

Annual Report 2010 - 11



DECCAN
Chronicle
NO. 1 IN SOUTH INDIA

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Board of Directors

T . Venkatram Reddy *(Chairman)*

T . Vinayak Ravi Reddy *(Vice Chairman)*

P. K. Iyer *(Vice Chairman)*

N. Krishnan *(Managing Director)*

M. Sukumar Reddy *(Independent Director)*

G. Kumar *(Independent Director)*

Krishan Premnarayan *(Independent Director)*

V. Suresh *(Independent Director)*

Company Secretary

V. Shankar

Auditors

C B Mouli & Associates

Chartered Accountants

125, M G Road

Secunderabad-500 003

Registered Office

36, Sarojini Devi Road

Secunderabad-500 003

ISIN Number

INE 137G01027

Registrar & Share Transfer Agents

Karvy Computershare Private Ltd

17-24, Beside Image Hospital

Vittal Rao Nagar, Madhapur

Hyderabad-500 081



Dear Shareholders,

Your company has had a very significant year in terms of its geographical spread as far as the core print business is concerned by entering and publishing from Kerala, we have completed the last mile in coverage of the four states of South India and have emerged as the undisputed no. 1 English daily in South India.

The growth in revenues this fiscal has been challenging both for your company and the nation that is grappling with high inflation, high interest rates and a looming threat of slowdown in the GDP growth coupled with not so encouraging global economic environment as well.

This has been a further daunting task in the face of political uncertainties in the southern states that your company operates in.

We have also witnessed a rising raw material cost that has not helped the situation. Despite these, the management of your company and its committed team has achieved satisfactory results and have made constant innovation to mitigate the risks.

After three years, Deccan Chargers has a new team which is young in its median age and committed to improve on the previous teams performance going forward.

As I pen this letter to you, the country has had a good monsoon and we are seeing decline in commodities prices which signal tapering inflation and pause to interest hikes which will increase consumer spend and growth, that gives us the confidence that from the last quarter of 2011 and first quarter of 2012 we will see the start of an uptick in revenues & profitability.

I take this opportunity to thank the support of your board of directors, suppliers, employees and our millions of readers.

Sincerely,

T. Venkatram Reddy
Chairman

NOTICE

Notice is hereby given that the 9th Annual General Meeting of the members of Deccan Chronicle Holdings Limited will be held on Friday, 30th September 2011 at 9.00 A.M. at Hotel Baseraa, Sarojini Devi Road, Secunderabad-500003 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended on that date and the reports of the Board of Directors' and Auditors' thereon.
2. To appoint a director in place of Mr. Krishan Premnarayan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. T. Vinayak Ravi Reddy, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. G. Kumar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. C B Mouli & Associates, Chartered Accountants, the retiring auditors, as Statutory Auditors of the company to hold office till the conclusion of next Annual General Meeting and to authorise the Board to fix their remuneration.

Special Business

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

"RESOLVED THAT the Company hereby accords its consent and approval under section 314 (1) and all other applicable provisions, if any, of the Companies Act, 1956, to Mr. T. Vijay Reddy, a relative (son) of Mr. T. Venkatram Reddy, Chairman and Whole Time Director of the Company, for holding and continuing to hold an office or place of profit under the company as Vice President (Business Development & Finance) on a gross remuneration of ₹.1,50,000/- per month.

RESOLVED FURTHER THAT the Board of Directors, which expression shall include a Committee of Directors, of the Company be and is hereby authorised to do all acts, deeds and things as are necessary and incidental for implementing this resolution."

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

"RESOLVED THAT the Company hereby accords its consent and approval under section 314 (1) and all other applicable provisions, if any, of the Companies Act, 1956, to Mrs. T. Manjula Reddy, a relative (wife) of Mr. T. Venkatram Reddy, Chairman and Whole Time Director of the Company and also related to (Brother's wife) Mr. T. Vinayak Ravi Reddy, Vice Chairman and Whole Time Director of the company, for holding and continuing to hold an office or place of profit under the company as Senior Features Editor on a gross remuneration of ₹.2,45,000/- per month.

RESOLVED FURTHER THAT the Board of Directors, which expression shall include a Committee of Directors, of the company be and is hereby authorised to do all acts, deeds and things as are necessary and incidental for implementing this resolution."

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

"RESOLVED THAT the Company hereby accords its consent and approval under section 314 (1) and all other applicable provisions, if any, of the Companies Act, 1956, to Ms. T. Gayatri Reddy, a relative (daughter) of Mr. T. Venkatram Reddy, Chairman and Whole Time Director of the Company, for holding and continuing to hold an office or place of profit under the company as Features Editor on a gross remuneration of ₹.2,00,000/- per month.

RESOLVED FURTHER THAT the Board of Directors, which expression shall include a Committee of Directors, of the Company be and is hereby authorised to do all acts, deeds and things as are necessary and incidental for implementing this resolution."

By Order of the Board

For Deccan Chronicle Holdings Ltd.

V. Shankar

Company Secretary

Secunderabad, August 13, 2011

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. Krishan Premnarayan, Mr. T. Vinayak Ravi Reddy, and Mr. G. Kumar seeking re- appointment at this meeting is given in the Corporate Governance Report.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September 2011 to 22nd September 2011 (both days inclusive) for the purpose of AGM.
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 Meeting 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 & Share Transfer Agent M/s. Karvy Computershare Pvt. Ltd. in respect of their physical shares, if any, quoting their folio number.
9. **The Ministry of Corporate Affairs, Government of India (vide its Circular Nos. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively) has taken a 'Green Initiative in Corporate Governance' by allowing paperless compliances and recognizing delivery of Notices/Documents/ Annual Reports etc. to the shareholders through electronic medium.**

In light of the above, the company will be sending Notice/Documents/ Annual Reports etc. to the shareholders in future through email, wherever the Email Id is available; and through other modes of service provided in Section 53 of the Companies Act where email address have not been registered.

Accordingly Members are requested to support this initiative by registering their email addresses in respect of shares held in dematerialised form with their respective Depository Participants and in respect of shares held in physical form with the company's Registrar and Share Transfer Agents, M/s. Karvy Computershare Pvt. Ltd.

By Order of the Board
For Deccan Chronicle Holdings Ltd.

V. Shankar
Company Secretary

Secunderabad, August 13, 2011

Explanatory Statement

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

Item No. 6

In terms of the provisions of section 314(1) of the Companies Act, 1956, a special resolution is required for enabling any relative of a Director of the Company [holding office or place of profit] to hold any office or place of profit under the Company. It is proposed to appoint Mr. T. Vijay Reddy, son of Mr. T. Venkatram Reddy (who is the Chairman and Whole Time Director of the Company), as Vice President (Business Development & Finance) on a gross monthly remuneration of ₹. 1,50,000/-.

Mr. T. Vijay Reddy is a B.Sc (Hons.) in Business Studies from Lancaster University, U.K. and has the acumen and skills necessary for the position and directors are of view that the company would derive benefit from his appointment. The remuneration proposed as above is comparable with the remuneration drawn by other employees in similar position/hierarchy in the company.

Accordingly, in terms of section 314(1) of the Act, the members are requested to grant their consent to Mr. T. Vijay Reddy for holding and continuing to hold the aforesaid office or place of profit with the Company.

Item No. 7

In terms of the provisions of section 314(1) of the Companies Act, 1956, a special resolution is required for enabling any relative of a Director of the Company [holding office or place of profit] to hold any office or place of profit under the Company. It is proposed to appoint Mrs. T. Manjula Reddy, wife of Mr. T. Venkatram Reddy (who is the Chairman and Whole Time Director of the Company), as Senior Features Editor on a gross monthly remuneration of ₹. 2,45,000/-. Mrs. T. Manjula Reddy is also related (brother's wife) to Mr. T. Vinayak Ravi Reddy, Vice Chairman and Whole Time Director. Mr. T. Vinayak Ravi Reddy is brother of Mr. T. Venkatram Reddy.

Mrs. T. Manjula Reddy is a graduate in Economics, Public Administration and Political Science and has skills necessary for the position and directors are of view that the company would derive benefit from her appointment. The remuneration proposed as above is comparable with the remuneration drawn by other employees in similar position/hierarchy in the company.

Accordingly, in terms of section 314(1) of the Act, the members are requested to grant their consent to Mrs. T. Manjula Reddy for holding and continuing to hold the aforesaid office or place of profit with the Company.

Item No. 8

In terms of the provisions of section 314(1) of the Companies Act, 1956, a special resolution is required for enabling any relative of a Director of the Company [holding office or place of profit] to hold any office or place of profit under the Company. It is proposed to appoint Ms. T. Gayatri Reddy, daughter of Mr. T. Venkatram Reddy (who is the Chairman and Whole Time Director of the Company), as Features Editor on a gross monthly remuneration of ₹. 2,00,000/-.

Ms. T. Gayatri Reddy is a B.Sc (Hons.) in construction management from University College of London and has the skills necessary for the position and directors are of view that the company would derive benefit from her appointment. The remuneration proposed as above is comparable with the remuneration drawn by other employees in similar position/hierarchy in the company.

Accordingly, in terms of section 314(1) of the Act, the members are requested to grant their consent to Ms. T. Gayatri Reddy for holding and continuing to hold the aforesaid office or place of profit with the Company.

By Order of the Board

For Deccan Chronicle Holdings Ltd.

V. Shankar

Company Secretary

Secunderabad, August 13, 2011



Management discussion and analysis

The financials of the year under review are not strictly comparable to that of previous year as Netlink Technologies Ltd., Odyssey India Ltd., and Deccan Chargers Sporting Ventures Ltd., the subsidiaries of the company, were amalgamated with the company from the appointed date of 1.04.2010.

The year 2010-11 was difficult and challenging for the company as the continued uncertain situation in the markets in which the company operates has led to a decreased spend on advertisements thereby affecting the advertisement revenue growth. Consequently, there was fall in the profitability with profit after tax at ₹.16,258.30 lakhs compared to ₹.26,091.81 lakhs in the previous year.

Operations Review

Deccan Chronicle, the flagship newspaper of the company continues to be the leading newspaper of South India. During the year under review, your company launched editions of Deccan Chronicle from Coimbatore as a measure of consolidating its position in Tamil Nadu and from Kochi in Kerala to make its maiden foray in that state. While Coimbatore edition of the paper has received good response, that in Kochi is promising. The above launches are expected to increase the readership and reach. Your company plans to consolidate its leadership in South India by launching few more editions starting with Thiruvananthapuram shortly and also increase the circulation and readership in the existing centres.

The circulation of Deccan Chronicle grew over 3%; as per Audit Bureau of Circulations (ABC) for the period Jul-Dec 2010 the average daily circulation is 14.23 lakhs copies as against Jul-Dec 2009 circulation of 13.79 lakhs copies.

The breakup of average daily circulation (in lakhs) is as under:

	Jul-Dec 2010	Jul-Dec 2009
Hyderabad	5.94	5.72
Rest of Andhra Pradesh	2.61	2.51
Chennai	3.15	3.11
Bengaluru	2.53	2.45
Total	14.23	13.79

The Hyderabad IPL Franchise 'Deccan Chargers' owned by the company is expected to enhance the brand value of the company and visibility. This is further indicated by the addition of two new teams in the league, the highest at a price of nearly ₹.1700 crores.

In IPL 3 the team qualified to the semi finals level though could not reach the same in IPL 4. The IPL 3 home matches were not played in Hyderabad due to local conditions, however the IPL 4 home matches conducted in April-May 2011 were played in Hyderabad. The financials for the year under review include the results of IPL 3.

The performance of 'Odyssey' chain of leisure stores of your company offering consumer lifestyle products of books, music, stationery and gifts during the year under review was impacted owing to reduced margins, decrease in consumer spend on leisure and lifestyle products on account of inflation, increase in

the real estate and staff costs. The company is taking effective steps to rationalize stores, reduce costs to have positive impact on overall performance.

Industry Overview

During the year under review, the Indian Economy continued to show resilience. However higher inflation of commodity and food prices continues to be a key concern, due to which Reserve Bank had to raise interest rates multiple times during the year.

The Indian Economy is expected to maintain its growth rate in the coming years notwithstanding external shocks, which is likely to translate to an increased advertisement spend, and the print media being a preferred medium is likely to derive a major benefit of the same.

Financial Review

Share Capital

Share capital as at March 31, 2011 is ₹. 4,869.44 lakhs comprising of 24,34,72,219 Equity shares of ₹. 2/- each fully paid up. The Equity share capital has increased during the year from ₹. 4,844.46 lakhs to ₹. 4,869.44 lakhs on account of allotment of 12,49,435 Equity Shares of ₹.2/- each upon conversion of 3,000 Foreign currency convertible bonds.

Reserves and Surplus

Reserves and surplus as at March 31, 2011 is ₹.1,23,145.03 lakhs as against ₹. 1,20,957.03 lakhs in the previous year a net increase of ₹. 2,188 lakhs. Retained Earnings accounted 57.57% of the Reserves and surplus.

Debt

Secured long term debt as at March 31, 2011 is ₹. 31,311.61 lakhs as against ₹. 32,886.56 lakhs in the previous year a decrease of ₹.1,574.95 lakhs.

Fixed Assets and Capital work in progress

The net block of fixed assets and Capital work in progress is ₹.92,671.31 lakhs as against ₹. 80,773.05 lakhs in the previous year the increase in block of assets is on account of amalgamation, expansion/modernization of the printing facilities.

Investments

There are no investments as at March 31, 2011; all the subsidiary companies have been amalgamated and the other investment was sold.

Inventories

Inventories as at March 31, 2011 is ₹. 13,340.94 lakhs as against ₹. 6,203.71 lakhs in the previous year, the increase in inventory is on account of inventory of amalgamated subsidiaries.

Debtors

Debtors as at March 31, 2011 is ₹. 25,836.15 lakhs as against ₹. 19,554.84 lakhs, increase in debtors is due to uncertain market condition.

Cash and Bank balances

Cash and bank balances as at March 31, 2011 is ₹. 70,379.60 lakhs as against ₹. 59,164.38 lakhs.

Loans and Advances

The loans and advances decreased to ₹.15,161.89 lakhs from ₹.18,551.13 lakhs in the previous year, primarily on account of amalgamation of subsidiaries.

Current liabilities and Provisions

The Current liabilities and Provisions increased to ₹.49,736.98 from ₹. 37,305.91 lakhs in the previous year, primarily on account of amalgamation of subsidiaries.

Printing and Other Operative Expenses

The increase in printing and operative cost from ₹. 31,758.25 lakhs to ₹.42,608.55 lakhs is primarily an account of cost of merchandise and franchisee fee paid of amalgamated subsidiaries.

Overheads

Overheads comprise personnel cost, sales and administrative expenses, Interest and financial charges. The overheads for the year are ₹. 31,636.97 lakhs compared to ₹.16,846.70 lakhs for the previous year. The current year financials includes the operating costs of the amalgamated subsidiaries.

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 ₹.4,224.85 lakhs to ₹.5,157.35 lakhs due to amalgamation, expansion / modernization.

Tax Charge

The total tax charge (including deferred tax) has decreased from ₹.13,272.93 lakhs to ₹.7,430.31 lakhs on account of reduced 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 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.

Raw Material Risk

Newsprint constitutes the major raw material for the newspaper industry. Therefore continuous supply of newsprint at competitive price is essential for the business.

Operational Risk

The Company has appointed good quality reporters who provide on daily basis proper and authenticated information. The Company has also deployed good quality machines for printing the newspaper without any breakdowns.

Outlook

The fundamentals of higher economic growth remaining intact notwithstanding concern on inflationary pressures, the economy is expected to maintain its current growth rate which will further lead to increasing standards of living and literacy level which will fuel growth. As such print media sector is considered to have a robust future within India for a number of years to come.

Cautionary Statement

Readers are cautioned that this section may contain forward looking statements by the management that involves certain risks and uncertainties. This section should be read in conjunction with the Company's financial statements and relevant notes attached thereto.



Corporate Governance

1. Company's philosophy on code of governance

Corporate governance is a synonym for sound management, transparency and disclosure. The Company's philosophy of corporate governance envisages the highest level of transparency, accountability and equity in all its dealings with shareholders, employees, government and lenders. The Company's guiding principles are focused to achieve the highest standards of corporate governance. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges, the details are set out below:

2. Board of Directors

Composition

The Board has an optimum combination of Executive and Non-Executive Directors, and is in conformity with clause 49 of the Listing Agreement entered into with the Stock Exchanges in which Company's shares are listed.

Presently the Board consists of 8 Directors, whose composition is as under:

Sl.No	Name	Designation	Category
1	T.Venkattram Reddy	Chairman	Promoter, Executive
2	T.Vinayak Ravi Reddy	Vice Chairman	Promoter, Executive
3.	P.K. Iyer	Vice Chairman	Promoter, Executive
4	N. Krishnan	Managing Director	Executive, Non Independent
5	M. Sukumar Reddy	Director	Non Executive, Independent
6	G. Kumar	Director	Non Executive, Independent
7	Krishan Premnarayan	Director	Non Executive, Independent
8	V. Suresh	Director	Non Executive, Independent

Meetings held

During the year 2010-11, the Board met 6 times on 14.05. 2010; 13.08.2010; 12.11.2010; 24.01.2011; 14.02.2011; and 24.03.2011.

The Directors attendance at the board meetings, number of Directorships and Committee memberships held by them in other companies are given hereunder:

Name	No. of Board Meetings held	No. of Board Meetings attended	Last AGM attended	*No. of directorships in other public companies	*Committee Positions held in other public companies		*Shares held in the company & % to the paid-up capital
					Chairman	Member	
T.Venkattram Reddy	6	6	Yes	3	-	-	5,14,27,416 (21.12%)
T.Vinayak Ravi Reddy	6	6	Yes	3	-	-	5,14,27,416 (21.12%)
P.K. Iyer	6	6	Yes	3	-	1	5,14,27,416 (21.12%)
N. Krishnan	6	6	No	3	-	-	-
M. Sukumar Reddy	6	6	No	2	1	1	-
G. Kumar	6	6	Yes	2	1	1	-
Krishan Premnarayan	6	6	No	-	-	-	-
V. Suresh	6	6	No	1	-	-	-

* As at 31st March 2011 (Committee positions include only Audit and Investors' Grievance Committees)