

21st
ANNUAL REPORT
2010 – 2011



COLORCHIPS
(INDIA) LIMITED

CONTENTS

- ▷ Corporate Information
- ▷ Notice of the Annual General Meeting
- ▷ Directors' Report
- ▷ Management Discussion and Analysis
- ▷ Report on Corporate Governance
- ▷ Auditor's Certificate on Corporate Governance
- ▷ Auditor's Report on Accounts
- ▷ Annexure to Auditor's Report
- ▷ Balance Sheet
- ▷ Profit and Loss Account
- ▷ Cash Flow Statement
- ▷ Schedules to Accounts
- ▷ Balance Sheet Abstract
- ▷ Proxy Form and Attendance Slip

Board of Directors:

Mr. K S Ravi Shanker	: Independent Director
Mr. K CH A V S N Murthy	: Independent Director
Dr. G Chandra Bhushan	: Independent Director
Mr. M Krishnam Raju	: Director
Mr. D S Subrahmanyam	: Whole Time Director
Mr. Penugonda TVM Suresh	: Managing Director
Mr. P Chandrasekhar	: Chief Financial Officer

Registered Office:

Plot No.91 Road No.7-B
Jubilee Hills, Hyderabad - 500 033
Tel No. 040 - 23550268, 23544862

Auditors:

Karumanchi & Associates
Chartered Accountants
Flat No.301, Swarganivas Enclave
H.No 7-1-619/A, Behind HUDA Complex
Ameerpet, Hyderabad-500038

Bankers:

ICICI Bank Limited
Jubilee Hills Branch
Hyderabad

Registrars & Share Transfer Agents:

Venture Capital and Corporate Investments Private Ltd
12-10-167
Bharat Nagar
Hyderabad-500018
Ph: 040-23818475/476
Fax: 040-23868024

Listed At:

- 1) National Stock Exchange of India Limited
- 2) Bombay Stock Exchange Limited

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of the Members of Color Chips (India) Limited will be held on Saturday the 31st day of December, 2011 at 11.00 AM at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033, AP to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2011 and the Profit and Loss Account for the year ended 30th June, 2011 and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. K S Ravi Shankar who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. D S Subrahmanyam who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Statutory Auditors of the Company.

Hyderabad
November 14, 2011

BY ORDER OF THE BOARD

**SD/-
PENUGONDA TVM SURESH
MANAGING DIRECTOR**

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 29th December 2011 to Saturday, 31st December 2011, both days inclusive.
3. Members are requested to bring their copies of the Annual Report at the time of attending the Meeting as the same will not be distributed at the Meeting.
4. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agents at M/s. Venture Capital & Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad- 500018.

5. The Company has designated exclusive e-mail Id called cs@colorchipsindia.com for redressal of shareholders' complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at above said mail IDs.

6. The Ministry of Corporate Affairs has taken a corporate "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies vide circular bearing No.18/2011 dated 29.04.2011. As per the MCA Circular, Service of documents through electronic mode i.e. e-mail by the Company will be a valid compliance of Section 53 of the Companies Act, 1956. In view of the above, notice is hereby given to every member of the Company including NRI shareholders to get their e-mail addresses registered with their respective Depository Participants (DP) in case shares are held in Demat form and with the Registrar & Share Transfer Agent (RTA) viz. M/s. Venture Capital & Corporate Investments Private Limited, Hyderabad, if the shares are held by them in physical mode. Further, it is also clarified that Company would be in compliance of provisions of Section 219(1) of the Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its members subject to the above cited compliance.

7. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking re-appointment at the meeting are annexed.

8. Company is also in receipt of complaints from various shareholders from time to time regarding non-receipt of Annual Report. In this connection, kind attention of the shareholders is drawn towards SEBI's Circular No. Cir/CFD/DCR/5/2010 dated 07.05.2010 read with amended Clause 31 of the Listing Agreement whereby filing of the soft copy of the full Annual Report to BSE by every listed company is made mandatory and in turn BSE is putting that Annual Report on its website for the reference and perusal of all the interested members. Hence, members may download the copy of full Annual Report of the Company from BSE website for their immediate reference and perusal. Further, Company is also maintaining a functional website in compliance with the Listing Agreement entered with the stock exchanges. Annual Report and other documents are available on the website of the Company for inspection.

9. It is also noticed that many members holding shares in physical mode are holding insignificant shares under multiple folios. In order to provide cost effective, faster and prompt service, all Members concerned are requested under relevant clause of Listing Agreement to get their shareholding consolidated in one folio only.

10. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the company/RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/ transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/RTA.

11. All mandatory registers / documents are open for inspection at the registered office of the Company on all working days (except Saturdays and Sundays) between 11.00 a.m. to 1.00 p.m. prior to the date of Annual General Meeting.

Details of Directors retiring by rotation and seeking re-appointment:
(In pursuance of Clause 49 of the Listing Agreement)

Particulars	K S Ravi Shankar	D S Subrahmanyam
Date of Birth	Nov 14, 1973	May 07, 1971
Date of Appointment	July 1,2007	July 1,2007
Expertise in specific functional areas	He is having 10 years experience in Company matters and Business affairs and projects	He is the Key personnel with 10 years experience in matters related to SEBI or ROC or Stock Exchange
Qualifications	Graduate in Commerce	Graduate in Commerce
No. of shares held as on Nov 14, 2011	500	Nil
Directorships held in other companies (excluding private limited and foreign companies)	1	Nil
Positions held in mandatory committees in other companies	3	Nil

DIRECTORS' REPORT

To
The Members
Color Chips (India) Limited

Your Directors have pleasure in placing before you the 21st Annual Report of the Company with Audited Financial Statements for the year ended 30th June 2011.

Financial Results :

(Rupees in Lakhs)

Particulars	2010-11	2009-10
Gross Total Income from Operations	20.34	0.50
Profit before Depreciation, Interest and Taxes	19.22	(41.40)
Depreciation	3.19	12.74
Finance Expenses	-	4.83
Profit Before Tax	16.03	(23.82)
Provision for Tax	--	--
Net Profit / (Loss)	16.03	(23.82)
Balance Carry forward to Balance Sheet	(704.76)	(704.76)

Dividend:

Due to inadequate profits, your directors have not recommended any dividend for the financial year.

Directors:

During the year Mr. Penugonda TVM Suresh and Mr. M. Krishnam Raju were inducted as Additional Directors with effect from August 14, 2010 and regularized as Directors with effect from September 23, 2010.

Mr. K S Ravi Shankar and Mr. D S Subrahmanyam retire by rotation and being eligible, offer themselves for re-appointment and brief particulars of these gentlemen, is given in the Explanatory Statement to the Notice of this Meeting. The Board commends the re-appointment of these persons as Directors of the Company.

Auditors:

M/s. Karumanchi & Associates, Chartered Accountants, Statutory Auditors of the Company appointed in the previous Annual General Meeting hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received from Karumanchi & Associates a consent letter to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Directors' Responsibility Statement:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm:

- i) That the directors in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of company for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

Particulars of Employees:

There are no employees drawing remuneration exceeding the limits as specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Fixed Deposits:

During the Financial year, company has not accepted any deposits falling with the preview of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo:

We firmly believe that technology is the genesis of innovative business practices, which in turn enable the organization to carry out business effectively and efficiently. Even though the Animation industry is technology intensive, we believe that there is an increasing need to mechanize the processes involved in order to minimize costs and increase efficiency. We intend to make investments in innovative techniques for this regard.

Energy: The Company is in the business of development of Animation software sector and does not require large quantities of energy. However, wherever possible energy saving efforts are made.

Foreign Exchange Earning and outgo:

a) Foreign Exchange Earnings

Nil

b) Foreign Exchange Earnings

Nil

Corporate Governance:

A separate section on Corporate Governance and a certificate from the statutory auditors of the Company regarding compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges form a part of this Annual Report.

Management Discussion and Analysis:

A separate section on Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges forms a part of this Annual Report.

Acknowledgements:

Your Directors take this opportunity to record their appreciation for the continuous support and co-operation extended by the customers, employees and bankers, The Directors also acknowledge the confidence reposed by the investors in the Company.

BY ORDER OF THE BOARD

Hyderabad
November 14, 2011

**SD/-
PENUGONDA TVM SURESH
CHAIRMAN OF THE MEETING**

MANAGEMENT DISCUSSION AND ANALYSIS

(Forming part of Directors' Report)

Industry Structure and Developments:

The total global animation production figures, according to the NASSCOM Animation report, range between US\$ 20-24 billion for the year 2011. Statistics for 2012 stand anywhere between US\$ 41 billion and US\$ 43 billion. Analysts estimate that the global animation production rose to about US\$ 54 billion in 2014. Besides, newer applications for animation are already in progress. In a classical sense, animation is converting drawing skills to a moving format it could be either on paper (2D) or on the computer (3D).

Segment wise analysis of the Industry:

The Indian animation industry is poised to touch Rs 4,375 crore by 2013, growing at a compound annual growth rate (CAGR) of 23 per cent, driven by a strong demand from entertainment and other sectors, says a study. According to a joint study by industry chamber Assocham and Deloitte, the Indian animation industry is expected to touch Rs 4,375 crore by 2013, from Rs 2,325 crore in 2010. While animation entertainment sector (content for television, films or DVD) comprised 20 per cent of the animation industry, the custom content development and education segment made up 64 per cent.

Opportunities:

According to a recent report by Pricewaterhouse Coopers International Limited, an international business consulting service provider, the Indian animation industry is poised to grow by, hold your breath, about 23% in the next four years! This means that the value of the industry that was estimated at 18.5 billion in 2009 will be a whopping 54 billion by 2014. This income has mainly come about as a result of the growing reputation of India as a quality place to outsource animation work to. Production for films including the Lord of the Rings, the Harry Potter series, The Chronicles of Narnia, and Spiderman 3 have taken place here during the last few years. Cartoons that were strictly in the domain of Cartoon Network are now a regular feature of many channels including POGO, Hungama TV, Nickelodeon, Disney XD and Disney Channel. From merely being a country that helps Hollywood studios make animated films, Indians are now witnessing several Desi production houses evince interest in making such films.

Outlook:

India is emerging as an outsourcing hub for animation and visual effects with large number of international media companies entering into joint ventures with animation studios in India. Animation market in India is estimated to be worth USD 860 mn in 2010 and is expected to reach USD 1,192 mn by 2012. Animation sector comprises of education, multimedia/web design, entertainment and custom content development. The Indian animation industry has matured on the technical expertise since last five years. Color Chips New Media Limited is into 2D and 3D Animation and syndication of comics & contents now needs to focus on creativity and build its own IP content based on indigenous story themes to become more credible in the world market.