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Annual Report 2007-08

DECCAN Chronicle

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Board of Directors

T Venkattram Reddy
Chairman

T Vinayak Ravi Reddy
Vice Chairman

P K Iyer
Managing Director

M Sukumar Reddy
Director

G Kumar
Director

E Venkatram Reddy
Director

Krishan Premnarayen
Director

Company Secretary

D Giridhar Reddy

Auditors

C B Mouli & Associates
Chartered Accountants
125, M G Road
Secunderabad-500 003

Registered Office

6-3-898, Raj Bhavan Road
Somajiguda, Hyderabad-500 082

Corporate Office

36, Sarojini Devi Road
Secunderabad-500 003

ISIN Number

INE 137G01027

Registrar & Share Transfer Agent

Karvy Computershare Private Ltd
17-24, Beside Image Hospital
Vittal Rao Nagar, Madhapur
Hyderabad-500 081

Bankers

ICICI Bank Limited
Canara Bank

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Independent Auditors

KPMG
5 Merchant Towers, II Floor, Road No 4
Banjara Hills, Hyderabad-500034

Legal Advisors

Amarchand & Mangaldas & Suresh A.Shroff & Co
Advocates & Solicitors, 1-10-20/2B
4th Floor Pooja Enclave, Begumpet
Hyderabad-500 016

Titus & Co
Advocates, Titus House
R - 77 A, Greater Kailash - 1
New Delhi-110 048

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Letter to Shareholders

Your Company has achieved many a milestone and has had a significant financial year ended March'08, the quarter ended June '08 is further reinforcing our belief that *Deccan Chronicle Holdings Ltd* will change considerably in size and character over the next 24 months and achieve substantial value creation for its shareholders.

Your Company has successfully accomplished its vision of being present in all three large southern markets and is poised to attain leadership position in Southern India with the launch of the **Bangalore edition on May 26th 2008**.

Your Company has entered the financial/business segment on **April 16th 2008** with the launch of the *Financial Chronicle* on a pan India basis launching simultaneous editions from **Bangalore, Chennai, Hyderabad & Mumbai**. The product is a refreshing change from the current offerings and is aimed to be more interactive, its appeal is further enhanced by the co-branding with the *International Herald Tribune* as it brings global news and perspective to the reader.

The web edition of the Financial Chronicle www.mydigitalfc.com has garnered more hits/page views than its print format in size of readership besides a greater level of interactivity that has attracted a larger audience. www.mydigitalfc.com as a portal will soon replace many other offerings as a one stop content/analysis portal.

The web is the future. *Deccan Chronicle* on the web together with www.mydigitalfc.com and the specific student community portal of www.papyrusclubs.com and two more specific portals under development residing in *Sieger Solutions* has achieved a remarkable success with turnover from content/subscription/advertising as follows for the year ended March 31st 2008:

Sales Turnover	: Rs. 71, 88, 61,930
PBIDT	: Rs. 58, 95, 13,960
PBT	: Rs. 48, 72, 04,818
PAT	: Rs. 31, 97, 28,232

These numbers are significant as they indicate the trend and direction that will change the character of *Deccan Chronicle Holdings Ltd* in future as eventually web initiatives of *Sieger Solutions* will become larger as we can see from the performance for the quarter ended June 30th 2008:

Sales Turnover	: Rs. 23, 15, 98,121
PBIDT	: Rs. 18, 23, 61,069
PBT	: Rs. 16, 20, 55,189
PAT	: Rs. 13, 18, 55,189

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The challenges of growth in the industry and the current difficult global scenario has led to increasing cost pressure on the newsprint prices globally together with higher freight costs owing to astronomical rise in the price of crude oil, your Company has tried to mitigate these with a rate increase of 30% in its advertising tariff across all its editions effective from May 1st 2008 and this should reasonably cover any dips in the profitability ratios.

On behalf of the management team I assure that your Company is ready to grab market share and seize business opportunities as much as take corrective steps and change course as we encounter new challenges. I also take this opportunity to thank the Board of Directors for their support and suggestions, our suppliers, employees and our readers.

Sincerely,

P K Iyer
Managing Director

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Notice for the 6th Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting of the members of Deccan Chronicle Holdings Limited will be held on Tuesday, September 30th, 2008 at 10.30 A.M. at Hotel Basera, Sarojini Devi Road, Secunderabad-500 003 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31st, 2008 and Profit and Loss Account on that date and the reports of the Board of Directors and Auditors' thereon.
2. To declare final dividend for the financial year 2007-08 and confirm interim dividend of 50% already paid during the year.
3. To appoint a director in place of Mr. M Sukumar Reddy who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   To appoint M/s. C B Mouli & Associates, Chartered Accountants, the retiring auditors, as Statutory Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

Special Business:

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

   "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Krishan Premnarayen be and is hereby appointed as an Independent Director of the Company, whose period of office shall be liable to retire by rotation."

By order of the Board

Place : Secunderabad
Date : 29.07.2008

D Giridhar Reddy
Company Secretary

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Notes:

1. ***Every member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such Proxy need not be a member.***

2. ***The proxy form duly completed must reach the registered office of the Company before 48 hours of time fixed for holding the meeting.***

3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of the notice.

4. Pursuant to clause 49 of the Listing Agreement particulars of Mr. M Sukumar Reddy seeking re-appointment at this meeting is enclosed.

5. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 15th September 2008 to Monday, 22nd September 2008 (both days inclusive) for the purpose of AGM and payment of dividend.

6. Members are requested to:

   i) note that copies of Annual Report will not be distributed at the Annual General Meeting.

   ii) deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the entry slip available at the counters at the venue to be exchanged with the attendance slip.

   iii) quote their Folio / Client ID & DP ID Nos. in all correspondence.

   iv) note that no gifts/coupons will be distributed at the Annual General Meeting.

7. A corporate member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956 i.e., only if the corporate member sends certified true copy of the Board resolution / power of attorney authorizing the representative to attend and vote at the Annual General Meeting.

8. Members are requested to notify immediately any change of address:

   i. to their Depository Participants (DP) in respect of shares held in dematerialized form, and

   ii. to the Company at its Registered Office or to its Registrar & Transfer Agent M/s Karvy Computershare Pvt Ltd in respect of their physical shares, if any, quoting their folio number.

9. All documents referred to in the accompanying notice are open for inspection at the registered office of the Company on all working days (barring Saturdays and Sundays) between 11.00 A.M. to 1.00 P.M. prior to the Annual General Meeting.

By order of the Board

Place : Secunderabad
Date : 29.07.2008

D Giridhar Reddy
Company Secretary

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EXPLANATORY STATEMENT

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

Item No.5

The Board of Directors of the Company had at its meeting held on 26th October, 2007 appointed Mr. Krishan Premnarayen as Additional Director of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956 read with Article 98 of the Articles of Association of the Company, Mr. Krishan Premnarayen holds office only up to the date of this Annual General Meeting. A brief profile of Mr. Krishan Premnarayen is given below for your information.

Mr.Krishan Premnarayen is a Graduate and has vast experience in advertising, marketing and finance. He was the President of Advertising Agencies Association of India (AAAI), Chairman of Audit Bureau of Circulation (ABC) and Chairman of National Readership Studies Council (NRSC).

Your Company has received a notice, in writing from a shareholder, under Section 257 of the Companies Act, 1956 along with a requisite deposit, signifying his intention to appoint Mr. Krishan Premnarayen as an Independent Director of the Company. The Board considers it desirable that the Company should continue to avail the services of Mr. Krishan Premnarayen and accordingly recommends the resolution for your approval.

None of the Directors except Mr. Krishan Premnarayen is interested or concerned in the above resolution.

By order of the Board

Place : Secunderabad
Date : 29.07.2008

D Giridhar Reddy
Company Secretary

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Management discussion and analysis

The year 2007-08 yet again saw significant growth both in advertisement and circulation compared to the previous year with strong growth in Hyderabad, Chennai and in other parts of Andhra Pradesh.

The Profit before tax was Rs.41905.21 lakhs as against Rs.24032.15 lakhs in the previous year, an increase of 74%.

The Profit after tax was Rs.27194.15 lakhs as against Rs.16135.69 lakhs in the previous year an increase of 69%.

Results of Operations

- Income from Operations has increased by 41.53% from Rs.55278.44 lakhs to Rs.78237.04 lakhs.
- Advertisement revenue increased by 44.32% from Rs.51135.17 lakhs to 73799.26 lakhs.
- Circulation revenue increased by 7.11% from Rs.4143.27 lakhs to Rs.4437.78 lakhs.

The advertisement revenue increased on account of increased advertisement realization and higher volumes. During the year the Company increased advertisement rates by 30% across all its editions. The trend to move to colour advertisements continue to yield better returns to the Company.

The advertisement revenue as a percentage of Income from operations has increased from about 92% to 94%

The circulation revenue has increased on account of increase in circulation. As per the latest certificates of the Audit Bureau of Circulation (ABC) for the period July- Dec 2007 the circulation in Andhra Pradesh is 7,00,838 copies and in Chennai is 3,02,333 copies aggregating to a total circulation of 10,03,171 copies as against January- June 2007 circulation of 6,49,469 copies in Andhra Pradesh and 2,98,822 copies in Chennai aggregating to a total circulation of 9,48,291 copies marking a growth of 6%.

Industry Overview

The newspaper industry in India is robust and growing. While circulation worldwide is hitting a plateau, India is a buoyant market where circulation figures continue to rise. Media groups are launching new publications, the established ones spreading wings and launching second titles and covering more cities. The expansion of the Indian newspaper industry has been fuelled by increasing literacy and economic prosperity. With the increased reach of the Print Media and its ability to attract customers for businesses the advertising spend in the print is fast increasing.

Financial Review

Share Capital

The total shareholders' fund as at March 31st, 2008 is Rs.106709.15 lakhs of which equity capital is Rs. 4897.55 lakhs comprising 24,48,77,545 equity shares of Rs.2 each.

Reserves and Surplus

As at March 31st 2008 the reserves and surplus of the Company aggregated to Rs.101811.60 lakhs as against Rs. 77913.02 lakhs in the previous year an increase of Rs.23898.58 i.e., 30.67%.

Dividend

The Board of Directors of the Company had declared and paid an interim dividend of 50% in July 2007. The Board of Directors also recommended a further dividend of 100% at its meeting held on June 30th, 2008. The total dividend will be 150% for the financial year 2007-08. The dividend outflow including dividend tax aggregated to Rs.8585.09 lakhs as against Rs.2676.82 lakhs in the previous year.

Debt

The total debt as at March 31st, 2008 is Rs.79269.62 lakhs as against Rs.52805.46 lakhs in the previous year an increase of Rs.26464.16 lakhs. The debt comprises Rs.20300 lakhs of long term debentures, Rs.34000 lakhs of short term debentures, equipment finance of Rs11641.41 lakhs and the balance Rs.13328.21 lakhs comprises of buyers credit and bank overdraft.

Fixed Assets

The gross block of fixed assets is Rs. 64640.52 lakhs as against Rs.60918.43 lakhs in the previous year an increase of Rs.3722.09 lakhs on account of expansion/modernization of the printing facilities.

Investments

During the year the Company invested Rs.5062.50 lakhs in Odyssey India Limited to enable it to set up additional stores to take advantage of the growing retail trade.

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Inventories

Inventories as at March 31st, 2008 is Rs.3014.70 lakhs as against Rs.2998.42 lakhs in the previous year. Inventory primarily comprises of newsprint, Ink, plates, films etc.

Debtors

Debtors has decreased from Rs.30368.53 lakhs in the previous year to Rs.24469.11 lakhs and the consolidated debtors has decreased from Rs.41984.74 lakhs in the previous year to Rs.24811.84 lakhs on account of better realization.

Loans and Advances

The loans and advances has increased from Rs.11378.57 lakhs in the previous year to Rs.19002.74 lakhs primarily on account of advance to suppliers of newsprint.

Cash and Bank

The cash and bank balance has increased from Rs.33331.99 lakhs in the previous year to Rs.79468.95 lakhs and the consolidated cash and bank balance has increased from Rs.33475.38 lakhs in the previous year to Rs.98543.31 lakhs.

Revenues

Advertisement revenue has increased from Rs.51135.17 lakhs to Rs.73799.26 lakhs a growth of 44.32% over the previous year. The growth has arisen on account of higher advertisement rates and volume. The circulation revenue increased from Rs.4143.27 lakhs to Rs.4437.78 lakhs a growth of 7.11% over the previous year due to increase in circulation.

Printing and Other Operative Expenses

The decrease in printing and operative cost from Rs.24059.11 lakhs to Rs.23428.96 lakhs is primarily due to lower newsprint cost and favourable exchange rate.

Overheads

Overheads comprise personnel cost and sales and administrative expenses. The overheads for the year are Rs.5923.53 lakhs compared to Rs.5106.61 lakhs for the previous year. However overheads as a percentage of total revenue has decreased to 7.22% compared to 8.73% in the previous year.

Interest and Financial Charges

The interest and financial charges for the year is Rs.7678.89 lakhs as against Rs 3319.45 lakhs in the previous year. This is primarily on account of general trend of increase in interest rates and significant realisation of debtors being effected in the later part of the year. Now with a healthy cash position, the company would proceed to reduce the interest cost by reduction of short term debts and / or interest realisations by proper investment of funds.

Depreciation

The Company provides depreciation on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The depreciation charge has increased from Rs.1712.82 lakhs to Rs.2799.30 lakhs due to expansion/modernization.

Corporate Income tax

The corporate income tax has increased from Rs.5922.10 lakhs to Rs.13434.66 lakhs on account of increased profits.

Internal Control Systems

The Company has adequate internal control systems to monitor all aspects of operations and managerial functions. There are well defined procedures and policies laid out to perform the various functions. All functions are regularly reviewed and the results of the same are discussed by the senior management and Audit Committee. The recommendations are duly implemented.

Risk Management

All businesses are subject to internal and external risks. The internal risks are controllable risks and the senior management has identified such risks and formulated such actions to mitigate the effect of such risks. The external risks like change in government policies are not within the control of the management.

Industry Risk

The print media industry is enjoying significant growth on the basis of the growing economy, high-income levels and increasing literacy amongst the people. Any variations in these can have an impact on the industry.

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