depository systems

Your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

Acknowledgement

Your directors would like to express their grateful appreciation for the assistance and co-operation received from Central and State governments, financial institutions, banks, government authorities, customers, suppliers and investors during the year under review. Your Directors also wish to place on record their deep sense of appreciation, towards the dedicated and sincere services rendered by the employees of the company for its success.

For and on behalf of the Board of

Chennai.
Date : 29th May 2012

N.R. Panicker
Chairman

Annexure I to the directors' report

Particulars pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

Conservation of energy, Technology Absorption, Adaptation and Innovation and Foreign Exchange earnings and outgo

The company's operations involve very low energy consumption and therefore the scope of energy conservation is limited. The company has taken steps to conserve electricity consumption in offices.

The company is in high technology business and is constantly upgrading technology to meet the current challenges at all levels. Almost all employees in the company use personal computers, in a networked environment. The company uses internet based technology for its communication needs.

The details regarding foreign exchange earnings and outgo are

being mentioned in the notes to the accounts.

Annexure II to the Director's report

Management discussion and analysis

The year in brief

The company reported a net turnover of Rs 237.42 mn for the year ended March 31, 2012 (previous year Rs 202.69 mn). The company reported a net profit of Rs 2.89 mn for the year ended March 31, 2012 (previous year Net Loss Rs.36.52 mn).

During the year, the company sold its Technology services division with effect from 15.08.2011 to Accel Frontline Limited for a consideration of Rs. 199.70 Mn. The transaction was approved by the members of the company by way of a postal ballot on 27.09.2011. This strategic decision was mainly taken to reduce the interest burden and the external liability and also to fund the losses of Animation division.

During the year, the company continued to incur losses in the animation services division. However, the company completed development of its second intellectual property "Raju the Rickshaw", a pre-school TV series of 78 episodes of 7 minutes each. This, together with our other IPR - India Fables, which is a TV series of 26 episodes of 11 minutes each is expected to bring revenues in the coming years.

The company is yet to explore the India sub continent Right held by the company for the 3D family adventure film, "The Flying Machine" produced by Oscar winning producer Hugh Welchman of Breakthru Films, UK. The film has been produced with an unique combination of Cutting Edge Live Action, Stop Motion Animation and 3D stereoscopy.

During the year, the company along with Big Animation completed the first phase of an Indian animation property, "Shaktimaan" in 2D for broadcasting, which consists of 13 episodes of 23 minutes each. This is the first initiative of its kind in India where two Indian studios are joining hands to produce a world class property for worldwide distribution. This has been a foundation for developing properties with shared responsibilities. The company had invested in this property development and had acquired 40% share in the Rights.

Preferential warrants

The preferential warrants issued by the company in December 2010, for which the company has received Rs. 41.66 Lakhs has not been converted into Equity Shares, by paying the full value of the shares. The warrant holder can exercise the conversion option on or before 30th June 2012.

Business Model

Animation Division (www.accelanimation.com)

Accel Animation Studios (AAS) was set up in July 2006, as an incubated unit. The main lines of business include 3D Animation, content development, Visual Effects creation and Motion Capture Services. AAS provides International quality digital media content to its clients. Focused on consistent and seamless delivery with emphasis on delivering on time, AAS offers end-to-end services in animation, Motion Capture, and VFX. The Animation Division is poised to capture a large share of the quality-oriented business in the animation space in India. Currently the operations of AAS are being carried out in its studios situated in Chennai and Thiruvananthapuram Animation SEZ.

Indian Media & Entertainment Industry

The Indian M&E industry grew from INR 652 billion in 2010 to INR 728 billion in 2011, registering an overall growth of 12 percent. The industry is estimated to achieve a growth of 13 percent in 2012 to touch INR 823 billion. Going forward, the sector is projected to grow at a healthy CAGR of 14.9 percent to reach INR 1,457 billion by 2016. Animation and VFX, digital advertising and gaming are fast increasing their share in the overall pie. The animation and VFX industry in India has grown from INR 14 Bn in 2007 to INR 31 Bn in 2011. The growth in 2011 over 2010 is 31.2%. The industry is expected to be at INR 69 Bn in 2016 registering a CAGR of 17% from 2011 to 2016.

Lack of capital is the biggest challenge

Capital continues to remain the primary challenge for most animation companies in India. While a high quality animated production is far more expensive to create than a live action film, given the wider appeal of the genre, it has the potential to be monetized not only in India, but across several international markets as well. However, there is a significantly high cost involved in promoting and distributing this content across multiple markets. Also, post the economic slowdown, many of the projects were green lit with limited funding options resulting in such projects either being delayed or shelved. Persistent escalations in the cost of production further drives up break even points and studios therefore find it difficult to find distribution partners.

Way forward

Some of the key success factors for animation and VFX industry going forward could be a play on the following:

- * Indian animation companies need to identify innovative avenues for growing licensing and merchandising revenues
- * Players need to create a local market and drive domestic consumption for animated content. However, it is imperative for players to do so at reasonable cost
- * Invest in co-productions that have global appeal and are easier to distribute across global markets
- * Continue to lobby with the government for incentives to provide the necessary boost to this sector for promoting outsourced work and co-production deals

Business model

The primary engagement models will be to work on outsourced content development and post production services for Indian and overseas clients, to engage in co-production with renowned production houses, and to create own IPs for long term gains.

The studio has adopted creation of IPs as its primary engagement model. IP, once created, yields recurring revenues over a long period of time, as animation contents can be telecast or sold repeatedly over the years. The shelf life of animation content is roughly around 15 years. However, the IP creation is highly capital intensive and the revenues are expected to accrue only after an initial development period of 18 to 24 months. Accel Animation Studios has already released two IPs, Indian Fables (www.southindiafables.com) and Raju the Rickshaw for worldwide release. Raju the Rickshaw is an IP developed by the company under a license agreement for 15 years with Kahani World Inc, Canada.

Human resource management

As on March 31, 2012, the company had an employee strength of 44 (PY 396). We have an established employee recruitment and retention policy, which involves identifying right talents through recruitment training cum placement programme as well as lateral

recruitment and providing them with appropriate training and induction.

We ensure that all our employees receive technical and managerial inputs regularly through various training programs.

Infrastructure

Our registered office is located in Trivandrum and our corporate office is located at Chennai. The Animation Division operates in fully equipped world class studios in Chennai and Trivandrum. The Chennai facility is 7,000 sqft & the Trivandrum facility is about 12,000 sqft. These offices are well equipped with all necessary infrastructure facilities.

Finance accounts and operational controls

The financial objective of the company is to bring in efficiencies of operations at all levels so as to maximize return on capital employed and to generate sufficient cash profits to fund on-going expansions and to meet the growth objectives.

The audit committee and the Board periodically review performance parameters related to financial performance of the company to ensure smooth implementation of the internal control systems and efficient management of the various resources. The audit committee conducts periodic reviews with the management, internal auditor and the external auditor. There is an on-going cost monitoring program to control various expenses and the Board reviews the variance analysis.

Revenues

During the year under review, the company, reported a net turnover of Rs 237.42 mn for the year ended March 31, 2012 (previous year Rs 202.69 mn) registering a growth of 14.60%. The company reported a net profit of Rs 2.89 mn (Previous year Loss 36.52 mn).

Sales from geographies

During the year under review, services exports contributed 79% to the total revenue whereas domestic operations contributed 21% to the total revenue.

Financial challenges

The major challenge during the year was working capital management. The company has been incurring cash losses in the Animation Division for the past 5 years. The company has not been successful in securing a large value outsourcing order with substantial margins. However, the company had to keep pace with technology and had to upgrade its facilities continuously resulting in additional expenditure. The management has taken steps to contain losses and hopes to turnaround the operations of the animation division during the current financial year.

Reserves and surpluses

The General Reserves stood at Rs 24.46 mn including capital reserves of Rs 12.16 mn. The company has not revalued any of its assets during the year under review.

Loan profile

As on March 31, 2012, the company had sanctioned working capital facility of Rs 195.00 mn from the company's bankers, out of which Rs 180.00 mn is fund based and Rs 15.00 mn is non-fund based. An amount of Rs.25 mn relates to the Technologies business which was sold during the year to M/s Accel Frontline Limited. Pending