Hinduja Ventures

Inspiring Growth

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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. The Treasury and Media segments of your Company have registered steady growth. Before getting into the specifics of your Company's performance, let me say a few words about the current economic scenario and business environment.

While the rest of the world was grappling with the after-effects of the European debt crisis, the growth momentum of the Indian economy has also slowed down considerably over the past year. Gross Domestic Product (GDP) growth in the financial year 2011-12 is estimated at 6.9% as against 8.4% a year ago, mainly due to weakening of industrial growth. High current account deficit, reduced foreign investments and delay in tax and fiscal reforms are some of the hindrances plaguing the Indian Economy. But despite the low growth of GDP, India remains one of the fastest growing economies of the world as all major countries including the fast growing emerging economies are witnessing a significant slowdown.

The Reserve Bank of India (RBI) has partly succeeded in its efforts to tame inflation, which shows signs of moderating. With the monetary easing now expected in coming quarters, cost of money will touch lower levels and improve the investment climate. This will make the country confident of bringing back the rhythm of high growth of 8-9% by pushing through further reforms, strengthening infrastructure and generating opportunities for investment and employment.

PERFORMANCE

Treasury Operations - Your Company's portfolio performed well. The market value of the portfolio went up steadily from ₹435 crores in the opening of the year to ₹572 crores at the close of the year. The overall average gain in mark to market for the portfolio was 32% over last year. The Company has booked a profit of ₹46.33 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 8.9% of the equity of the newly formed Hinduja Leyland Finance Limited (HLFL) at par, a company engaged in providing finance for automotive and capital goods sectors. HLFL is expected to grow rapidly and your Company should reap rich dividends in the years ahead.

Similarly, your 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% effective stake in Hinduja National Power Corporation Limited (HNPCL) through a 16% stake in the 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.

HEIL also has plans for developing renewable energy assets such as Wind, Solar and Biomass. One thermal project of HEIL of 1,040 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. Your Company has invested ₹250 mn in HEIL through its wholly owned subsidiary Grant Investrade Limited (GIL). The investment in this sector will provide handsome returns to your company.

Media - During the year, your Company's principal subsidiary IndusInd Media and Communicatons Limited (IMCL) continued with its consolidation strategy by acquiring several small networks and entering into Joint Ventures with medium sized networks. Its present footprint extends to 34 cities. IMCL remains among the top three Multi System Operators (MSOs) in the country with the distinction of having the highest profitability in the Indian cable TV industry.

Letter to Shareholders
from the Executive Chairman

IMCL is now on the cusp of the digital revolution being ushered in by the Government's mandated policy of digitizing the Cable Networks. The Digital Addressable System (DAS) now being introduced by the Government from 1st November 2012 in four phases offers a unique opportunity to IMCL to make all its subscribers addressable and to improve its subscription revenues manifold.

Digitisation will enable IMCL, to achieve triple play. The Company has crafted a strategic plan for next 4-5 years, when they would target to achieve industry leadership in the quality and range of services offered to the customers. With rapid digitalization and expansion, IMCL hopes to reach around two million digital homes in next six months and around ten million digital homes in next 4-5 years. The consolidation plans of IMCL will focus on the rich socio-economic areas to achieve higher revenue growth.

New services for the digital cable foray will include HD Services, Hybrid STBs for Cable and Internet, Value added services for digital cable such as Voice on Demand (VoD), Pay Per View (PPV), Gaming, E-learning, Broadband and Voice Over Internet Protocol (VOIP) / Internet Telephony services will be expanded through its national Internet Service Provider (ISP) license.

The content side of the media sector is being driven by In Entertainment (India) Limited (IEIL). IEIL is adopting an approach of focusing on development of own film projects rather than buying and acquiring distribution rights from other producers. IEIL recently produced a movie titled **"Billa 2"** in Tamil, a prequel to the popular Hindi film **"Don"**. The Tamil film and its Telugu dubbed version are expected to release mid July 2012.

Real Estate - IDL Speciality Chemicals Limited (IDL), wholly owned subsidiary of your Company had acquired 4.75 acres of land at Kukatpally, in Hyderabad. Plans are being drawn up to monetise this asset by developing the property. The plans for developing the 47.2 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 the registration of the title in the name of the Company is done and 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 and Staff for the good performance registered. Also, my thanks to our Bankers, Auditors and Advisors for their help and guidance during the year to maintain the highest standards of the corporate governance, a top priority for the Group.

Thank you.

Ashok P Hinduja
Executive Chairman

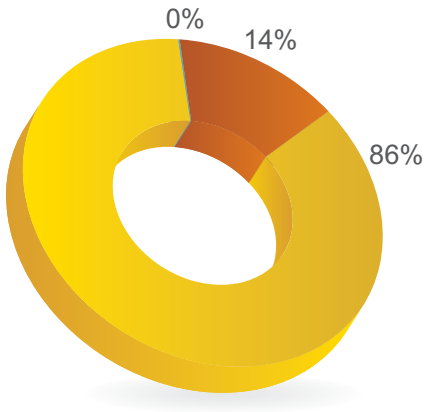
Mumbai, 30th April 2012

Financial Highlights
Consolidated

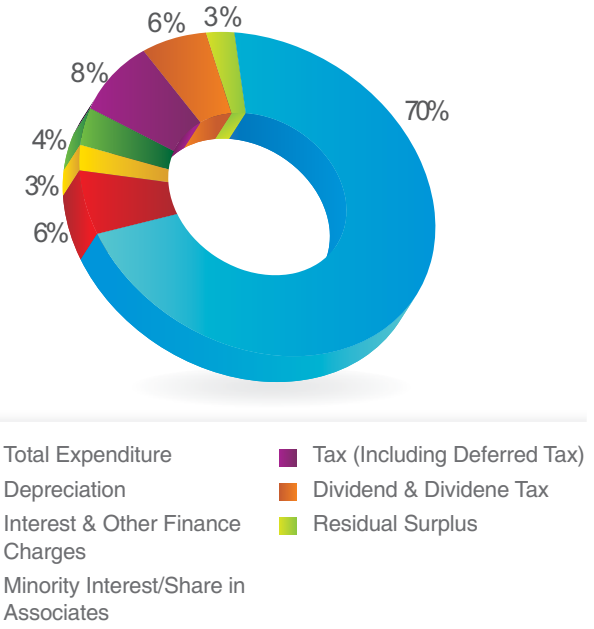
[Amount ₹ in Crores]

For the year	2012	2011	2010	2009	2008
Operating Income	538.49	433.57	351.50	322.54	242.83
Total Income	563.05	475.29	401.71	346.00	264.21
Total Expenditure	357.85	310.55	294.48	253.59	171.52
Profit After Minority Interest	100.46	86.57	60.58	46.80	55.13
As at the end of the year					
Share Capital	20.56	20.56	20.56	20.56	20.56
Reserve & Surplus	713.83	649.20	597.46	591.21	527.75
Net worth	734.39	669.76	618.02	611.77	548.31
Loan Funds	106.29	102.44	11.57	14.65	74.64
Net Fixed Assets	304.56	265.62	240.49	241.88	101.57
Investments	225.96	272.67	252.50	103.65	160.12
Earnings per Share (₹)	48.87	42.12	29.47	22.77	26.84
Dividend (%)	150%	125%	100%	100%	100%
Dividend Amount	30.83	25.69	20.56	20.56	20.56
Book value per Share (₹)	357	326	301	298	267

Rupee Earned (Consolidated)



Rupee Spend (Consolidated)



Financial Highlights
Standalone

[Amount ₹ in Crores]

For the year	2012	2011	2010	2009	2008
Total Income	90.11	83.48	80.49	58.67	66.55
Total Expenditure	13.87	13.64	33.10	7.31	7.45
PBIDTA	76.24	69.84	47.39	51.36	59.10
Profit after Tax	65.02	57.61	39.09	33.01	41.65
As at the end of the year					
Share Capital	20.56	20.56	20.56	20.56	20.56
Reserve and Surplus	654.12	624.93	594.69	579.57	570.61
Networth	674.68	645.49	615.25	600.13	591.17
Loan funds	–	–	–	14.30	74.64
Net Fixed assets	19.01	21.37	22.45	1.21	1.23
Investments	256.91	302.94	315.63	170.57	226.64
Earnings per Share (₹)	31.63	28.03	19.01	16.06	20.28
Dividend (%)	150%	125%	100%	100%	100%
Dividend Amount	30.83	25.69	20.56	20.56	20.56
Book Value per Share (₹)	328	314	299	292	288

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
(Resigned w.e.f. 30th April 2012)

Mr. Ashok Mansukhani
(Appointed w.e.f 30th April 2012)

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
(Resigned w.e.f. 30th April 2012)

Mr. Amit Vyas
(Appointed w.e.f 30th April 2012)

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 2012 and Twenty Seventh Annual Report of your company.

FINANCIAL RESULTS

(₹ in million)

	Consolidated		Standalone	
For the year ended 31st March	**2012**	2011	**2012**	2011
Total Income	**5,630.46**	4,752.92	901.10	834.78
Total Expenses	**3,932.14**	3,383.57	163.62	159.44
Profit before tax	**1,698.32**	1,369.35	737.48	675.34
Provision for tax (incl. deferred tax)	**470.66**	277.21	87.22	99.24
Profit after tax	**1,227.66**	1,092.14	650.26	576.10
Minority Interest	**223.02**	226.43	–	–
Profit After Minority Interest	**1,004.64**	865.71	650.26	576.10

REVIEW OF FINANCIALS

After two consecutive years of more than 8.4% economic growth rates registered in the years 2009 & 2010, the business cyclic returned in the year 2012. The estimates of double digit growth rates by various economists proved at best estimated and the growth rate slowed down by 2.1% to register a growth rate of 6.9%. Though the growth rate has come down from near double digit growth to 6.5% - 7%, the good part is that India still remains a consumption story. The slowdown in economy was on account of efforts by RBI to contain inflation by increasing key rates which impact the cost of money. With the monetary easing now expected in coming quarters, the cost of money is expected to come back to lower levels. This is expected to bring growth rates back to double digit levels. In the back-drop of monetary tightening resulting in lower growth rates, your Company's performance was highly satisfactory.

On a consolidated basis your Company registered a growth of 18.46% in Income to reach ₹5,630.46 mn from ₹4,752.92 mn during the year. EBIDTA grew from ₹1,647.38 mn to ₹2,051.98 mn, registering a growth of 24.56%. Net Profit after Taxes and Minority grew from ₹865.71 mn to ₹1,004.64 mn, a growth of 16.05%. The Net Profit Rate growth was lower on account of taxes at Subsidiary levels, which lost tax shield on account of past losses. Taxes increased from ₹277.21 mn to ₹470.66 mn.

The standalone results also continued its strong performance buoyed by Treasury gains. Total Income grew by 7.94% from ₹834.78 mn to ₹901.10 mn. Net Profit After Tax grew 12.87% from ₹576.10 mn to ₹650.26 mn.

DIVIDEND

Your Company believes in a balanced payout of Dividend to reward shareholders between future requirement of funds and performance of the Company. Considering strong performance of the Company, the Board is pleased to enhance Dividend payout from ₹12.50/- to ₹15/- (150% Dividend on face value of ₹10/- per Equity Share), an increase of 20% over previous years. Enhanced dividend payment will entail payout of ₹358.35 mn. The Dividend payout works out to 55.11% of current year earnings including Dividend Distribution Tax.

TRANSFER TO RESERVES

The Company proposes to transfer ₹65.02 mn to the General Reserve as required under Transfer to General Reserve Rules and carry forward an amount of ₹4,249.96 mn as Balance in the Profit & Loss account.

REAL ESTATE

The real estate market exhibited a strong recovery and continued its buoyant journey. The value of the property owned by the company at Bangalore in the vicinity, as per the Government stamp duty

ready reckoner rates now stands at ₹2.25 crores per acres. The value as per the current stamp duty value rates stands at ₹106.20 crores and an approximate market value of property is estimated at ₹143.31 crores. The Company owns 47.2 acres of real estate land at Bangalore. To complete the registration of title in the name of the Company, the Company has filed a suit for transfer of title. Post clearance of all the issues, the Company will take up development of the property.

INVESTMENTS

During the year under review, your Company has made an investment in Hinduja Leyland Finance Limited by acquiring 8.9% of equity of the company.

Your Company has also invested ₹250 mn in Hinduja Energy India Limited through its wholly owned subsidiary Grant Investrade Limited.

SUBSIDIARIES

Media:

IndusInd Media and Communications Limited (IMCL):

During the year, IMCL consolidated its operations by focusing on acquisitions made during the past years. The acquisitions made in the past have expanded the geography of IMCL to 34 centres now. The current year strong performance of IMCL reflects the consolidation presented by its past acquisitions.

IMCL consolidated EBDITA for the year stood at ₹1,350.32 mn as against ₹1,108.20 mn registering a growth of 21.85 % in otherwise flat market conditions. Consolidated Total Income grew by 17.46% from ₹4,099.11 mn to ₹4,814.67 mn.

During the year, IMCL took majority stake in two more entities and grew organically in few other geographies. The total subsidiaries of IMCL now stand at 16 and one equal venture of 50:50% each. By virtue of majority holding by IMCL, these entities have become indirect subsidiaries of the Company.

IMCL is waiting on the cusp of digital revolution being ushered in by the Government's mandated policy of digitizing cable networks. The Digital Addressable System (DAS) is being introduced by the Government from 1st November 2012 in four phases for the entire country. This offers an unique opportunity for IMCL to make all its subscribers addressable and transparent and to improve its subscription revenues manifold. In the current year, as per mandatory digitization, the four metros are expected to go digital. IMCL has presence in three out of the four metros, excluding Chennai.

IMCL's reach as per estimates stands at 8.5 mn cable homes in 34 cities. IMCL's target is to have around 10 mn digital addressable customers in next 4-5 years. This year IMCL also commenced the High Definition TV services (HD) in certain key markets and remains committed to its customers to bring out best of the technology breed for viewing through digital over cable networks. It now offers 380 digital channels under the brand name INDIGITAL, being the highest number of channels offered by any cable network.

New Value Added Services (VAS) in digital cable will also start this year. IMCL infrastructure is adequately geared up to meet the opportunity presented by mandatory DAS and is currently supported by 10,000 km of hybrid fibre optic cable network, which includes 2,000 km of underground fibre.

On the Broadband side, IMCL has deployed new technology of GEpon and EOC which provides bandwidth speeds of over 8 Mbps to 10 Mbps at affordable prices. This will put IMCL's Broadband technology at par with telecom players. The services that will be supported include video multi-casting, Voice on Demand (VoD), high speed interactive gaming, audio and video conferencing, IP telephony, distance learning, etc.

FUTURE OUTLOOK – MEDIA & CABLE TV SECTOR

The Media & Entertainment (M & E) industry is poised for a new digital growth. Every segment within the industry ecosystem is getting impacted by digitalization in a significant way. The Government's push towards digitalization and addressability for cable television by 2014 in the form of mandatory DAS is expected to provide an impetus to digital cable growth and transparent business models for corporate business houses in cable TV distribution.

Convergence between entertainment, information and telecommunication is increasingly impacting India's overall M & E sector. Significant advancement in media devices over the last decade ensures that the same content can now be accessed on a variety of media platforms. This implies that new business models and revenue streams, not only for content