



Annual Report 2012-2013

ACCEL TRANSMATIC LTD

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.

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BOARD OF DIRECTORS

N R Panicker
Chairman

M R Narayanan
Independent Director

A Mohan Rao
Independent Director

S T Prabhu
Company Secretary & Director

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

Internal Auditors
M/s. Vijayakumar & Eswaran
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 Ramakrishan 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

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

Notice

Notice is hereby given that the Twenty Seventh Annual General Meeting of the members of Accel Transmatic Limited will be held at Freemasons Hall, Vazhuthacaud, (Adjacent to Cotton Hill Girls High School), Thiruvananthapuram - 695 014 on 14th August 2013 at 11.30 AM 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 2013 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. A. Mohan Rao who retires by rotation and being eligible has offered himself for re-appointment as a Director of the company. A brief resume of Mr. A. Mohan Rao 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. A. Mohan Rao, 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. M.R. Narayanan, 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 M/s. Varma & Varma, Chartered Accountants (Registration No.4532S), be and are hereby 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 on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS :

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

5. RESOLVED THAT Mr. S.T. Prabhu, who was appointed by the Board of Directors as an Additional Director of the company with effect from 14th August 2012 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (the Act), and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act, proposing his candidature as a director of the company, be and he is hereby appointed a director of the company, whose office is liable to determination by retirement of directors by rotation.

6. To consider and, if thought fit, to pass the following Resolution as a Special Resolution with or without modification :

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions of the Companies Act, 1956 ("the Act") and the provisions of the Articles of Association of the Company, the Authorised Capital of the Company, be and is hereby changed / altered from Rs.20 Crores (Rupees Twenty Crores only) consisting of 1,97,50,000 Equity Shares of Rs.10/- each and 2,50,000 Preference Shares of Rs.10/- each to Rs. 20 Crores (Rupees Twenty Crores only) consisting of 1,50,00,000 Equity Shares of Rs.10/- each and 50,00,000 Preference Shares of Rs.10/- each by reduction of 47,50,000 Equity Shares of Rs.10/- each and increase of 47,50,000 Preference Shares of Rs. 10/- each of the Company."

- (a) THAT Clause V of the Company's Memorandum of Association be and is hereby altered as under :

"The Authorised Share Capital of the Company is Rs.20,00,00,000 (Rupees 20 Crores) consisting of 50,00,000 Redeemable Preference Shares of Rs.10/- each and 1,50,00,000 Equity Shares of Rs.10/- each, with power to consolidate, convert, sub divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act 1956."

- (b) THAT the Articles of Association of the Company be altered by substituting the existing Article 3 by the following Article namely –

3. The Authorised Share Capital of the Company is Rs.20,00,00,000 (Rupees 20 Crores) consisting of 50,00,000 Redeemable Preference Shares of Rs.10/- each and 1,50,00,000 Equity Shares of Rs.10/- each, with power to consolidate, convert, sub divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act 1956.

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT, subject to the applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof from time to time) and the regulations / guidelines, if any, prescribed by Reserve Bank of India and Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as applicable or necessary, and subject to the provisions of the Memorandum of Association and Articles of Association of the Company, which the Board of Directors (hereinafter referred to as "the Board"), which term shall be deemed to include any committee constituted / to be constituted by the Board and authorized by the Board to exercise its powers, including the powers conferred by this Resolution) is hereby authorized to accept, the Board be and is hereby authorized on behalf of the Company, to create, offer, issue and allot upto 50,00,000 number of 10% cumulative redeemable Preference Shares (preference shares) of face value of Rs.10/- each, in India or abroad, in such tranches, on such terms and conditions and in such manner including, but not limited to, by way of private placement or public issue or rights issue to the shareholders (including its holding company or its nominees) or to any domestic / foreign investors, through prospectus and/or letter of offer and/or circular an/or any other document as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of preference shares as may be required to be issued and allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue and allotment of preference shares, the Board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into arrangements for managing, underwriting, marketing, listing, trading, acting as depository, custodian, registrar, stabilizing agent, paying and conversion agent, trustee and to issue any offer document(s) including, but not limited to, prospectus and/or letter of offer and/or circular, and sign all deeds, documents and writings and to pay any fees, commission, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

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."

By Order of the Board of Directors,

Chennai.
30th May 2013

N.R. PANICKER
CHAIRMAN

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

Explanatory statement :

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under item nos. 5, 6 and 7 of the accompanying Notice dated 30th May 2013

Item No. 5

Mr. S.T. Prabhu, 56 years, joined Accel Transmatic Limited's Board on 14th August 2013. Mr. S.T. Prabhu has 31 years of experience spanning across several sectors and is a Chartered Accountant and Company Secretary. He serves on the Boards of other Accel Group companies including Accel Limited and Accel Media Ventures Limited.

Mr. S.T. Prabhu was co-opted as an Additional Director by the Board of Directors of the company with effect from 14th August 2012. Pursuant to Section 260 of the Companies Act 1956, S.T. Prabhu will hold office only upto the date of the ensuing Annual General Meeting of the company and is eligible for appointment as Director.

Due Notice under Section 257 of the Act has been received from a Member, proposing the appointment of Mr. S.T. Prabhu as director of the company at the ensuing Annual General Meeting. The period of his office is liable to determination by retirement of directors by rotation.

The directors recommend the resolution for adoption.

None of the directors is concerned or interested in the resolution except Mr. S.T. Prabhu.

Item No. 6

The company's paid up equity share capital is Rs.11.04 crores and

the equity shares are listed on Bombay Stock Exchange Limited (BSE).

At the Board Meeting held on 30.05.2013, the Board of Directors of the Company approved subject to compliance with all related formalities, the Company converting the loans taken by it from the Holding company and group companies and capitalizing the same and issuing preference shares. Further, the company has been making losses for the past few years and need to shore up its network, which has eroded. Accordingly was requesting its holding company to invest in the company and /or convert the loans to share capital. The Holding company had conveyed its willingness to subscribe for Preference shares and hence these resolutions are proposed.

The present Authorised Capital of the Company is Rs.20 crores divided into Rs.19.75 crores equity capital and Rs.0.25 crores preference capital.

To enable the Company to issue / convert authorised equity capital into preference capital (authorized), the Board of Directors of the Company at their meeting held on 30.05.2013, subject to the approval of the shareholders, approved the Company altering the Authorised Capital (without increasing the overall limits) by increasing the preference capital and reducing the equity capital.

It may be noted that the preference share capital of the Company presently representing 250,000 preference shares of Rs.10/- each is being increased to 50,00,000 preference shares of Rs.10/- each within the overall authorized capital of Rs.20 crores, by reducing the equity capital.

In view of the proposed issue of preference shares, it is deemed necessary by the Board to change the division of equity and preference share capital in its authorized capital.

The change in the Authorised Capital of the Company also requires consequential amendments to the first paragraph of Clause V of the Memorandum of Association and Article 3 of Articles of Association of the Company dealing with the Authorised Capital of the Company.

The relevant Article 3 as at present and with the proposed amendment is given below for ready reference of the Members :

Present Article	Proposed Article
The Authorised Share Capital of the Company is Rs.20,00,00,000 (Rupees Twenty Crores) divided into 1,97,50,000 (One Crore Ninety Seven Lacs and Fifty Thousand only) Equity shares of Rs.10/- (Rupees Ten only) each and 2,50,000 (Two Lacs and Fifty Thousand) preference shares of Rs.10/- (Rupees Ten only) each with power to increase, modify and reduce the capital of the company and to divide the shares in the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively, preferential, differed, qualified or special rights, privileges or conditions, as may be determined under the provisions of the Act.	The Authorised Share Capital of the Company is Rs. 20,00,00,000 (Rupees 20 Crores) consisting of 50,00,000 Redeemable Preference Shares of Rs.10/- each and 1,50,00,000 Equity Shares of Rs.10/- each, with power to consolidate, convert, sub divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act 1956.

Item No. 7

The Company may need to raise long-term resources from time to time to carry on its activities and expansion of business. Further, the holding company, Accel Limited has extended over a period of time substantial amounts as corporate loans. Under the present circumstances, the servicing of this loan is difficult for the company. Further considering losses made in last few years, the network has been eroded and the it need to be shored up. The holding company, Accel Limited is willing to convert part of the loan into Preference Shares. Further, the management is hopeful that it may be in a position to attract some investors who are willing to take/subscribe for Preference Shares.

In view of the above, your Directors felt it would be in the overall interest of the Company to explore the option of mobilization of long-term resources by issue of preference shares by way of private placement or public issue or rights issue to its shareholders(including its Holding company and its Nominees) or to any domestic/ foreign investors, or in such other manner, in such tranches as the Board may, in its absolute discretion deem fit, from time to time, subject to applicable provisions of the Companies Act, 1956 (including with the aforesaid amendment being given effect to, as also any other statutory modification or re-enactment thereof from time to time) and the provisions of the Memorandum and Articles of Association of the Company. To give effect to the above, it is proposed that the Board of Directors / any Committee thereof be authorized to do all such acts, matters, deeds and things necessary or desirable in connection with or incidental thereto, including listing of the preference shares.

The Directors recommend the adoption of the Resolutions at Item No. 6 & 7 of the Notice. No Director is in any way concerned or interested in the Resolutions at Item No. 6 & 7 of the Notice, except to the extent of his/her participating in the proposed issue of preference shares as also to the extent of participation in the proposed issue of preference shares by a financial institution / company / body corporate / firm / bank / undertaking in which the Director or his/her relative may be directly or indirectly concerned / interested.

By Order of the Board of Directors,

Chennai.
30th May 2013

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, 05th August 2013 to Wednesday, 14th August 2013 (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 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 - 2006	15.09.2006	14.09.2013
2006 - 2007	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 in respect of such amount by the shareholder with the company.

In view of the above, the shareholders are advised to send their un-encashed dividend warrants to the Registered Office to 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

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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 communicate properly.

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" or can be furnished by Registrars on request.

By Order of the Board of Directors,

Chennai.
30th May 2013

N.R. PANICKER
CHAIRMAN

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

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Director's Report

Dear shareholders,

Your Directors are pleased to present the 27th annual report together with the audited accounts of the company for the year ended March 31, 2013.

Financial results	In INR Millions	
	Standalone	
	2013	2012
Income from operations	36.83	237.42
Profit before interest, depreciation & tax	(9.43)	85.77
Interest	24.31	30.90
Depreciation	51.67	51.97
Provision for tax	-	-
Profit /(loss) after tax	(65.42)	2.89

Review of operations:

During the financial year 2012-13, your company recorded total income of Rs 36.83 mn (previous year Rs 237.42 mn) comprising income from animation services of Rs 11.62 mn, other services Rs.5.21 mn and incentives on sale of technologies division of Rs 20 mn. The company reported a net loss of Rs 65.42 mn.

The company during the year continued to focus on content development services in Animation and Visual Effects and other activities in entertainment space.

During the year the animation division reported a negative EBITDA of Rs 12.92 mn (previous year, a negative EBITDA of Rs.67.54 mn) and reported a loss of Rs 88.32 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 a seventy minute series meant for DVD sales amounting to Rs 0.94 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 Managing Director and the Company Secretary & Compliance Officer 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 company has not employed any person attracting the provision of section 217 (2a) of the companies act 1956 during the year.

Dividends

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

Directors

Mr. A. Mohan Rao and Mr. M R Narayanan Directors of the company, retire by rotation.

Mr. A. Mohan Rao being eligible for re-appointment offers himself for reappointment..

Mr. M R Narayanan, 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.

Mr. S.T. Prabhu who has appointed as additional director holds office up to the date of AGM and the company has received a notice proposing his candidature for appointment as a director.

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

Auditors and their report

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.

The auditors have emphasised in their report about the realisation of intangible assets, that the company has incurred cash loss, networth has been eroded and the current liabilities exceeds the current assets.

The board of directors would like to clarify as below regarding "emphasis matter" expressed by the auditors in their report annexed with this annual report.

1. The company continued to incur losses during the period under review, due to various reasons like lack of viable service orders, interest cost on the borrowings made for investments in fixed assets and delays in monetising the assets due to market slowdown for animated content. The management is confident of sustaining the operations and recovering the investments made in the business.
2. The promoters have lent funds to sustain the operations during the years, the company incurred losses. These amounts have been shown under current liabilities and hence the mismatch between current assets and current liabilities. The holding company has already decided to convert into Rs 5 cr out of these funds into cumulative preferential shares to strengthen the equity base of the company and also to improve the current ratio.
3. The company is taking adequate steps to liquidate certain real estate assets owned by the company to reduce the bank liabilities and pay statutory liabilities.
4. The management is committed to grow the media business and is confident of carrying on the business as a going concern basis and would bring in necessary support to the extent possible as and when required.
5. The company had given corporate guarantee to a bank for the financial facilities enjoyed by a group company when the same was a subsidiary of the company. Subsequently the borrower company, which ceased to be a subsidiary, has repaid all loans taken from the bank except to the extent of Rs. 50 lacs, enjoyed as a cash credit which is expected to be closed during the current year.
6. The company had availed a term loan for Rs. 10.50 crores from a bank to fund the fixed assets, which were payable over a period of five years and hence long term in nature. The only short-term borrowing are in the form of cash credit facility and public deposits which are supported by Accounts Receivables. The long-term assets were acquired/ developed out of funds infused by the promoter companies.

The management is confident that it will be able to realise the intangible assets and with the support of its holding company and also as explained in the notes to accounts and also explained above, will continue to operate as a going concern.

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 2012-2013 was carried out by M/s. Vijayakumar & Easwaran 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.

By Order of the Board of Directors,

Chennai.
30th May 2013

N.R. PANICKER
CHAIRMAN

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

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 36.83 mn for the year ended March 31, 2013 (previous year Rs 237.42 mn). The company reported a net loss of Rs 65.42 mn for the year ended March 31, 2013 (previous year Net profit Rs.2.89 mn).

During the year, the company received an incentive of Rs. 20.00 mn on its sale of Technology services division during the previous year to Accel Frontline Limited.

During the year, the company continued to incur losses in the animation services division. Efforts are continued to market the intellectual property rights (IPR) of the company namely, "Raju the Rickshaw", a pre-school TV series of 78 episodes of 7 minutes each, India Fables, which is a TV series of 26 episodes of 11 minutes each along with "Shaktimaan" in 2D for broadcasting, which consists of 13 episodes of 23 minutes each, a co production work with Big Animation Studios. The revenues out of these IPR are expected in the coming years.