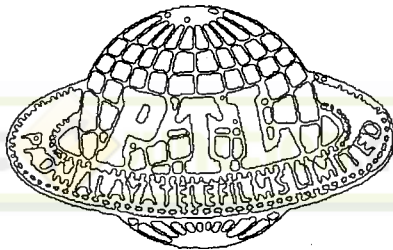


ANNUAL REPORT 2006-07



Padmalaya

TELEFILMS LIMITED

Corporate Information

Board of Directors

Sri.Bijay Kumar Khemka	-	Chairman
Sri.G. V. Narasimha Rao	-	Executive Director
Sri.S. Srinivasa Rao	-	Director - Works
Sri.K.Gopala Krishna	-	Director
Sri.Ajithan G. Kurup	-	Director
Dr. D. V.N. Raju	-	Director
Sri. V. Srihari	-	Director
Sri.Bipin Damji Shah	-	Director

Regd. & Administrative Office

Plot No.138, H.No. 8-3-222/1/23,
Madhura Nagar, Yusuf Guda, Hyderabad - 38

Auditors

M/s N.G Rao & Associates
H.No.6-3-1186/A/6, (New No.325)
II Floor, Chinna Balreddy Building,
Begumpet, Hyderabad - 16

Bankers

HDFC
UTI
Andhra Bank

Registrars & Share Transfer Agents

Karvy Computer Share Private Limited
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034

Listing

The Hyderabad Stock Exchange Limited
The Stock Exchange, Mumbai
The National Stock Exchange of India Limited, Mumbai



NOTICE

Notice is hereby given that the 16th Annual General Meeting of M/s. Padmaalaya Telefilms Limited will be held at the State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Madhapur, Hyderabad-500 033 on Saturday, the 29th day of September 2007 at 9.30 am to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at 31st March, 2007 together with the Report of Auditors and the Report of Board of Directors.
2. To appoint a Director in the place of Sri. Bijay Kumar Khemka who retires by rotation and being eligible, offer himself for reappointment.
3. To appoint a Director in the place of Sri K. Gopala Krishna who retires by rotation, due to his pre occupation not offered himself for reappointment.
4. To appoint Auditors and to fix their remuneration by Passing the following Resolution :-

"RESOLVED THAT M/s N G Rao & Associates, Chartered Accountants, Hyderabad be and are hereby appointed as Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the Next Annual General Meeting of the company at a remuneration to be fixed by the Board of Directors."

SPECIAL BUSINESS

5. **Appointment of Sri Bipin Damji Shah as Director**

To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Sri Bipin Damji Shah, who was appointed as additional Director of the company pursuant to section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company, liable to retire by Rotation."

6. **Appointment of Sri S.Srinivasa Rao as Director**

To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution

"RESOLVED THAT Sri. S.Srinivasa Rao, who was appointed as additional Director of the company pursuant to section 260 of the Companies Act 1956 and holds office up to the date of this Annual General Meeting be and is hereby appointed as Director of the Company, liable to retire by Rotation."

7. **Appointment of Sri S.Srinivasa Rao as whole time director.**

To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to Section 269, and Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 subject to approval of the Share holders Sri. S.Srinivasa Rao be and is hereby appointed as whole time Director and designated as Director - Works of the Company, for a period of 3 years with effect from 01.09.2007 at a gross remuneration of Rs.45,000/- (Forty Five Thousand only) per month.

By Order of the Board of Directors

G.V. Narasimha Rao
Executive Director

Place : Hyderabad

Date : 31st August, 2007

**Notes :**

1. An Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business in annexed hereto.
2. A 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 OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September 2007 to 29th September 2007 (Both Days Inclusive) to ascertain the list of members for 16th Annual General Meeting.
4. The attendance slip is annexed to the proxy form, Members/proxies are requested to duly fill in and affix their signatures at the space provided therein and hand over the same at the entrance of the place of the meeting.
5. Members desiring any information on accounts are requested to write to the company at least seven days before the meeting so as to enable the company to keep the information ready and the Members/Proxies are requested to bring the copies of the Annual Report to the Meeting and the same will not be distributed at the meeting.

Annexure to the Notice**Explanatory Statement Pursuant to Section 173(2) of the Companies Act 1956.****ITEM No.5**

Sri.Bipin Damji Shah was appointed as Additional Director of the company by the Board of Directors at their meeting held on 22.01.2007, and he holds office to the date of forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sri.Bipin Damji Shah for the office of Director under the provisions of Section 257 of the Companies Act, 1956, together with the requisite deposit. Your Directors recommend the resolution for approval of the shareholders.

None of the Directors except Sri.Bipin Damji Shah is interested in the said resolution.

ITEM No.6

Sri S.Srinivasa Rao was appointed as Additional Director of the company by the Board of Directors at their meeting held on 22.01.2007, and he holds office to the date of forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sri S.Srinivasa Rao for the office of Director under the provisions of Section 257 of the Companies Act, 1956, together with the requisite deposit. Your Directors recommend the resolution for approval of the shareholders.

None of the Directors except Sri S.Srinivasa Rao is interested in the said resolution.

ITEM No.7

Sri S.Srinivasa Rao, Director of the company subject to the approval of the share holders was appointed as Director – Works of the company by the Board of Directors at their meeting held on 31.08.2007, keeping in view of increases of operations and considering his experience in the industry, it is proposed to appoint him as Whole Time Director and designate him as Director -Works pursuant to schedule XIII of the Companies Act, 1956 read with other relevant provisions, the appointment and the payment of remuneration to Sri S.Srinivasa Rao requires your approval. Hence the resolution as set out above is proposed approval of share holders. Your Directors recommend the resolution for your approval.

None of the Directors except Sri S.Srinivasa Rao is interested in the said resolution.

By Order of the Board of Directors

G.V. Narasimha Rao

Executive Director

Place : Hyderabad

Date : 31st August, 2007



Additional information required to be furnished as per the Listing Agreement.

1. Brief profile of Sri Bijay Kumar Khemka, who retires by rotation and eligible for re-election.

Sri Bijay Kumar Khemka, aged about 57 years, having vast experience in Motion Picture Production and Distribution, has distributed more than 100 Hindi films and 25 Bengali films in eastern Circuit. Sri Bijay Kumar Khemka has Produced the Biggest Bengali Hit film "Beder Meya Jashna". He is the former Senior Vice-President of Eastern India Motion Pictures Association of Eastern India Motion Pictures Association.

2. Brief profile of Sri Bipin Damji Shah who was appointed as Additional Director of the company and is eligible for appointment as Director.

Sri Bipin Damji Shah, aged about 45 years, is a Chartered accountant profession and is a Fellow Member of the Institute of Chartered Accountants of India. Sri Bipin Damji Shah is having rich experience in the field of finance and in-addition, he is having rich experience in the film production.

3. Brief profile of Sri S. Srinivasa Rao who was appointed as Additional Director of the company and is eligible for appointment as Director.

Sri S. Srinivasa Rao, aged about 35 years, is a Bachelor in Commerce. Sri S. Srinivasa Rao is having experience in the field of co-ordination of film making and distribution of films and marketing of films and ads production.

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Directors' Report

Your Directors have pleasure in presenting the 16th Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March 2007 thereof. The Business and operations of the company over the last fiscal year are briefly encapsulated below:

Financial Results

Particulars	Rs.lakhs	
	Year Ended 31 st March 2007	Previous ended On 31 st March 2006
Turn Over	1468.07	1414.70
Profit after Tax	(3465.76)	(1480.05)
Add: Profit brought Forward from last year	(1469.66)	(131.73)
Profit Available for Appropriation	(4935.42)	(1611.78)

Business Performance Review

During the year under review your company's performance is not encouraging due to paucity of working capital funds and tough market conditions and market response is much below the expectations in all the divisions in terms of monetary values. This has taken the beatings in the realisation side and also had effect intern carried on bottom line profit of the company.

Out look for the current year

Your Directors wish to inform that due to the set back in the previous years, reviewed all business divisions and under taken a substantial re-organizing, restructuring exercise of its total divisions. To strengthen its stand in the market, the company has been concentrating in activities like multimedia training, and Digitalisation of the theaters and Film Production.

Statutory Disclosures

Conservation of Energy and Technology Absorption

The company is not engaged in manufacturing activities, and as such the particulars relating to conservation of energy and technology absorption are not applicable. The company makes every effort to conserve energy as far as possible in its editing facilities, Production Floors, Office etc.

Foreign Exchange Earnings and Outgoings.

- | | |
|------------------------------------|-----|
| 1. Total Foreign Exchange earned | Nil |
| 2. Total Foreign Exchange utilized | Nil |

Particulars of Employee's Remuneration and Industrial Relations

There are no employees whose particulars, pursuant to Section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975, are to be disclosed. Industrial relations in the company were very cordial and stable.

Public Deposits

Your company has not accepted any deposits from the public during the year under review and there are no outstanding deposits as on 31st March, 2007.

DIRECTORS:

Sri. Bijay Kumar Khemka Director of the Company retires by rotation and being eligible, offers himself for re-appointment.

Sri. K. Gopala Krishna Director retires by rotation due to pre occupation he has not opted for re-appointment.

Sri Bipin Damji Shah and Sri S.Srinivasa Rao, who were appointed as additional Directors on the board by the Board of Directors at their meeting held on 22.01.2007, will hold office till the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Sri S.Srinivasa Rao is also proposed for appointment as Whole Time Director and designated as Director - Works.



AUDITORS

M/s.N.G.Rao & Associates, Chartered Accountants retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. The Board recommends the appointment of M/s. N.G.Rao & Associates, Chartered Accountants as Auditors for the year 2007-2008 on remuneration to be fixed by the Board of Directors.

EXPLANATION TO AUDITORS QUALIFICATIONS

Regarding auditors comment on

- Payment of the disputed Income Tax amount, the company preferred for appeal before the Income Tax Appellate Tribunal. For other statutory dues, the management taken a note and all undisputed statutory dues have been paid already subsequent to balance sheet date.
- Management is in the process to clear the out-standing installments to HDFC Bank, to come out of the uncomfortable situation. A detailed note was given in the point no 17 of Notes to the accounts.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement executed with the stock exchanges the Company has complied with all the provisions of the corporate governance. The detailed note in this regard is provided in this annual report elsewhere. A certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance is attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report, has been attached and forms part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

We the Directors confirm.

- a. That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same :
- b. That we 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 at the end of the financial year and of the profit/loss of the company for that period
- c. That we have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d. That we have prepared the annual accounts on a Going concern basis.

HUMAN RESOURCE

The Board of Directors would like to place on record its deep appreciation to all the employees for their dedicated services to the company. Our organizational culture and work environment is central to our ability to complete effectively.

Management is in the process of identifying to appoint a qualified and suitable candidate as company secretary, to comply the provisions of listing agreement and companies act, 1956.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their thanks to various departments of Central and State Governments, Financial institutions, Banks, Suppliers, Customers and Shareholders of the Company for their continued assistance, support and guidance.

By Order of the Board of directors.

G.V. Narasimha Rao
Executive director

Place : Hyderabad
Date :31/08/2007.



REPORT ON CORPORATE GOVERNANCE

Padmalaya Telefilms Limited is committed to the standards of corporate governance in all activities.

Pursuant to Clause 49 of the Listing Agreement, your directors present below a detailed Report on Corporate Governance.

1. Company's Philosophy on code of Governance

Your company believes in providing highest transparency and ethical value in Corporate Governance. Your Company also believes in taking into confidence all the stakeholders viz., Shareholders, Employees, Creditors, Customers etc. Your company is committed to take the torch of Corporate Governance forward, so that every stakeholder of the company synchronise and synergise their efforts in their growth of their company.

2. Board of Directors

a. Composition of the Board

The Number of the Directors is 8 with 2 Executive and 6 Non Executive Directors. The Executive Director is from the promoter category, Director Works is from non promoter category and the remaining Non-Executive Directors are professional / independent. The professional / independent Directors are drawn from persons with experience in Business, Finance, Management, Marketing and Industry.

b. Other Directorship / Committee Memberships held :-

S. No.	Name of Director	Category	Designation	Director Ship held in other	
				Director	Committee Member
1.	Sri.G. V. Narasimha Rao	Promoter-Executive	Executive Director	1	Nil
2.	Sri.K.Gopala Krishna	Non Promoter-Non Executive	Director	1	Nil
3.	Sri.Bijay Kumar Khemka	Independent	Director	Nil	Nil
4.	Sri.Ajithan G Kurup	Independent	Director	1	Nil
5.	Sri.V.Srihari	Independent	Director	Nil	Nil
6.	Sri.Dr. D.V.N. Raju	Independent	Director	1	Nil
6.	Sri.Bipin Dhamin Shah*	Independent	Director	2	Nil
7.	Sri.S. Srinivasa Rao*	Non Promoter-Executive	Director-Works	Nil	Nil
8.	Sri.K. Ragavendra Kumar**	Independent	Director	2	Nil

* Appointed with effect from 22/01/2007

** Resigned with effect from 30/04/2006

c. Board Meetings held During the Year

S.No	Date of Board Meeting
1	29/04/2006
2	29/07/2006
3	02/09/2006
4	31/10/2006
5	22/01/2007
6	30/03/2007


d. Attendance of Directors at board Meetings and Last Annual General Meeting :

Name of The Director	No OF Board Meetings Attended	Attendance at Last AGM
Sri.Bijay Kumar Khemka	4	No
Sri.G.V.Narasimha Rao	6	Yes
Sri.K.Gopala Krishna	2	Yes
Sri.Ajithan G Kurup	6	Yes
Sri.V. Srihari	6	Yes
Dr D.V.N. Raju	6	Yes
Sri.Bipin Damji Shah*	2	N A
Sri.S.Srinivasa Rao*	2	N A
Sri.K.Raghavenra kumar**	1	N A

* Appointed with effect from 22/01/2007

** Resigned with effect from 30/04/2006

1. Audit Committee
a) Terms of Reference

The Audit Committee Provides the Board with additional Assurance as to the adequacy of the Company's internal control systems and financial disclosures. The Audit committee acts as a link between the Management, Statutory Auditors, Internal Auditors, and the Board of Directors. The composition, powers and functions of the Audit committee meet the requirements of the Listing Agreement and Section 292 A of the Companies Act, 1956. The Broad terms of reference of the Audit committee are to review with the Management and/or Internal Auditors and/or Statutory Auditors in the following areas.

- I. Overview of Company's financial reporting process and financial disclosures.
- II. Review with Management, external and internal audits, the adequacy of internal control systems.
- III. Review the adequacy and effectiveness of accounting and financial controls of the company, compliance with the company's policies and applicable laws and regulations.
- IV. Review with Management, the Annual financial statement before submission to the Board.
- V. Recommending the appointment/removal of external and internal auditors, fixation of Audit fees.

b) Composition, names of the members and chairman

The Audit Committee of the Company re-constituted during the year comprises three members; all are "Independent" Non-Executive Directors. Audit Committee constituted as below.

- | | | |
|---------------------------|---|----------|
| 1. Sri.V.Srihari | - | Chairman |
| 2. Sri.Bijay Kumar Khemka | - | Member |
| 3. Dr D.V.N. Raju | - | Member |

Meetings and Attendance during the year

Name of Director	No. of Meetings held	No. of Meetings Attended
Sri.V.Srihari	5	5
Sri.Bijay Kumar Khemka	5	3
Dr D.V.N. Raju	5	5

4. Remuneration Policy

The Remuneration Committee recommends the company policy on all elements of remuneration of Executive Directors.

The Company has a Remuneration Committee comprises as follows

- | | |
|------------------------|------------|
| Sri.Agithan. G.Kurup | - Chairman |
| Dr D.V.N. Raju | - Member |
| Sri.Bijay Kumar Khemka | - Member |

Details of Remuneration to the Executive Directors paid/ payable for the financial year 2006-07 is as follows

Rs.lakhs

Particulars	G.V. Narasimha Rao Executive Director
Salary	6.00
HRA	0.90
Total	6.90

Non Executive Directors have been paid sitting fees for attending Board and Committee Meetings.

5. Share Holders /Investors Grievance Committee

As a measurement of Good Corporate Governance and to focus on the shareholder's grievance and towards strengthening investor relations, an Investor's Grievance Committee has been constituted as sub committee of the Board.

In Pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Duty Amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorized the Committee to implement and monitor the various requirements as set out in the code.

The Board has designated the Executive director, as the Compliance Officer.

a) The function of the Committee include:

To specifically look into redressing investor's grievance pertaining to:

1. Transfer of shares
2. Dividend
3. Dematerialisation of Shares
4. Replacement of lost/stolen/mutilated share certificates.
5. Non-receipt of rights/bonus/split shares certificates
6. Any other related issues

b) Constitution and composition

The Committee was constituted with three directors under the Chairmanship of Non Executive Director as follows

Sri.Agithan. G.Kurup	-	Chairman
Dr D.V.N.Raju	-	Member
Sri.Bijay Kumar Khemka	-	Member

6. Investor Complaints Received and resolved during the Year 2006-2007

Nature of Complaints	Received	Result	Pending
A. Non-receipt of Dividend Warrants	7	7	Nil
B. Non receipt of annual Reports	3	3	Nil
C. Non Receipt of share Certificates	2	2	Nil

7. General Body Meetings

a) Details of Location and time of the Last three Annual General Meetings of the Company.

Financial Year	Date	Time	Venue
31.03.2006	30.09.2006	10.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033
31.03.2005	30.09.2005	10.00 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033
31.03.2004	31.12.2004	10.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033