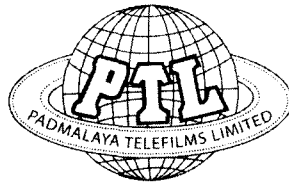


22ND
ANNUAL REPORT
2012 - 13



Padmalaya
TELEFILMS LIMITED

Corporate Information

Board of Directors

| | | |
|-------------------------|---|--------------------|
| Sri. Bijay Kumar Khemka | - | Chairman |
| Sri. G.V.Narasimha Rao | - | Executive Director |
| Sri. S.Sreenivasa Rao | - | Director - Works |
| Dr. D.V.N.Raju | - | Director |
| Sri. V.Srihari | - | Director |

Regd. & Administrative Office

Plot No.138, H.No. 8-3-222/1/23,
Madhura Nagar, Yusuf Guda, Hyderabad - 500 038

Statutory Auditors

M/s P. Murali & Co.,
Chartered Accountants,
6-3-655/2/3, Somaji Guda
Hyderabad - 500 082

Bankers

Allahabad Bank
ING Vysya Bank

Share Transfer Agents

Karvy Computershare Pvt. Ltd.
Plot No.17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad - 500 081.
Ph : 040-44655000, Fax: 040-23420814
email : einward.ris@karvy.com

Listing

The Bombay Stock Exchange Limited, Mumbai
The National Stock Exchange Limited, Mumbai

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NOTICE

Notice is hereby given that the 22nd Annual General Meeting of M/s. Padmalaya Telefilms Limited will be held on Monday, the 30th day of September 2013 at 9:30 AM at State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Madhapur, Hyderabad-500 033 to transact the following business:

ORDINARY BUSINESS :-

1. To Receive, Consider and Adopt the Audited Balance Sheet as at 31st March, 2013 and Profit & Loss Account as on that date along with the Report of Auditors' and the Board of Directors' thereon.
2. To appoint a Director in place of Sri. Bijay Kumar Khemka, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. D.V.N. Raju, who retires by rotation and being eligible, offers himself for reappointment.
4. To re-appoint Statutory Auditors and fix their remuneration and, in that behalf, to consider and if thought fit, to pass the following resolution as an ordinary Resolution:

"RESOLVED THAT M/s P. Murali & Co., Chartered Accountants, Hyderabad (Firm's Registration number 007257S) be and are hereby appointed as Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Next Annual General Meeting of the company at a remuneration to be fixed by the Board of Directors on the recommendation of the Audit Committee."

Place : Hyderabad
Date : 14th August, 2013

By Order of the Board of Directors

Sd/-
(Bijay Kumar Khemka)
Chairman

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 27th September 2013 to 30th September 2013 (Both Days Inclusive).
3. 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.
4. Members desiring any information should send the same 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.

Information required under the Listing Agreement.

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

Sri Bijay Kumar Khemka, aged about 62 years, having Vast experience in Motion Picture Production and Distribution, he has distributed more than 100 Hindi Films and 25 Bengali films in eastern Circuit and has produced the Biggest Bengali Hit film "Beder Meya Joshna". Sri Bijay Kumar Khemka is the former Senior Vice-President of Easter India Motion Pictures Association.

2. Brief profile of Dr.D.V.N.Raju who retires by rotation and eligible for re-appointment.

Dr. D.V.N.Raju, aged about 71 years, is a Doctor by profession and holds M.B.B.S. Degree from Andhra University and also pursued his Masters Degree in D.V.(M.S) from Madras University. In addition to the medical practice, he was the Executive Producer for many Telugu Films and also the Member of the Production Committee. He has also produced more than 20 feature films in his career.

By Order of the Board of Directors

Sd/-

(Bijay Kumar Khemka)
Chairman

Place : Hyderabad
Date : 14th August, 2013

Directors' Report

To

The Members

Your Directors have pleasure in presenting the 22nd Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March, 2013 thereof. The Business and operations of the company over the last fiscal year are briefly encapsulated below:

Financial Results

(Rs. In Lakhs)

| Particulars | Year Ended on 31 st March 2013 | Previous Year ended on 31 st March 2012 |
|--|--|---|
| Turn Over | 247.09 | 333.05 |
| Profit / (Loss) Before Depreciation, Tax & Prior Period Adj. | 105.51 | 158.75 |
| Profit / (Loss) after Tax & Before Prior Period Adjustments | (98.38) | 16.67 |
| Profit / (Loss) after Tax & Prior Period Adjustments | (35.70) | (931.05) |
| Add: Profit/(Loss) brought Forward from last year | (8,413.19) | (7,482.13) |
| Profit / (Loss) Carried forward to Balance Sheet | (8,448.89) | (8,413.19) |

Business Performance Review

During the year under review, the Company has reviewed all its business divisions and your company's performance is not encouraging in the years to come.

Out look for the current year

Your Company has reviewed all its business divisions and, to strengthen its stand in the market, the company has been concentrating in activities like multimedia training, providing the special effects (VSF) to the feature films of all languages and multi-starred Film Production, tie ups with experts in the market to overcome the paucity of the finances.

Dividend

Due to inadequacy of profits, the Board could not recommend dividend during the year under review.

Statutory Disclosures

ADDITIONAL INFORMATION REQUIRED UNDER SECTION 217(1) (E) OF THE COMPANIES ACT, 1956

Conservation of Energy

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

Research and Development and Technology Absorption

The company is not engaged in manufacturing activities, and as such the particulars relating to Research, Development and technology absorption are not applicable.

Foreign Exchange Earnings and Outgoing

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

Particulars of Employees

There are no employees whose particulars are required to furnish under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, are to be disclosed.

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, 2013.

Directors'

Sri Bijay Kumar Khemka and Dr. D.V.N.Raju, Directors of the Company retire by rotation and being eligible, offers themselves for re-appointment.

Statutory Auditors

M/s.P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends the re-appointment of M/s. P. Murali & Co. Chartered Accountants, as Statutory Auditor for the period from the Conclusion of this Annual General Meeting to Next Annual General Meeting.

Reply to Auditors Qualifications

The Board has furnished the following in respect of the qualification by the Auditors:

Management is in the process of re-negotiating of OTS with the HDFC bank. A detailed note was given in the 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 Statutory 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 Pursuant to Section 217 (2AA) of the Companies Act, 1956.

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 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 Going Concern basis.

HUMAN RESOURCE AND EMPLOYEE RELATIONS

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. The relationship with the employees continues to be cordial.

ACKNOWLEDGEMENTS

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

By Order of the Board of Directors

Place : Hyderabad

Date : 14th August, 2013

Sd/-
(Bijay Kumar Khemka)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MEDIA AND ENTERTAINMENT INDUSTRY OVERVIEW

The Media & Entertainment Industry in India is expected to reach Rs 1,457 billion by 2016 as per the FICCI-KPMG report. The industry achieved a growth of 12% in 2011 and is projected to grow at a CAGR of 15 percent over the next five years. The spends on leisure and entertainment are greater than the economic growth, this is a result of favourable demographics and increasing disposable incomes. The Indian Media & Entertainment (M&E) sector is growing rapidly, especially with new age technology and the rapid rise of digital media.

INDIA'S FILM INDUSTRY

According to India Brand Equity Foundation, the Indian media and entertainment (M&E) industry has massive reach. The industry is largely driven by increased digitisation, growth of regional media, robust film industry and emergence of new media for content delivery. The Indian M&E industry is projected to grow 11.8 per cent to clock revenues worth Rs 91,700 crore (US\$ 16 billion) in 2013, according to an industry report. While conventional media such as television (TV), print and radio continue to be dominant segments, animation, visual effects, films and music are also posting strong progress owing to content and the benefits of digitisation. Moreover, the Government's drive towards digitalisation and addressability for cable television by 2014 is expected to provide a boost to direct-to-home (DTH) and digital cable growth. In a nutshell, alignment of entertainment, information and telecommunication is increasingly affecting India's overall M&E industry. Launch of more advanced media devices over the last decade has facilitated access of the same content on a variety of media platforms. This is helping in emergence of new business models and revenue streams, not only for content providers, but for a variety of new players becoming a part of the new media ecosystem. With all these factors well-in-place, the M&E sector certainly is marching towards new horizons of growth.

- The Indian M&E industry grew from Rs 728 billion (US\$ 13.6 billion) in 2011 to Rs 820 billion (US\$ 14.18 billion) in 2012; marking a growth of 12.6 per cent.
- Furthermore, television continued to be a dominant segment in the M&E industry while new media sectors (like animation/VFX) and Films and Music segments recorded strong growth. Radio is expected to witness great emancipation, post the roll-out of Phase 3 licensing, at a compounded annual growth rate (CAGR) of 16.6 per cent over 2012-17.
- India's M&E industry is expected to get double in size to Rs.1.66 trillion (US\$ 28.72 billion) by 2017, from Rs.82,000 crore (US\$ 14.19 billion) in 2012, which would be a compounded annual growth rate (CAGR) of 15.2 per cent, according to the Indian Media and Entertainment Industry Report 2013 by KPMG with an industry body.

COMPANY'S PERFORMANCE

Business Performance Review

During the year under review, the Company has reviewed all its business divisions and hope that your company's performance is encouraging in the years to come.

Out look for the current year

Your Company has reviewed all its business divisions and, to strengthen its stand in the market, the company has been concentrating in activities like multimedia training, providing the special effects (VSE) to the feature films of all languages and multi-starred Film Production, tie ups with experts in the market to overcome the paucity of the finance.

PRINCIPAL RISKS AND UNCERTAINTIES

Piracy: Piracy of the produced content, under the purview of intellectual property rights, can adversely affect revenues and profitability.

Mitigation: Industry members have set up an Antipiracy Society (AACT) to fight the menace.

New Piracy Laws were introduced in India to curb the piracy and to make special provisions for suppression of piracy and to provide for punishment for the offence of piracy and for matters connected therewith or incidental thereto, which will be helpful for the film industry.

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 company has five Directors, comprises of 2 Executive and 3 Non Executive Directors. Out of two Executive Directors, one is from the 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 Companies | |
|--------|--------------------|------------------------|--------------------|---------------------------------------|------------------|
| | | | | Director | Committee Member |
| 1 | Bijay Kumar Khemka | Independent | Chairman | 1 | Nil |
| 2 | G.V.Narasimha Rao | Promoter Executive | Executive Director | Nil | Nil |
| 3 | S.Sreenivasa Rao | Non Promoter Executive | Director- Works | Nil | Nil |
| 4 | V.Srihari | Independent | Director | Nil | Nil |
| 5 | Dr D.V.N.Raju | Independent | Director | 1 | Nil |

c. Board Meetings held During the Year

| S.No | Date of Board Meeting |
|------|-----------------------|
| 1 | 12/05/2012 |
| 2 | 13/08/2012 |
| 3 | 03/09/2012 |
| 4 | 14/11/2012 |
| 5 | 14/02/2013 |

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 |
|----------------------|-------------------------------|------------------------|
| Bijay Kumar Khemka | 5 | Yes |
| G.V.Narasimha Rao | 5 | Yes |
| S.Sreenivasa Rao | 5 | Yes |
| V. Srihari | 4 | No |
| Dr. D.V.N. Raju | 5 | Yes |

3. 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, 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 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 Auditors and fixation of their remuneration.

b) Composition, names of the members and chairman

The Audit Committee of the Company re-constituted during the year comprises three members. All the members of the Committee are "Independent" Non-Executive Directors. Audit Committee consists of the following members:

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

c) Meetings and Attendance during the year

| Name of Members | No. of Meetings held | No. of Meetings Attended |
|--------------------|----------------------|--------------------------|
| V.Srihari | 5 | 4 |
| Bijay Kumar Khemka | 5 | 5 |
| Dr. D.V.N. Raju | 5 | 5 |

c. Audit Committee Meetings held During the Year

| S.No | Date of Audit Committee Meeting |
|------|---------------------------------|
| 1 | 12/05/2012 |
| 2 | 13/08/2012 |
| 3 | 03/09/2012 |
| 4 | 14/11/2012 |
| 5 | 14/02/2013 |

4. Remuneration Policy

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

The Remuneration Committee comprises the following Directors:

| | |
|--------------------|------------|
| Dr. D.V.N. Raju | - Chairman |
| V. Srihari | - Member |
| Bijay Kumar Khemka | - Member |

Details of Remuneration to the Executive Directors paid/ payable for the financial year 2012-13 is as follows

Rs.lakhs

| Particulars | G.V. Narasimha Rao Executive Director | S.Sreenivasa Rao Director - Works |
|-------------|--|--------------------------------------|
| Salary | 6.00 | 5.40 |
| HRA | 0.90 | — |
| Total | 6.90 | 5.40 |

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 shareholders' grievance and towards strengthening investor relations, an Investors' 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(Duly 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 Mr. M.V.R.S. Suryanarayana - Executive of the Company as the Compliance Officer.

a) The function of the Committee include:

To specifically look into redressing investors' 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

Your company has constituted the investors' grievance committee, with three directors under the Chairmanship of Non Executive Director, as follows:

| | |
|--------------------|------------|
| Dr. D.V.N.Raju | - Chairman |
| V. Srihari | - Member |
| Bijay Kumar Khemka | - Member |