

ANNUAL REPORT 2005-06



Padmalaya

TELEFILMS LIMITED



Corporate Information

Board of Directors

Bijay Kumar Khemka	-	Chairman
G.V. Narasimha Rao	-	Executive Director
K.Gopala Krishna	-	Director
Ajithan G. Kurup	-	Director
Dr. D.V.N. Raju	-	Director
V. Srihari	-	Director

Regd. & Corporate Office

Plot No.A-33, Road No.2, Film Nagar,
Jubilee Hills, Hyderabad - 33

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 15th Annual General Meeting of Padmaalaya Telefilms Limited will be held at the State Gallery of Fine Arts, Road No.1, Kavuri Hills, Madhapur, Hyderabad-500 033 at 10.30 a.m. on Saturday, the 30th day of September 2006 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at 31st March, 2006 together with the Report of Auditors and the Report of Board of Directors.
2. To appoint a Director in the place of Sri Ajithan G Kurup who retires by rotation and being eligible, offer himself for reappointment.
3. 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

4. **Appointment of Dr. D.V.N. Raju as Director**

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

“RESOLVED THAT Dr. D.V.N. Raju 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.”

5. **Appointment of Shri V. Srihari as Director**

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

“RESOLVED THAT Shri. V. Srihari 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.”

By Order of the Board of Directors
Sd/-

Place : Hyderabad
Date : 2nd September, 2006

(G.V.Narasimha Rao)
Executive Director

**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 27th September 2006 to 30th September 2006 (Both Days Inclusive) to ascertain the list of members for 15th 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.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act 1956.**ITEM No.4**

Dr. D.V.N. Raju was appointed as Additional Director of the company by the Board of Directors at their meeting held on 26.12.2005, 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 Dr. D.V.N. Raju 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 are except Dr.D.V.N. Raju is interested in the said resolution.

ITEM No.5

Shri.V. Srihari was appointed as Additional Director of the company by the Board of Directors at their meeting held on 26.12.2005, 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 Shri. V. Srihari 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 are except shri V.Srihari is interested in the said resolution.

By Order of the Board of Directors
Sd/-

Place : Hyderabad
Date : 2nd September, 2006

(G.V.Narasimha Rao)
Executive Director



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

1. Brief profile of Mr. Ajithan G Kurup, who retires by rotation and eligible for RE-APPOINTMENT

Mr. Ajithan G. Kurup, aged about 49 years, holds Master Degree in Linguistics and Diploma in Food Processing from a German University. He has vast experience in Corporate Communication, Project Design and Marketing. He was a Management Consultant to well known Companies., and involved closely with hi-tech areas such as Healthcare Informatics, Online Business and Media & Entertainment. He has also been a process and documentation / communications consultant to major development projects. He is a member of Executive Committee of the Indian Documentary Producers Association.

2. Brief profile of Dr.D.V.N. Raju who was appointed as Additional Director of the company and is eligible for appointment as Director.

Dr.D.V.N. Raju, aged about 66 years, is a Doctor by profession and holds M.B.B.S., 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 and also the Member of the production Committee. He has also produced more than 20 feature films in his career.

3. Brief profile of Mr .V.srihari who was appointed as Additional Director of the company and is eligible for appointment as Director.

Mr.V.Srihari aged about 52 years has a Bachelor Degree in Commerce and is a Chartered Accountant by profession and is a Fellow Member of the Institute of Chartered Accountants of India. He has worked in various capacities in Government Sector Companies and in private sector, is backed with 32 years of rich experience in various business segments like commercial banking, investment banking , operational management, corporate finance and strategies.



Directors' Report

Your Directors have pleasure in presenting the 15th Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March 2006 thereof. The Business and operations of the company over the last fiscal year are briefly encapsulated below:

FINANCIAL RESULTS

Rs.lakhs

Particulars	Year Ended 31 st March 2006	Previous ended On 31 st March 2005
Turn Over	1414.70	2081.50
Profit after Tax	-1480.05	-317.07
Add: Profit brought Forward from last year	-131.73	185.34
Profit Available for Appropriation	-1611.78	-131.73

Business Performance Review

During the year under review your company's performance is not encouraging due to sluggish market conditions and realizations are below the expectation in all the divisions. This has resulted in adverse effect on the values and quantities. This 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.

(Rs. In Lakhs)

- | | |
|------------------------------------|-----|
| 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, 2006.

DIRECTORS:

Ajithan G Kurup, Director of the Company retires by rotation and being eligible, offer himself for reappointment.

Dr. D.V.N. Raju and V. Srihari are appointed as additional Directors on the board by the Board of Directors at their meeting held on 26.12.2005, to hold office till the ensuing Annual General Meeting and the Directors recommended to appoint these persons as Directors liable to retire by rotation.

Mr.K.Gopala Krishna tendered his resignation as director (operation) due to preoccupation. The board of directors of the company at their meeting held on 30/04/2006 accepted the same; however he will continue to hold as non executive director of the company.

Mr.K.Raghavendra Kumar has submitted his resignation as director of the company and Board of Directors at their meeting held on 30th April, 2006 have accepted the same and the Board has placed on record the contribution made to the Company.

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 2006-2007 on remuneration to be fixed by the Board of Directors.

EXPLANATION TO AUDITORS QUALIFICATIONS

Regarding auditors comment on

- Payment of statutory dues the management taken a note that all statutory dues paid subsequent to date of balance sheet except income tax, for which the company has approached the department for sanction installments, for the disputed Income Tax amount the company preferred for appeal before the 2nd Appellate authority i.e Income Tax Appellate Tribunal.
- 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 18 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 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 suitable candidate as company secretary, and 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, the Suppliers, Customers and Shareholders of the Company for their continued assistance, support and guidance.

By Order of the Board.
Sd/-

Place : Hyderabad
Date :02/09/2006.

Bijay Kumar Khemka
Chairman



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 share holder 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 6 with 1 Executive and 5 Non Executive Directors. The Executive Director 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. Name of Director No	Category	Designation	Director Ship held in other Companies	
			Director	Committee Member
1. G.V.Narasimha Rao	Promoter Executive	Executive Director	1	Nil
2. K.Gopala Krishna	Non Promoter Executive	Director (Operations)	1	Nil
3. Bijay Kumar Khemka	Independent	Director	Nil	Nil
4. Ajithan G Kurup	Independent	Director	Nil	Nil
5. V.Srihari**	Independent	Director	Nil	Nil
6. Dr D.V.N.Raju**	Independent	Director	1	Nil
7. K.Raghavendra Kumar *	Independent	Director	Nil	Nil

* Resigned with effect from 30/04/2006

** Appointed with effect from 26/12/2005

c. Board Meetings held During the Year

S.No	Date of Board Meeting
1	30/04/2005
2	30/06/2005
3	31/07/2005
4	31/08/2005
5	31/10/2005
6	31/01/2006

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
G.V.Narasimha Rao	6	Yes
K.Gopala Krishna	6	Yes
Bijay Kumar Khemka	4	Yes
Ajithan G Kurup	6	Yes
Dr D.V.N. Raju **	1	N.A.
V. Srihari **	1	N.A.
K.Raghavendra kumar *	4	Yes

* Resigned with effect from 30/04/2006

** Appointed with effect from 26/12/2005

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, 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.

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

Meetings and Attendance during the year

Name of Director	No. of Meetings held	No. of Meetings Attended
Bijay Kumar Khemka	4	4
K. Gopala Krishna	4	4
Dr D.V.N. Raju**	4	1
V. Srihari**	4	1
K.Raghavendra kumar*	4	3

* Resigned with effect from 30/04/2006

** Appointed with effect from 26/12/2005