Hinduja Ventures

Inspiring Growth

Contents

Group Principles

The Group Founder,
Shri Parmanand Deepchand Hinduja

The five principles as under, distilled from the lifetime experience of the Founder of Hinduja Group, late Shri Parmanand D. Hinduja, serve as the cultural cornerstones of the businesses of the Group, leading to a synergistic and creative partnership of professional management and entrepreneurship among the Group Companies.

Work to Give

Word is a Bond

Act Local; Think Global

Partnership for Growth

Advance Fearlessly

Letter to Shareholders
from the Executive Chairman

Dear Shareholders,

I am pleased to report that your company has completed one more successful year of operations. The Treasury and Media segments of your Company have registered healthy growth. Before getting into the specifics of your company's performance, let me say a few words about the current economic scene and business environment.

Although, the Indian economy continued to grow, and business outlook remained by and large buoyant, the rise in inflation has thrown challenges. The Reserve Bank of India, in an effort to contain the inflationary pressure had instituted several rounds of interest rate hikes as well as raising the Reserve Ratios of banks in a number of tranches. The Reserve Bank of India had as a policy measure cautioned that containing inflation is a priority over growth in the short term. Based on monetary measures taken by RBI cost of funds rose significantly during the year. Input costs have increased, both in services as well as in the manufacturing sectors. There is a possibility of a slow-down in the core sector in the coming months, if this trend persists. Inspite of this, the overall outlook for economic growth remains positive and GDP growth should not fall below 8% level during this year.

PERFORMANCE

Treasury Operations - Your Company's portfolio performed well. The market value of portfolio went up steadily from ₹ 233 crores in the opening of the year to ₹ 435 crores at the close of the year. The overall average gain in mark to market for the portfolio was 104.42% over last year. The Company booked a profit of ₹ 39.17 crores during the year.

Investments - Your company stayed on course in its core strategy of identifying and incubating new businesses for the benefit of our shareholders. During the year your company invested at par 8.9% of the equity of the newly formed Hinduja Leyland Finance Limited (HLFL), a start-up company engaged in leasing & hire purchase for Automotive and Capital goods sectors. HLFL has grown very fast during its first year of operation, posting a turnover of ₹ 101.32 crores and profit after tax of ₹ 27.27 crores. HLFL is expected to grow rapidly and your company should reap rich dividends in the years ahead.

Similarly, the company has taken a decision to invest in the power generation sector, which is poised for medium and long term growth. The Board has approved an investment of upto 10% in the equity of Hinduja Energy India Limited (HEIL), the holding company of the Hinduja Group's energy business. HEIL plans to create a portfolio of 10,000 MW of generation capacity in the next 5 - 7 years. It also has plans for developing renewable energy assets such as Wind, Solar and Biomass. One thermal project of HEIL of 1040 MW is being developed through its subsidiary Hinduja National Power Corporation Limited (HNPCL) at Vishakhapatnam, in Andhra Pradesh. Construction is in full swing and ahead of schedule. The project comprises of two units of 520 MW each and is expected to commissioned in the year 2013 with the first unit of 520 MW expected to be commissioned in June 2013. India is chronically short of electric power. Given the expected rate of growth in the Indian economy and the demand for electricity in the next 10 - 15 years, investment in this sector will provide handsome returns to your company in the near future.

Media - The media & entertainment sector continues to grow at around 13%. Your company's principal subsidiary, IndusInd Media & Communications Limited, (IMCL) continued to report strong performance during the year. Its

Letter to Shareholders
from the Executive Chairman

consolidated revenues crossed ₹ 400 crores, registering a growth of 24% over last year. Its EBIDTA margin went up from ₹ 69 crores to ₹ 121 crores, an increase of 75%. Profit After Tax increased from ₹ 34 crores to ₹ 67 crores, representing an increase of 97%.

During the year, IMCL continued with its consolidation strategy by acquiring several small networks and entering into Joint Ventures with medium sized networks. It's present footprint extends to 28 cities. IMCL remains among the top 3 MSOs in the country with the distinction of having the highest profitability in the Indian cable TV industry. For IMCL, this year marks an unbroken profit record extending over last 5 years. IMCL also strengthened its senior management team by inducting experienced executives in Operations, HR, Admin and Technical departments. During this year, IMCL will need to raise more capital to invest in digitization, network up-gradation, acquisition of subscribers & last mile operators and to launch a new initiative for improving its Broadband delivery. Customer service and the front-end of the business also need to be strengthened. The senior team of IMCL has been involved in leading the MSO Alliance and has been engaged in dialogue with the Regulatory Authorities for framing future regulations for the industry as it continues to evolve. There is a strong possibility that IMCL's recommendation of increasing the FDI investment limits in the Cable TV sector to 74% will be accepted during this year. This will enable IMCL to attract private equity and strategic investors to come into the sector with growth capital and technology urgently needed in the industry. The Company is considering listing IMCL this year.

The content side of the media sector is being driven by IN Entertainment (India) Limited (IEIL) which acquired the content business of IMCL last year in business restructuring. The work done during the last year and plans and investments made for the current year for creating TV and movie content, should fructify into significant profits during the next 2 - 3 years and position this media company as a content producer in the Indian entertainment market.

Real Estate – IDL Speciality Chemicals Limited (IDL) had acquired 4.75 acres of land at Kukatpally, in Hyderabad for ₹ 25.17 crores. The value of this land appreciated since its acquisition and now plans are being drawn up to monetize this asset by developing the property. The plans for developing the 47 acres property in the BIAPPA zone near the Bengaluru Airport High-way are underway and would be taken up along with the Joint Developer once all the clearances are in place.

I would like to conclude by thanking all of you for your unstinted support during the past year. My thanks to the Directors, Management & Staff, for the good performance registered. Also my thanks to our Bankers, Auditors, Advisors for their help and guidance during the year to maintain the highest standards of the corporate governance which is of the highest priority for the Group.

Thank you

Ashok P Hinduja
Executive Chairman
Mumbai, 10th May 2011

Financial Highlights

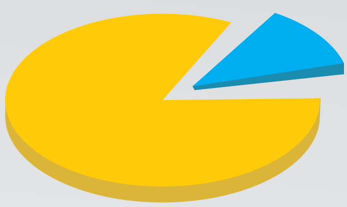
Consolidated

[Amount ₹ in Crores]

For the Year	2011	2010	2009	2008	2007
Operating Income	394.40	351.50	322.54	242.83	345.02
Total Income	475.29	401.71	346.00	264.21	1,456.22
Total Expenditure	310.55	294.48	253.59	171.12	319.56
Profit After Minority Interest	86.57	60.58	46.80	55.13	807.92
Share Capital	20.56	20.56	20.56	20.56	20.54
Reserve & Surplus	649.20	597.46	591.21	527.75	496.30
Net worth	669.75	618.02	611.77	548.30	516.84
Loan Funds	102.44	11.57	14.65	74.64	30.00
Net Fixed Assets	265.62	240.49	241.88	101.57	70.75
Investments	272.67	252.50	103.65	160.12	255.11
Net Current Assets	391.97	251.32	417.21	459.57	308.11
Earnings per Share (Rs.)	42.12	29.47	22.77	26.84	262.96
Dividend (%) #	125%	100%	100%	100%	250%
Dividend Amount	25.69	20.56	20.56	20.56	102.35
Book value per Share	326	301	298	267	252

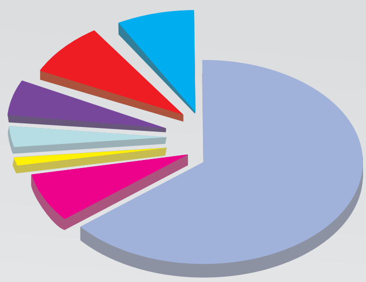
(*demerger of ITES and Hutch Sale)

Rupee Earned



Treasury	14%
Real Estate	0%
Media/Telecommunication	86%
Other	0%

Rupee Spend

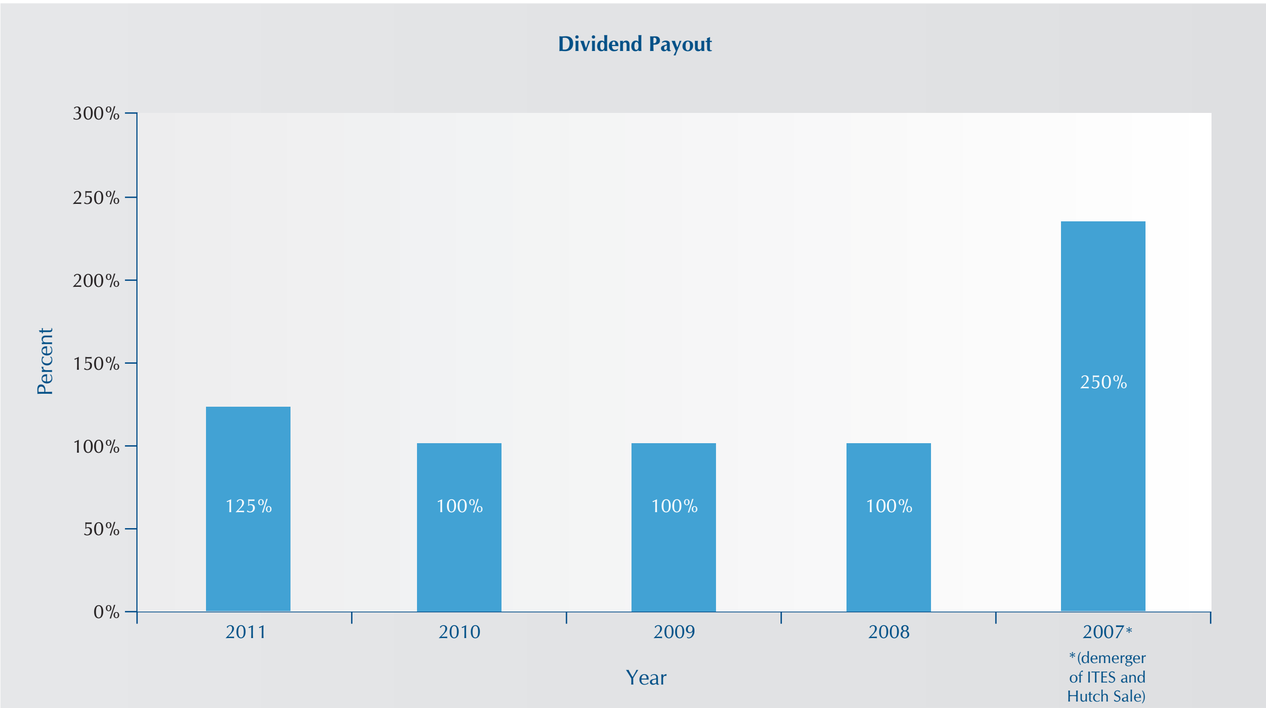


Total Expenditure	64%
Depreciation	6%
Interest & Other Finance Charges	1%
Minority Interest/Share in Associates	5%
Tax(Including defered tax)	6%
Dividend & Dividend tax	6%
Residual Surplus	12%

Financial Highlights
Standalone

[Amount ₹ in Crores]

For the Year	2011	2010	2009	2008	2007
Total Income	83.48	80.49	58.67	66.55	1,077.04
Total Expenditure	13.64	33.10	7.31	7.45	157.83
PBIDTA	69.84	47.39	51.36	59.10	919.21
Profit after Tax	57.61	39.09	33.01	41.65	689.12
As at the end of the year					
Share Capital	20.56	20.56	20.56	20.56	20.54
Reserve & Surplus	624.93	594.69	579.57	570.61	552.65
Net worth	645.49	615.24	600.13	591.17	573.19
Loan Funds	–	–	14.30	74.64	30.00
Net Fixed Assets	21.37	22.45	1.21	1.23	0.62
Investments	302.94	315.63	170.57	226.64	317.21
Net Current Assets	323.21	273.17	442.33	437.55	285.01
Earnings per Share (Rs.)	28.03	19.01	16.06	20.28	224.29
Dividend (%) #	125%	100%	100%	100%	250%
Dividend Amount	25.69	20.56	20.56	20.56	102.35
Book value per Share (Rs.)	314	299	292	288	279



General Information

Board of Directors

Mr. A. P. Hinduja, Executive Chairman
Mr. R. P. Hinduja, Co-Chairman
Mr. D. G. Hinduja
Mr. H. C. Asher
Mr. Anil Harish
Mr. R. P. Chitale
Mr. Prakash Shah
Ms. Vinoo S. Hinduja
(Alternate Director to Mr. R. P. Hinduja)
Mr. Ravi Mansukhani
(Alternate Director to Mr. D. G. Hinduja)
Mr. Dilip Panjwani, Whole-Time Director
(Appointed w.e.f. 10th May 2011)
Mr. Prabal Banerjee (upto 7th December 2010)
Mr. Srinivas Palakodeti (Alternate Director to
Mr. Prabal Banerjee upto 7th December 2010)

Committee of the Board

Audit Committee

Mr. Anil Harish, Chairman
Mr. R. P. Hinduja
Mr. R. P. Chitale
Mr. H. C. Asher
Ms. Vinoo S. Hinduja
(Alternate Director to Mr. R. P. Hinduja)

Committee of Directors

Mr. D. G. Hinduja, Chairman
Mr. R. P. Hinduja

Remuneration Committee

Mr. H. C. Asher, Chairman
Mr. Anil Harish
Mr. Prakash Shah

Investor Grievance Committee

Mr. H. C. Asher, Chairman
Mr. R. P. Hinduja
Mr. D. G. Hinduja
Mr. Prakash Shah

Company Secretary

Mr. Dilip Panjwani

Internal Audit

Mr. Datta Gawade
DGM - Internal Audit

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Solicitors & Advocates

Crawford Bayley & Co.

Bankers

IndusInd Bank Limited
HDFC Bank Limited
State Bank of India
Axis Bank Limited

Registered Office

In Centre, 49/50, MIDC,
12th Road, Andheri (East),
Mumbai 400 093.
Tel.:- 91-22-6691 0945
Fax.:- 91-22-6691 0988

Registrar & Share Transfer Agent

Sharepro Services (India) Pvt. Ltd.
13AB, Samhita Warehousing Complex,
Second Floor, Sakinaka Telephone Exchange Lane,
Off Andheri Kurla Road, Sakinaka,
Andheri (East), Mumbai - 400 072.
Tel.:- 91-22-6772 0300
Fax.:- 91-22-2850 8927/2859 1568

Directors' Report

To the Members

Your Directors have pleasure in presenting the Director's Report for the year ended 31st March 2011 and Twenty Sixth Annual Report of your company.

FINANCIAL RESULTS

(₹ in million)

	Consolidated		Standalone	
For the year ended 31st March	**2011**	2010	**2011**	2010
Total Income	**4,752.92**	4,017.11	**834.78**	804.90
Total Expenses	**3,383.57**	3,179.97	**159.44**	342.36
Profit before tax	**1,369.35**	837.14	**675.34**	462.54
Provision for tax (incl. deferred tax)	**277.21**	117.57	**99.24**	71.69
Profit after tax	**1,092.14**	719.57	**576.10**	390.85
Minority Interest	**226.43**	113.79	**–**	–
Profit after Minority Interest	**865.71**	605.78	**576.10**	390.85

REVIEW OF FINANCIALS

The Indian economy returned to path of faster growth from a slow down witnessed in the year 2008 and thereafter the economy grew 9% approximately in 2009 & 2010. The economy is expected to register double-digit growth rates over next five years as per estimates of Government. Though growth is expected to continue, the medium to long term challenge to the economy now comes from inflation which is estimated to have touched 15% levels and is expected to continue to remain in the short term. Government has made efforts to contain inflation through monetary measures such as increase in interest rates; however, monetary measures like increase in interest rates and constraining liquidity alone have not been able bring down inflation to acceptable levels and this could become a major challenge to economy. As a policy measure, the Reserve Bank of India (RBI) has already sounded out that containing inflation would be a priority over high growth rates in the economy in the short term. Given, the economic scenario of healthy growth rates and inflation, the company continued to outperform and post healthy results.

Consolidated Income grew by 18.32% from ₹ 4,017.11 mn to ₹ 4,752.92 mn during the year. Consolidated EBIDTA grew from ₹ 1,089.06 mn to ₹ 1,691.68 mn a growth of 55.33%. This was achieved by containing cost, which grew by mere 6.40%. Net Profit After Taxes and Minority Interest grew by 42.90% from ₹ 605.78 mn to ₹ 865.71 mn. Profits grew slower than EBIDTA on account of higher taxes as company registered profitability setting off past losses. Taxes almost doubled from ₹ 117.57 mn to ₹ 277.21 mn as there were no more major tax incentives; however, the company and its material subsidiary continued to be subject to Minimum Alternate Tax.

On standalone basis, the Company posted excellent results. EBIDTA grew 47.36% from ₹ 473.94 mn to ₹ 698.38 mn. Net Profit After Tax grew 47.40% from ₹ 390.85 mn to ₹ 576.10 mn.

DIVIDEND

The Board is pleased to enhance Dividend payout from ₹ 10/- to ₹ 12.50/- (125% Dividend on face value of ₹ 10/- per Equity Share) an increase of 25% over previous years. Enhanced Dividend payment will entail payout of ₹ 298.63 mn. The Dividend payout works out to 51.84% of current year earnings including Dividend Distribution Tax.

TRANSFER TO RESERVES

The Company proposes to transfer ₹ 57.61 mn to the General Reserve as required under Transfer to General Reserve Rules and carry forward an amount of ₹ 4,023.09 mn as Balance in Profit & Loss account.

REAL ESTATE

Your company has drawn up plan to develop the real estate piece of land with a developer. The land is situated within 10km of NH-7 and in the BIAPPA Zone, where the new International Airport has come up. The area is being developed as a high end residential villas with a development potential of 1.35 million square feet. The residential villas with a price of approximately ₹ 5,000/- per square feet, the development provides a potential of ₹ 675 crores of development at today's price. The Company has extended the option to develop the property with a developer for a further period of two years and the project is likely to take 3-5 years of time frame in two phases. With buyount market for high end villas, the development potential increases with increase in prices.

Similarly, IDL Speciality Chemicals Limited (IDL) a wholly owned subsidiary of the Company has acquired 4.75 acres of land at kukatpally in Hyderabad. Plans are being drawn up to monetise this piece of land as well. The land was acquired at ₹ 25.17 crores and the value has considerably appreciated since acquisition.

SCHEME OF AMALGAMATION

Your Company had applied for Telecom Licenses under the UASL policy of Government of India through a special purpose vehicle HTMT Telecom Private Limited ('HTMT Telecom') in the year 2007. However, due to scarcity of spectrum the licenses were not allotted to all the applicants. In view of no licensees being awarded, the Company decided to merge its wholly owned subsidiary HTMT Telecom in the current year.

The necessary compliances for merger and the High Court order as required under Section 391 to 394 of the Companies Act, 1956 were completed during April 2011. Post all the compliances, HTMT Telecom now stands merged with the Company from the appointed date of 1st January 2011.

SUBSIDIARIES

Media:

IndusInd Media and Communications Limited (IMCL):

IMCL has in the year under review expanded through alliances, partnerships, strategic investments and joint ventures as part of the growth strategy for its business. IMCL added 8 more subsidiaries during the current year, taking the total subsidiaries to 15. IMCL has made 51% equity participation in these Companies and consolidated its holdings in some companies, which are in the cable business, with a view of expanding its presence in different regions of India. By virtue of acquisition of a majority holding by IMCL, these Companies have become indirect subsidiaries of the Company.

IMCL, the major media cable subsidiary of the Company continued its strong performance in the year under review. The performance of IMCL gets reflected in the robust consolidated results of the Company. IMCL's performance stands out in contrast to its peers in the group over the last few years. The Media Segment reported EBIDTA of ₹ 1,210 mn as compared to ₹ 690 mn in the previous years. Consolidated Media Segment reported revenues of ₹ 4,099 mn. HVL effective stake in IMCL stands at 65.78%.

IMCL installed new digital head ends and now has digital services at 17 locations. IMCL's reach, as per estimates now stands at 8.5 mn cable homes in 28 cities. After enabling digital delivery of services, the focus would now shift to install set top boxes for consumption of digital and high definition services to all its customers. Due to digital initiative and technological innovation undertaken by IMCL, it has moved ahead of competition and can now deliver over 300 channels (including video and audio) in digital delivery network under the brand INDIGITAL. This is the highest number of channels serviced by any distribution platform currently in India.

IMCL infrastructure now spans over 10,000 km of hybrid fibre optic cable network, which includes 2,000 km of underground fibre, which is two ways enabled for exploiting triple-play.

FUTURE OUTLOOK – MEDIA & CABLE TV SECTOR

Last year the Indian Media & Entertainment (M & E) grew at 11%, which is higher than the economic growth rate of 8.6%. The M & E industry grew from ₹ 587 billion to ₹ 652 billion. In the year 2011, the M & E industry is expected to grow at 13% and reach ₹ 738 billion. As per Media Partners Asia estimates, M & E industry is expected to grow at a CAGR of 14% upto 2015 and reach ₹ 1,275 billion, surpassing the print industry to take number two slots in M & E industry. Television and Print would continue to dominate the industry though new technological innovations would also contribute to the growth of other sectors namely, gaming, digital advertising, VFX and animation.

On the Cable Television side, the industry continues remains highly fragmented with around 60,000 to 70,000 local cable operators and around 6,000 to 8,000 Independent Cable Operators, 6 national foot print Multi System Operators (MSOs) and several regional MSOs. This provides an adequate opportunity of growing the sector through consolidation. The industry is now witnessing visible signs of consolidation with smaller LCOs and ICOs joining the mainstream MSOs. Thus this sector offers ample opportunity for long-term growth. The industry is also now attracting institutional funding. IMCL itself attracted debt financing based on its cash flow without any additional recourse. However, the sector will require an estimated institutional funding of ₹ 500 to ₹ 600 billion in investments for capex and similar amounts towards consolidation.

The Cable TV penetration today is approximately 65% of cable and satellite homes which are at par with developed economies. However, the Indian Cable TV is characterized by very low declaration and absence of addressability resulting in low subscriptions and increased dependency on placement revenues. This results in slow investment in the sector. Mandatory digitization is perceived as an opportunity to bring discipline to the sector. Mandatory digitization and addressability will immediately attract a lot of investment and simultaneously offer Government an increased share of taxes. Government has accepted the recommendations of Telecom Regulatory Authority of India, the regulatory authority for cable industry, for mandatory digitization and addressability. This will make the sector more attractive and offer huge opportunity for unlocking value in the long run.

The Indian market landscape for TV viewers stands at 141 million TV homes today and is second only to USA and China. The huge market coupled with initiatives from Government and industry are shaping the opportunity for future to innovate and present the consumer in many ways for viewing content and experiencing content. This consolidation coupled with digitization is expected to push broadband into households and increase the share of cable broadband significantly.