

Board of Directors:

Mr. K.CH.A.V.S.N. Murth	: Independent Director
Dr. G.Chandra Bhushan	: Independent Director
Mr. Jagannadha Sastry Rani	: Additional Director *
Mr. Kotturi Ravi Kumar	: Additional Director *
Mr. M. Krishnam Raju	: Director
Mr. D. S. Subrahmanyam	: Whole Time Director
Mr. Penugonda TVM. Suresh	: Managing Director

* Appointed as Additional directors w.e.f from 14.08.2012

Registered Office:

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

Auditors:

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

Bankers:

HDFC 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

URL : www.colorchipsindia.com

Email Id for Investor Related Matters: cs@colorchipsindia.com

NOTICE

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of **Color Chips (India) Limited** will be held on Saturday, the 03rd day of November, 2012 at 12.00 PM at Hotel One Place, P.R.R Estate, 2-22-298, Behind K.P.H.B Bus Stop, Hyderabad – 500072 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2012 and the Profit and Loss Account for the year ended 30th June, 2012 and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. G.Chandra Bhushan who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. Krishnam Raju who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass, with or without modification the following resolution as Special Resolution:

Resolved that pursuant to Section 224,225 & other applicable provisions of the Companies Act, 1956 M/s S.N.Murthy & Co, Chartered Accountants, Hyderabad, be and is hereby appointed as Auditors of the Company in place of the retiring Auditors M/s Karumanchi & Associates, Chartered Accountants, Hyderabad, who expressed their unwillingness to continue as 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 such remuneration to be decided by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company.”

Hyderabad
September 29th, 2012

BY ORDER OF THE BOARD

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

SPECIAL BUSINESS:

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

“RESOLVED THAT Mr. Jagannadha Sastry Rani, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act 1956 by the Board of Directors w.e.f 14th August, 2012 and who holds the office up to the date of the ensuring Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with a deposit of Rs.500/- proposing him as a candidate for the office of Director of the company be and is hereby appointed as a director of the Company whose period of office is liable to retire by rotation.”

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

“RESOLVED THAT Mr. Kotturi Ravi Kumar, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act 1956 by the Board of Directors w.e.f 14th August, 2012 and who holds the office up to the date of the ensuring Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with a deposit of Rs.500/- proposing him as a candidate for the office of Director of the company be and is hereby appointed as a director of the Company whose period of office is liable to retire by rotation.”

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 Tuesday, 23rd October 2012 to Saturday, 03rd November 2012, (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 seeking appointment/re-appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

a	Name	Mr. M. Krishnam Raju	Dr. G.Chandra Bhushan	Mr. Jagannadha Sastry Rani	Mr. Kotturi Ravi Kumar
b	Brief Resume				
	i) Age	45 years	52 years	49 years	47 years
	ii) Qualification	M.Com	MBBS, MS	M.Com	B.com
	iii) Experience & Nature of expertise in specific functional Areas	He has over 20 years experience in Finance sector.	He has over 12 years experience in Health Care sector.	He has over 20 years experience in Finance sector	He has over 15 years experience in Finance sector
	iv) Date of appointment on the Board of the Company	August 14 th , 2010	December 12 th , 2004	August 14 th , 2012	August 14 th , 2012
c)	Names of other companies in which directorship held (as per Section 275 and 278 of the Companies Act, 1956)	01	NIL	NIL	NIL
d)	Name(s) of companies in which committee Membership(s) held	NIL	NIL	NIL	NIL
e)	No. of shares of Rs.10/- each held by the Director	NIL	28200	NIL	NIL
f)	Relationship between Directors inter se (As per section 6 and schedule 1A of the Companies Act, 1956)	NA	NA	NA	NA

DIRECTORS' REPORT

To
The Members
Color Chips (India) Limited

Your Directors have pleasure in placing before you the 22nd Annual Report of the Company with Audited Financial Statements for the year ended 30th June 2012.

Financial Results:

Particulars	2011-12	2010-11
Gross Total Income from Operations	38.88	20.34
Profit before Depreciation, Interest and Taxes	(900.26)	17.97
Depreciation	12.75	15.23
Finance expenses	-	2.68
Profit Before Tax	(913.01)	0.54
Provision for Tax	--	--
Net Profit / (Loss)	(1563.94)	0.54
Balance Carry forward to Balance Sheet	(2268.16)	(704.21)

Dividend:

The Company has incurred losses for the financial year. Therefore, your directors have not recommended any dividend for the financial year.

Directors:

During the year Mr. Jagannadha Sastry Rani and Mr. Kotturi Ravi Kumar were inducted as Additional Directors with effect from August 14, 2012.

During the year under review, Dr. G.Chandra Bhushan and Mr. M. Krishnam Raju **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.

Comprehensive Capital/ Financial Restructure Plan:

Your Board of Directors has proposed Scheme of Arrangement under the provisions of Sections 391 to 394 read with Sections 100 to 103 and Section 78 of the Companies Act, 1956 read with relevant rules made there under, which provides for an Arrangement between the Company, its Shareholders and unsecured Creditors. The Bombay Stock Exchange Limited, wherein your company's shares are listed and traded, has conveyed their "No Objection" to the application filed by the company, by way of their letter dated 14th September, 2012. The petition to the Honorable High Court of Andhra Pradesh has been filed in September 2012 for its approval.

Auditors' & Auditor's Report:

M/s. Karumanchi & Associates., Chartered Accountants, Statutory Auditors of the Company, have expressed their inability to continue as Statutory Auditors of the Company w.e.f ensuing General Meeting. It is proposed to appoint M/s S.N.Murthy & Co, Chartered Accountants, Hyderabad, in place of the retiring auditors from the conclusion of this Annual General meeting to next Annual General meeting.

Directors' Responsibility Statement Pursuant to Sec. 217(2AA):

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility statement, it is hereby confirmed that:

In the preparation of the annual accounts for the year ended June 30th, 2012, the applicable accounting standards read with requirements set out under Schedule VI of the Companies Act, 1956 have been followed along with proper explanation relating to material departures;

The directors have 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 as on June 30th, 2012 and of the profit or loss of the company for that period;

The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

The directors have prepared the annual accounts of the Company on a going concern basis.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Sec. 217(1)(e) of the Act read with rule 2 of Companies (disclosure of particulars in the report of board of directors) Rules, 1988 are set out in **Annexure-A** to this Report.

Management Discussion & Analysis:

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India, and forms part of this Annual report as

Annexure-B**Report On Corporate Governance:**

The Company is committed to maintain the standards of Corporate Governance and adhere to the Corporate Governance requirements as set out by SEBI. Your Directors re-affirm their commitment to these standards and a detailed report on Corporate Governance along with a certificate from statutory auditors on its compliance forms a part of this Annual Report as **Annexure-C**

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to

this Report as **Annexure-D**

CEO'S Declaration As Required Under Clause 49 Of the Listing Agreement:

Declaration as required under clause 49(I)(D)(ii) of the listing agreement with regard to compliance with the code of conduct of the company is set out as **Annexure- E** to this report.

Particulars of Employees - Pursuant To Sec. 217(2A) Of The Companies Act, 1956:

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, there are no employee in the Company who is drawing the remuneration worth Rs. 5,00,000 per month or Rs. 60,00,000 per annum during the financial year .

Stock Exchange Listing:

The Equity Shares of the company are listed and traded on the Bombay Stock Exchange Limited. The listing fee for the year 2011-12 has been paid to the Bombay Stock Exchange Limited. The Company has also paid custodial fee for the year 2011-12 to both the depositories' viz. NSDL and CDSL on the basis of number of beneficial folios maintained by them as on 31st March 2012.

The Company has been suspended from trading from the National Stock Exchange of India Limited.

Fixed deposits:

Your company has not accepted / renewed any fixed deposits under Section 58A of the Companies Act, 1956 during the year 2011-2012.

Acknowledgements:

The Directors wish to place on record their appreciation for the continued co-operation and support by the Banks, Government authorities, Business Partners, Customers and other Stakeholders and more importantly, more specifically to the contribution made by all the Executives, Staff members of the Company in the achievements of the Company during the year under review.

Hyderabad
September 29th, 2012

BY ORDER OF THE BOARD

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

ANNEXURE TO THE DIRECTORS' REPORT

Annexure-A :Conservation of Energy, Technology Absorption, 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:

Amount in Rs. Lakhs

Sl. No.	Particulars	2011-12	2010-11
1.	Foreign Exchange Earnings	--	--
2.	Foreign Exchange Outflow	--	--

Hyderabad
September 29th, 2012

BY ORDER OF THE BOARD

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

Annexure-B Management Discussion And Analysis (Forming part of Directors' Report)

Industry Overview

The global financial crisis did not just hit the realty projects and banking firms. It did have a trickling effect on the animation industry but limited. Animation has not only survived but grown in geometrical progression over decades because it has bred very competent and skilled artists, producers and animation studios where they collaborate to produce quality work at very predictable intervals. With the advent of 3D CGI animation the dynamics have stayed intact. It is an industry with its very own distinct sensibilities and nuances. Over the last year, emergence of well loved movies franchises like Ice Age, Madagascar, Kung Fu Panda, Lorax, just to name a few, many upstart entrepreneurs and visionary artists decided to create 3D animation studios of their own. The hype continues without reaching a bubble status. After all, demand continues for these kinds of entertaining, colourful family oriented films.

Indian animation entertainment industry is a highly fragmented industry. Indian players are primarily involved in the labour-intensive production and post-production activities, as a 'Service Provider' working on the revenue model of 'Work-For-Hire'. This means that most skill sets are at the lower end of the value chain. Though there are a few firms offering world-class capabilities for India to emerge as a global animation hub, there is a need to upscale these capabilities across a wider section of the industry by focusing on owning the IP. Content development and pre-production activities are nascent in India, both for the domestic and the outsourcing market. However, this is expected to see some momentum owing largely to corporate e-learning programs.

Content requirement for corporate e-Learning is expected to grow at 11% per annum (2009-13). This requirement for content, added to the inclination of corporate in the US to outsource custom content development is likely to be a future opportunity for custom content development companies in India.

Industry Structure and Developments:

The year 2011-12 was extremely challenging. We pulled up our sleeves and re-grouped to strategies our way forward. The services product mix had to have all the three formats viz work for- hire for TV, DVD and Feature. We were successful in converting these prospects to customers.

The animation, gaming and VFX industry will continue to maintain its growth pace and is projected to grow at a CAGR of 21.4% from its current size of INR 31.3 billion to INR 82.6 billion in 2015. Growth in international animation films, especially the 3D productions, and subsequent work for Indian production houses will help in the growth this segment. The Indian gaming industry is projected to grow from an estimated size of INR 8.3 billion in 2010 to an estimated INR 25.3 billion by 2015, translating to a cumulative growth of 24.9% over the next five years.

The Indian Animation industry was worth US\$ 511 million in 2010 and is expected to grow at CAGR of 23% to reach US\$ 961 million by 2013.