

PENTAMEDIA 



36th
ANNUAL REPORT
2011 - 2012

SEO 

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BOARD OF DIRECTORS

Mr.V.Chandrasekaran – Chairman
Mr.Krish Narayanan - Director & CEO
Mrs.Sumathi Sridharan-Director
Mr.S.D.Viswanathan –Director
Mr.Joseph Jerome – Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr.Krish Narayanan

AUDITORS

M/s.Sudhindran & Co.
Chartered Accountants
Firm No. 006019S
G-1, Kesari Kuteeram
#22, West Cott Road
Royapettah, Chennai-600014

BANKERS

Oriental Bank of Commerce
IndusInd Bank
Indian Bank

REGISTERED OFFICE

No. 25, "Taurus", 1st Main Road
U.I.Colony, Kodambakkam
Chennai-600024
Tel.: 044-24833067
Fax:044-24726042
Email : investor@penta-media.com
shares@penta-media.com
Website : www.penta-media.com

REGISTRAR & TRANSFER AGENT

Cameo Corporate Services Limited
Unit : "Pentamedia Graphics Ltd."
"Subramaniam Building"
No.1 Club House Road
Anna salai, Chennai-600002
Tel.: 044-2846 0390 (5 Lines)
Fax : 044-28460129
Email : investor@cameoindia.com
Website : www.cameoindia.com

Chairman's Message

Dear friends,

Wishing you all a happy festive season....

Yesterdays dreams, todays inspiration and tomorrows necessity have been historically proved in all walks of life. After the debacle of 9/11 in USA ten years back and the consequent cash flow crisis, necessiated restructuring of the company. The top management then decided to have a debt free status which will enable the company the freedom of doing innovative things in the creative world which is the forte of the company. We felt that this status will enable new investment and association which can add value to our products and projects both in media and software. I am glad to state that we have achieved the debt free status this year. To move forward towards the desired goal we have appointed a CEO in Feb' 2012 and me in the back on an advisor role. I am confident that the present management will raise the performance of our company to our dreams and expectations. I thank all the stake holders and I am sure you will all extend the usual support to the new team.

V. Chandrasekaran

Chairman

PENTAMEDIA GRAPHICS LIMITED

Regd Office: "Taurus" No. 25, 1st Main road, United India Colony, Kodambakkam, Chennai – 600 024

NOTICE

Notice is hereby given that the **THIRTY SIXTH** Annual General Meeting of the members of the Company will be held on Wednesday, the 5th September 2012 at 10:00 AM at Rani Seethai Hall - No. 603, Anna Salai, Chennai – 600 006 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March 2012 and the Balance Sheet as at the date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a director in the place of Mr. S.D.Viswanathan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit to pass with or without modification(s) the following resolution as Ordinary Resolution:

"RESOLVED THAT M/s. Sudhindran & Co., Chartered Accountants, having Registration No. 006019S, be and are hereby re-appointed as the 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 on such remuneration as may be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s) the following resolution as Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 260, 269, 198, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and re-enactment thereof for the time being in force), consent of the Company be and is hereby accorded to the appointment of Mr. Krish Narayanan as the Director & Chief Executive Officer of the Company with effect from 1st February, 2012 for a period of 3 years (three years) on the following terms and conditions :

- a) Salary of Rs. 50,000/- per month subject to statutory deductions as applicable. Increments to be decided by the Remuneration Committee.
- b) House Rent Allowance of Rs.20,000/- Per month.
- c) Reimbursement of Car, Petrol & Medical Expenses to the limit of Rs.15,000/- per month.
- d) The aggregate of salary, performance bonus and perquisites in any one financial year shall not exceed the limits subject to the requirements as contained in Sections 198,309 and 310 read with Section II of Part II of Schedule XIII of the Companies Act, 1956 (including any statutory modification(s) or re- enactment thereof for the time being in force)
- e) The Company shall not pay to Mr. Krish Narayanan any sitting fees for attending the meeting of the Board or Committee thereof so long as he functions as a Director & CEO.

"RESOLVED FURTHER THAT Mrs. Sumathi Sridharan, Director of the Company be and is hereby authorized to sign the necessary returns required to be filed with the Registrar of Companies, Chennai."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things that may be required to give effect to the aforesaid resolution."

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as **Ordinary Resolution:**

"RESOLVED THAT the consent of the Members be and is hereby accorded to re-designate Mr. V. Chandrasekaran, Non-Executive Director as the Chairman of the Company with effect from 1st February, 2012 and he shall be liable to retire by rotation."

On behalf of the Board

Place: Chennai
Date: 27.07.2012

Krish Narayanan
Director & CEO/Company Secretary

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him / her and the proxy need not be a member of the Company. A blank proxy form is enclosed, which if used should be returned to the Company duly completed not later than forty eight hours before the commencement of the meeting.**
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 with regard to Special Business mentioned above in Item Nos.4 and 5 are annexed herewith.
3. The Company's Register of Members and the Share Transfer Books will be closed from Tuesday, the 28th Day of August 2012 to Wednesday, the 05th Day of September 2012 (both days inclusive).
4. Corporate members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representatives to attend and vote at the meeting.
5. Members / proxies are requested to bring their admission slips along with the copies of annual reports to this meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who hold shares in electronic form are requested to write their Client ID and DP ID numbers. Members holding shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting to facilitate identification of membership at the meeting. Members are requested to bring their attendance slip along with their copy of annual report to the meeting.
8. Members holding shares in physical form are advised to intimate any change of address and bank details immediately to the Company's Registrar and Share Transfer Agents, Cameo Corporate Services Limited. Shareholders holding shares in electronic form must send the advice about change in address and bank details to their respective Depository Participants and not to the Company.
9. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted U/s 109A of the Companies Act, 1956 are requested to write to the Company's Registrars for the prescribed form.
10. Relevant documents referred to the accompanying Notice are open for inspection at the Registered Office of the Company on all working days (Monday to Friday) between 10:00 AM and 05:00 PM till the date of Annual General Meeting and will also be available for inspection at the meeting.
11. Complete set of the Annual Report is also available at the Company's Website www.penta-media.com under the Investor's Relation Section.
12. As per Clause 49 of the Listing Agreement, a brief resume and functional expertise of the Directors proposed for appointment / reappointment are furnished below along with the details of companies in which they are Directors and the Board Committees of which they are members.
13. As a Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA) vide its circular dated 21st April 2011, allowed companies to send various notices and documents, including Annual Reports to shareholders through electronic mode to the registered email id of the shareholders. In this regard, the Company requests all its members to register their E-mail ID to respective depository participant's (DP's) alternatively visit www.cameoindia.com/greenpage/ and register E-mail ID so as to enable us to communicate the reports and other updates electronically.
14. Members who hold shares in physical form are requested to convert the physical holdings into electronic holdings in order to enable us to have a status of 100% dematerialized Company.

Mr. S.D.Viswanathan

Mr. S.D.Viswanathan has 40 years of experience in executing projects and in corporate planning. He is a Honours Graduate in Electronics and Electrical Engineering and he commenced his career in Indian Railways for more than two decades where he finally held the position of Director of Inspection, Integral Coach Factory, Chennai. He held several positions in leading private sector companies and has been a Technological Consultant.

The details of his directorship in other Companies and membership of Committees as on date are as follows:

Company	Position	Committee Membership	Number of Shares held
Nil	Nil	Nil	Nil

Mr. Krish Narayanan

Mr. Krish Narayanan is a Qualified Cost Accountant, Company Secretary and holds a Masters in Business Administration. He is having more than twenty five years of experience in various fields including software, insurance and finance. He has anchored the implementation of insurance software in Oracle Platform in Nigeria. He served leading organizations which include Oriental Insurance, IndusInd Bank, Zeeta Business Solutions, First Apex Software Services, Blend Financial Services, IL&FS Group.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No: 4

The Remuneration Committee of the Board at its Meeting held on 10th February 2012, recommended to the Board the appointment of Mr. Krish Narayanan as the Director and Chief Executive Officer (CEO) of the Company for a period of three years with effect from 1st February 2012.

The Board of Directors at their meeting held on the same day i.e. 10th February 2012, based on the recommendation of the Remuneration Committee and subject to the approval of the Members at the Annual General Meeting, approved the appointment of Mr. Krish Narayanan as the Director & CEO of the Company on the terms and conditions stated in the Resolution.

The Board of Directors recommend the approval of the Resolution at Item No.4 of the Notice.

None of the Directors except Mr. Krish Narayanan is interested in this resolution.

Item No: 5

Remuneration Committee at their meeting held on 10th February, 2012, had recommended to the Board to re-designate the position held by Mr. V.Chandrasekaran as Chairman from his current designation of Chairman and CEO of the Company consequent to the appointment of Mr. Krish Narayanan as Director and CEO of the Company with effect from 1st February, 2012.

The Board of Directors at their meeting held on 10th February 2012, based on the recommendation of the Remuneration Committee approved the re-designation of Mr. V. Chandrasekaran as the Non-executive Chairman of the Company.

Accordingly, the Resolution at Item No.5 of the Notice is placed before the Members for their approval.

None of the Directors except Mr. V. Chandrasekaran is interested in this resolution.

On behalf of the Board

Place: Chennai
Date: 27.07.2012

Krish Narayanan
Director & CEO/Company Secretary

Directors' Report

Dear Members,

The Directors are pleased to present the Thirty-sixth Audited Statement of Accounts of the Company for the year ended 31st March 2012.

Financial Results of 31st March

₹ in Lacs

Particulars	2012	2011
Net Sales / Income from Operations and other Income	607.16	668.79
Total Expenditure	380.01	394.50
Interest / Finance costs	0.27	0.22
Gross Profit / (Loss) after interest but before Depreciation	226.88	274.07
Depreciation and amortization expenses	160.54	204.58
Tax Expense (Net)	7.62	22.42
Profit / (Loss) brought forward	58.72	47.07
Appropriation	1213.03	1154.31
Balance profit carried forward	1213.03	1154.31

Business Overview

Pentamedia is providing high quality application orientated training in media and software, continues to utilize its digital assets and software products by re-engineering to the latest requirement including cloud computing. Last year witnessed sharp slowdown in the economy globally resulting fluctuations in currencies causing in the overseas operations undergoing a strain. Pentamedia is engaged in imparting Quality Application Training and Services by its own resources and through other associates. The Internet based e-learning is being improved to meet the various customers requirement on popular platforms. Your Company is in the process of establishing services as a high end at an affordable option in the education/training market. The infrastructural facilities which are under development will increase our handling of projects and products penetration in media and software. As a step towards reducing the gap between industries and educational institutions, Pentamedia has organized a 'Charcoal Drawing Competition' for Viscom and other college students. Pentamedia has started "Junior Animator Programme" for youngsters to bring out new talents in animation and multimedia to cater to the skill requirements as required by the industries. Being pioneers in Animation Technology, Pentamedia is showcasing its contents of live action and animation movies to its trainees bringing out the various changing technologies from yesterday to today and possibilities of tomorrow. Pentamedia is expanding its horizon in the development of its software products on other operating systems on modular basis. Various upcoming projects and products on media and software including apps on tablets and mobiles are in discussions with customers. The Company is planning Soft skill programmes on personality development, general management techniques, so that our training will be a one stop shop for personal, technical and creative skills. The pre-production of Animation films 'Kathy in Space', "Sinbad – Secret of Colonis" on STEREO SCOPIC 3D technology is nearing completion. The pre-production for "Thirukkural Stories" in animation is in progress. The Company is evaluating strategic partners to support production, distribution and marketing of its contents.

Subsidiaries / Investments

NumTV Limited (Mauritius) and Esoftcom (Mauritius) Limited are the 100% subsidiaries of the Company. Members should be aware by this time, the Ministry of Corporate Affairs in order to support green initiative, has provided general exemption to companies vide General Circular No: 2 /2011 dated.08.02.2011 to comply with Section 212 (8) of the Companies Act, 1956, provided such companies publish the audited consolidated financial statements in the Annual Report. Your Board has decided to avail the said general exemption from applicability of provisions of Section 212 of the Companies Act, 1956, and accordingly, the Annual Report 2011-12 does not contain the financial statement of subsidiaries. The audited annual financial statements and related information of subsidiaries will be made available on request by any shareholder of the Company, or for inspection at the registered office. The same will be published on our official website www.penta-media.com. This is a step taken by your Company synchronize "Green Initiatives" of Government of India. The subsidiaries whose financial reflect a turnover of Esoftcom amounting to \$0.39m with a net loss of \$0.05m and turnover of NumTV amounting \$0.92m with a net loss of \$0.02m. With the overall economy being bleak the business prospects and lack of adequate skills, the Company has suspended the operations in Mauritius from Oct' 2011. Mayajaal equity shares has been extinguished upon the buy-back by Mayajaal Entertainment

Limited as per the order of Company Law Board, Chennai bench (CP No. 106 of 2010) dated 1st March 2011. The proceeds has been utilised to settle the Debt Recovery Tribunal (DRT) orders O.A No. 95 of 2003, O.A No. 7 of 2004 & O.A. No. 76 of 2005 and High Court of Madras order CP No. 243 of 2008. The settlement has paved the way for expanding its operations in new areas through new associates, investors etc.

Public Deposits

Your Company has not accepted any Deposits under Section 58A and Section 58AA of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

Statutory Dues

The Company has obtained stay orders against Income Tax demands and have been in discussion with Income Tax to settle the issues regarding demands and refunds.

Dividend

Your Directors do not recommend any dividend for the financial year 2011-12 to conserve cash resources for future.

Management Discussion and Analysis Report

Industry Outlook

Media & Animation

India's role as a significant destination for outsourcing of works related to animation is a fact. But a larger fact that needs immediate attention is the strength of the Indian animation market to produce, create and develop exceptional animation work and workers to gain wider acceptance in the Indian markets itself. Today, there is an increasing section of audience, appreciators across age groups, who are emerging and interested in works related to animation. Experts believe that the potency of an animation film in the Indian film market is not emphasized strongly despite the viability and immense business sense of releasing animation films. Indian animation industry is set to clock stupendous growth in coming times. Animation, which encompasses gaming, web designing, television commercials, games for internet, personal computer and consoles, has a strong and wide reach across sectors. According to a report by auditing firm Pricewaterhouse Coopers on the Indian media & entertainment industry, the animation industry growth has presumed to be around Rs.1,100 crore in the year 2006 and it is expected to grow at a rate of 22% to reach Rs.5,400 crore at the end of 2014. There is enough scope for animation companies to grow in the Indian entertainment industry. There are two factors that would drive the growth of the animation industry namely high-skilled workers and low cost of production.

The Nasscom survey zeroed in on three key factors that are responsible for the growth of the Indian animation and gaming industry. It said that the cost competitiveness factor of Indian workforce plays a crucial role in the Indian animation industry. The survey also predicts that most mobile companies have realized that the model of co-production is quite feasible and lucrative. At present, most Indian companies are graduating from traditional outsourcing to co-production model. 3-D mobile games are also gaining popularity and it is expected that the future of the animation industry lies in this segment. Another study by industry body Associated Chambers of Commerce and Industry of India (Assocham) and Deloitte shows that the custom content development and education segments are expected to see huge momentum largely due to corporate e-learning programmes and would grow at 11% per annum. One of the observations of the study is that the rising number of TV channels, greater accessibility to internet, proliferation of mobile devices that leads to the popularity of video and gaming content are set to offer a huge potential for animation and character licensing. The applications of content technology are constantly changing from big screens to mobile screens and vice versa. The existing talents and new talents have to be trained to adopt this to close-ups, mid-shot & long-shot coloring schemes. So that the common man can use education, entertainment and edutainment applications on the devices on his/her preference.

Tamilnadu is playing a big game for animation industry by initiating the announcement that it will constitute an expert committee to promote the animation and gaming industry in India. Karnataka is first in the country to have a separate policy on animation, visual effects, gaming and comics industry in India. According to sources Tamil Nadu a lucrative outsourcing destination as well as attract venture capital funding for new entrants in the Animation Industry.

Strategic Planning

Your Company is in the process of venturing into strategic alliance for its expansion. Towards this business partner relationships with other leading training institutions is under progress and this will increase our marketing base exchange of technical know-how and relative advantage for our business activities as a whole.

Software & IT

The Indian software industry continues to add jobs at a fast clip despite the threat of a slowdown. The industry is estimated to close fiscal 2012 with an addition of around 230,000 jobs. As per NASSCOM, the Indian Rupee depreciation against the US dollar helps the industry only in the long-term perspective and businesses do not gain much during short term. IT companies entering new geographies, natural growth is happening in Europe, Latin America and Middle East". On employment in the IT industry, projections were made that 160,000 to 180,000 jobs should be created this year. Last year, NASSCOM had predicted that 200,000 new jobs would be created in the industry for the financial year 2011-12. IT industry revenues are set to grow at 16% but the number of people added is likely to grow only by 10%. Over the last many years, the Indian software companies have also added over 25,000 jobs in the US for local citizens. "The kind of numbers Indian companies are adding is unprecedented. They will have to hire from every part of the world. Over the last 20 years, the Indian IT industry has grown from \$ 100 million to \$ 100 billion, recording a phenomenal growth. Allocation for IT in India by central and state governments stands at whopping \$ 10 billion but so far only \$1 billion-\$ 1.5 billion has been spent.

Directors

Mr.S.D.Viswanathan, Director retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment, which the Board recommends.

A brief resume of Director retiring by rotation at the ensuing annual general meeting, nature of his expertise in specific functional areas, and names of Companies in which he holds directorship and / or membership/ chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement are given in the section on Corporate Governance elsewhere in the Annual Report.

Changes in the year

Mr.Krish Narayanan has been appointed as Director & CEO w.e.f 01st February 2012. Consequent to this Mr.V.Chandrasekaran, Chairman & CEO has been re-designated as "Non-Executive Chairman" of the Company w.e.f 01st February 2012.

Mr.G.Swaminathan, Company Secretary & Compliance Officer has resigned from the Company and Mr.Krish Narayanan, Director & CEO has been appointed additionally as Company Secretary & Compliance Officer w.e.f 01st April 2012.

Corporate Social Responsibility (CSR)

Environmental Awareness

Environmental degradation and impact of global warming and climate change. These global threats, mirrored in India are perhaps larger in dimensions, can severely constrain human development and economic progress. To address the challenges emerging from these threats, your Company continues to pursue an 'Environmental Awareness' approach that subserves national priorities by creating larger societal value encompassing the creation of economic, environmental and social capital. The Company has made a animation short film in the interest of public "Environmental Awareness" which was telecasted in the regional television channels. The message to the society is sent through from this short film are conservation of water, planning more trees, reduce pollution with objective of protecting the nature, environment and mother earth. This film is also available in the link <http://www.penta-media/showreel.html> Similarly a short film on "Population" is produced by sending the message of increase in population to 7 billion at the end of 2011 and its impact on the universe.

Green Initiatives

To fall in line with the Green Initiatives of GOI, Your Company is geared up to meet the same in all spheres of its activities. That is strengthening to communicate both internally and externally by E-mail & Internet thereby creating a 'paperless' atmosphere in the Company. As a Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA) vide its circular dated 21st April 2011, allowed companies to send various notices and documents, including Annual Reports to shareholders through electronic mode to the registered email id of the shareholders. In this regard, the Company requests all its members to register their E-mail ID to respective depository participant's (DP's) alternatively visit www.cameoindia.com/greenpage/ and register E-mail ID so as to enable us to communicate the reports and other updates electronically.

Director's Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm having:

- a) Prepared of the Annual Accounts through the applicable accounting standards with proper explanation relating to material departures and strict adherence of principles of accounting and financial management.
- b) Selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- c) 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 your Company providing higher etiquettes in accounting and financial management; and
- d) Prepared the Annual Accounts on a going concern basis.

Auditors

M/s. Sudhindran & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re- appointment.

The Company has received letter from M/s. Sudhindran & Co., Chartered Accountants to the effect that their appointment, if made would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

Particulars of Employees

Relations with employees continued to be cordial throughout the year. Your directors place on record their appreciation of the efforts, dedication, commendable teamwork and exemplary contribution of the employees in the various initiatives of the Company and contributing to the performance of the Company during the year under review. The consultants and creative people are hired part-time basis for assignments on case to case basis.

Information under Section 217(2A) of the Companies Act, 1956.

No Employee of the company is covered by the provisions of the Section 217(2A) (a) (iii) of the Companies Act, 1956.

Internal Control System

Your Company having a sound internal system, which enable that all assets are protected against loss from unauthorized use and all transactions are recorded and report correctly. The classification and accounting of assets is carried out as per the standard procedures followed by the Company. This system is further supplemented by internal audit carried out by an independent Chartered Accountant and periodical review by management. The Audit Committee of the Board reviewed issues raised by both Internal and Statutory Auditors.

Human Resources

Your Company takes pride in the commitment, competence and dedication shown by its employees (including outsourced) in all areas of business. Various Human Resource initiatives are taken to align the HR policies to the growing requirements of the business of the Company. Your Company has the credit of having produced high "Value Human Asset" during the last decade up to this period.

Conservation Of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

Your Company is into the business of Media and Training for Animation and Software . Since these activities do not involve any manufacturing activity, most of the Information required be provided under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given below.

Conservation of Energy

During the year , the consumption of power & fuel were ₹ 4.7 lacs as against ₹ 3.85 lacs of pervious year. The Company taking all possible steps for optimal use of energy to avoid waste and conserve energy as far as possible.