



PENTAMEDIA
GRAPHICS LIMITED



DIGITAL CONTENTS

BUDDHA

JAI
VIGNESHWARA

PANDAVAS

ALIBABA

SINDBAD

HEALTH

APPS

HOSPITALITY

MARKETING

FINANCE

37th Annual Report 2012-2013

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BOARD OF DIRECTORS

Mr.V.Chandrasekaran-Chairman & Managing Director
Mrs.Sumathi Sridharan - Director
Mr.S.D.Viswanathan - Director
Mr. R. Kalyanaraman - Director

COMPANY SECRETARY & COMPLIANCE OFFICER

Mrs. A.Menaka

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@pentamedia.in
shares@pentamedia.in
Website : www.pentamedia.in

REGISTRAR & TRANSFER AGENT

M/s. 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,

Let me first wish you all a happy & prosperous festive season.

We all know nature evolves and adapts whether it is in physical life or logical life. In the last few years the technology has changed the way we learn & communicate. Today the mobiles are more in number than the population of seven billion in the world. No other common man's instrument has matched this. This is changing the way the Education, Information & Entertainment has been viewed all along. The tablets are replacing the slates and books, the apps are replacing the customized softwares & 3D glasses are changing the way we have been seeing entertainment in Theatres, TVs & Computers. Your Company is adapting these new tools & also train human power to adopt these evolves.

At our business, we are evolving cost effective new methods & apps so that the old 2D films and contents can be converted to new way of exhibition so that the content is continuing to be the king whether old or new. Our new 3D animated movie "Gulliver and the Lilliputs" is being released shortly in digital 3D (with glass) all over the world. There are stream of own productions, distribution and conversion services of digital contents to big, small and personal screens using the new technologies. The evolving Google glasses & 3D printing is going to revolutionise the way we have been thinking & doing.

I am confident with usual the support of our stakeholders, we will be able to adopt & evolve to these new approaches.

Thank you one and all.

V.Chandrasekaran

Chairman & Managing Director

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 SEVENTH** Annual General Meeting of the members of **PENTAMEDIA GRAPHICS LIMITED** will be held on Wednesday, the 21st August, 2013 at 10:00 AM at Rani Seethai Hall, No.603, Anna Salai, Chennai-600006 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended 31st March, 2013 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mrs. Sumathi Sridharan who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. Sudhindran & Co., Chartered Accountants, bearing Firm 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 deemed fit, to appoint Mr. R.Kalyanaraman as a Director in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956 from a Member along with a deposit of Rs.500/- signifying his intention to move the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. R.Kalyanaraman, be and is hereby appointed as a Director of the Company."

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

RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, (including any statutory modification(s) and re-enactment thereof for the time being in force), and subject to an overall limit of 5% of the Net Profits of the Company for each financial year computed in a manner as prescribed under sections 349 and 350 of the Companies Act, 1956, approval of the Company be and is hereby accorded to the appointment of Mr.V.Chandrasekaran as Chairman & Managing Director of the Company for a period of one year with effect from November 1, 2012 on the following terms and conditions:

a) Salary

Rs.2,00,000/-per month in the scale of Rs.2,00,000/- to Rs. 4,00,000/- Increments to be decided by the Remuneration Committee.

- b) In terms of the provisions of Article 37 of the Articles of Association of the Company, Mr.V.Chandrasekaran shall not be subject to retirement by rotation during his tenure as Chairman and Managing Director.
- c) Perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like the benefit of gas, electricity, water, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits and other benefits in accordance with the scheme(s) and rule(s) applicable to the members of the staff from time to time, for the aforesaid benefits.
- d) Mr.V.Chandrasekaran shall not be entitled to any sitting fee for the meeting of the Board or of any committee thereof.
- e) Mr.V.Chandrasekaran will be subject to all other service conditions as applicable to any other employee of the company.

In the event of absence or inadequacy of profits in any financial year, Mr.V.Chandrasekaran will be paid remuneration including the perquisites and other amenities as aforesaid subject to the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and deeds as it may consider necessary, expedient or desirable, in order to give effect to the foregoing resolution or otherwise as considered by the Board to be in the best interest of the Company".

By Order of the Board

A.Menaka
Company Secretary

Place: Chennai
Date: 29.05.2013

NOTES:

1. A member entitled to attend and vote at the Annual General 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. The instrument appointing Proxy should however be deposited at the Registered Office of the Company not less 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 to 5 is annexed herewith.
3. The Company's Register of Members and the Share Transfer Books will be closed from Thursday, 15th August, 2013 to Wednesday, 21st August, 2013 (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 Annual General Meeting.
5. Members/proxies are requested to bring their admission slips along with the copies of Annual Report 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 under Section 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 a.m. and 5 p.m. upto 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 web site www.pentamedia.in in the Investor 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.

(i) Mrs. Sumathi Sridharan :

Mrs.Sumathi Sridharan aged about 52 years is a M.E Computer Engineer and worked with REC, Trichy as a faculty in Department of Computer Science. She served in our group from 1993 to 2004. She has overall 25 years of professional corporate experience in various fields such as software development, education and training.

Mrs. Sumathi Sridharan holds 10,000 Equity shares of Re. 1/- each in the Company.

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

Company	Position	Committee Memberships	No. of shares held
Pentafour Software Employees Welfare Foundation	Independent Director	Nil	Nil

Mr. R.Kalyanaraman aged about 62 years is a Electrical Engineer and he worked at BHEL in R&D at Hyderabad & Chennai over 10 years. He also carried in the role of Financial & Business promotional adviser in various organizations including Media & Software

(ii) Mr. R.Kalyanaramann holds NIL Equity shares in the Company.

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

Company	Position	Committee Memberships	No. of shares held
Packs Support Services Private Limited	Independent Director	Nil	Nil
Forsee Financial & Consultancy Services Private Limited	Independent Director		
Wellwin Industry limited	Independent Director		
M F B Industries Limited	Independent Director		
Quintegra Solutions Limited	Independent Director		

(iii) **Mr.V.Chandrasekaran** has been the Managing Director of the Company since its incorporation and he was appointed as Chairman & CEO of the Company in July 2001. He has worked in the field of computer software for over two decades in positions both in India and Abroad. He began his career with Bharat Heavy Electricals Ltd. (BHEL) and served that company for over 10 years in positions in which he oversaw the design, development and maintenance of software and systems. He has also worked in Systems & Applied Sciences Corporation in Washington, where he was involved in design, development and implementation of software for media services. He is a M.E. in computer science from the Regional Engineering College, Trichy

Mr. V.Chandrasekaran holds NIL Equity shares in the Company.

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

NIL

13. The Ministry of Corporate Affairs, Government of India ("MCA") has, by its circular dated 21st April, 2011, announced a "Green Initiative in the Corporate Governance" by allowing paperless compliances by Companies. In terms of the said circular, service of notice/ documents by a Company to its Shareholders required to be made under the provisions of the Companies Act, 1956 can be made through the electronic mode.

In line with the above initiative of the MCA, the Company proposes to send documents such as the Notice of the Annual General Meeting, audited financial statements, Directors' Report, postal ballots etc., henceforth to all its esteemed shareholders, including your good self, in electronic form, through e-mail. To facilitate the same, we request all those shareholders who have not furnished their e-mail id to the company to furnish your e-mail id to the following e-mail ids viz., cameo@cameoindia.com, investor@pentamedia.in & pmgl2008@live.com quoting your folio number. Alternatively visit <http://green.cameoindia.com> and register the e-mail id.

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.

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

Item No: 4

Mr. R.Kalyanaraman has been appointed as an Additional Director of the Company with effect from November 1, 2012 by the Board of Directors at their meeting held on November 5, 2012. Pursuant to Section 260 of the Companies Act, 1956, Mr. R.Kalyanaraman, Additional Director holds office till the ensuing Annual General Meeting of the Company. Notice under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- has been received from a member proposing the appointment of Mr. R.Kalyanaraman as a Director of the Company.

A brief profile of Mr.R.Kalyanaraman along with the details of Companies in which he is a Director and the Board Committees of which he is a member are given in Item No. 12 of the Notes above.

The Board of Directors recommend the resolution at Item No.4 of the Notice for approval of the Shareholders.

Except Mr. R.Kalyanaraman, none of the other Directors of the Company are interested in the resolution.

Item No: 5

The Board of Directors at their Meeting held on 10th February, 2012 redesignated Mr.V.Chandrasekaran as the Non Executive Chairman of the Company which was approved by the shareholders at the 36th Annual General Meeting of the Company held on 5th September, 2012. Consequent to the resignation of Mr.Krish Narayanan as Director and CEO of the Company with effect from November 1, 2012, the Remuneration Committee at their meeting held on November 5, 2012 had recommended to the Board to appoint Mr.V.Chandrasekaran as Chairman and Managing Director of the Company.

The Board of Directors at their meeting held on November 5, 2012, based on the recommendation of the Remuneration Committee, pursuant to the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act, appointed Mr.V.Chandrasekaran as Chairman and Managing Director of the Company for a period of 1 year with effect from November 1, 2012.

A brief profile of Mr.V.Chandrasekaran along with the details of Companies in which he is a Director and the Board Committees of which he is a member are given in Item No. 12 of the Notes above.

The Board of Directors recommend the resolution at Item No.5 of the Notice for approval of the Shareholders.

Except Mr. V.Chandrasekaran, none of the other Directors of the Company are interested in the resolution.

By Order of the Board

A.Menaka
Company Secretary

Place: Chennai
Date: 29.05.2013

Directors' Report

Dear Members,

The Directors have pleasure in presenting their Thirty Seventh Report of the Company together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2013.

Financial Highlights

(₹.in lacs)

Particulars	31 st March, 2013	31 st March, 2012
Net Sales / Income from Operation and other income	531.16	607.16
Total expenditure	265.72	380.28
Finance charges	0.17	0.27
Gross Profit / (Loss) after finance charges but before Depreciation	265.27	226.88
Depreciation	240.38	160.54
Provision for Taxation		
- Tax expense	4.74	12.64
- Deferred Tax Asset	21.08	5.02
Profit / (Loss) brought forward	41.22	58.72
Appropriation	1254.25	1213.03
Balance profit(Loss) carried forward	1254.25	1213.03

Operations Review

The Company has made a total turnover of Rs.531.16 lakhs and a gross profit of Rs.265.27 lakhs which amounts to 49.94% of the total turnover in this year compared to 37.36% in the previous year. This was possible due to the additional efforts taken by the company towards effective marketing and cost cutting methods. The net profit of the company is 41.22 lakhs after taking into account the depreciation of Rs.240.38 lakhs which compared to Rs.58.72 lakhs of net profit in the previous year. The increase in depreciation is due to additions to the fixed asset during the year. The consolidated net profit is Rs.38.13 lakhs as compared to the parent company net profit of Rs.41.22 lakhs. The company has closed down its subsidiaries and all the operations have been carried on from India. This decision was taken to have an effective control on the overall business under the present international scenario.

Business Overview

Projects

Pentamedia is enhancing its marketing activities through our associates and pushing to sell the software products and digital contents in the international market, this year the post-production of "Gulliver and the Lilliputs" new version of digital 3D animated movie has been completed and ready for release. It will be multiple language release in India and English release internationally. Production of a new version of 3D animation movie "Mustafa & Musician" is in progress. Three more digital 3D animation movies are in various stages of Production pipeline. Our Multi-picture offering is an unique value proposition for Children brands sponsors, platform exhibition and syndication. Being a pioneer in Digital Animation, our company evolved best practices, customized production pipeline tools and use of open source tools, with cloud computing shared resources to reduce the production cost within a short time frame. The Original digital assets from our large Digital library with over 2000 minutes of Computer Graphics work was tested for its data recovery, file naming convention, data integrity and compatibility to industry popular file formats to be used in today's tools. Proven practices and companies leadership in technology are clear indication on the recovery of existing digital assets and repurposing them to meet the needs of today's production. In the line with present trend of remixing & re-creating the old music & movies, the Company also planning to convert some of our animated movies viz., "Sindbad Beyond the Veil of Mists", "Pandavas", "Son of Alladin" etc to latest Digital 3D animation / Stereoscopic technology to view by 3D Glass as there are number of 3D theatres available in India.

Pentamedia is pioneering to use open source tools for its production pipeline to bring cost efficient content delivery without compromise on quality of production. As open source is not adapted easily by senior talents, its an opportunity for fresh talents to step in to show case their capability and pave way for better employability opportunity with good showcasable experience working with us. We are partnering with Visual Arts Institutions to bring this experience and opportunity to aspiring students to see them grow to lead as the 2000+ media artist trained by us leading the key departments of 300 animation and digital content service companies in the country. Pentamedia initiative on Mobile Programming across platform (ios, java and windows based smart devices) will be for applications and digital content.

Training

Software Training in "New Media"-latest technology is being conducted viz., Mobile apps development for Android, iOS & Windows and "Virtualization & Cloud Computing". Trained skills will be used to convert some of available software products viz., Banking, Insurance, Healthcare etc. in the form of Apps as required in the present trend. 3D Animation and VFX training is offered in Open Source Platform Blender. All our courses are with live projects to give the necessary industrial experience to make the learners employable. We offer Individual, Corporate and Institutional training.

The Company has taken initiatives to bridge the gap between industry & educational institutes, during the year have conducted free seminars on “Visual Entrepreneurship & Digital Contents” and workshops on “Mobile Apps Development” & “Cloud Computing” for around 50 colleges including Loyola, MOP Vaishnav, Alpha Arts & Science, SIET, Ethiraj, Madras Christian College, DB Jain, Meenakshi College, Hindusan College, Veltech Institute, Auxillium College, New College, SS Jain College etc.

Some of the major university/institutions have shown their interest to have “4 Staged Industry tie-up” for their students and faculty, through our unique Collaborative learning partnership program. Draft MOUs are being exchanged & to be rolled out in the 2013-14 academic year onwards, with the training imparted in new technology emerging areas, the Company has a large scope of increasing its operations internationally.

The software requirement is changing from computers to tablets & mobile phones and the new operating systems viz., iOS, Android, Windows 8, Chrome etc.

Subsidiaries / Investments

Subsidiaries: NumTV Limited (Mauritius) and Esoftcom (Mauritius) Limited are the 100% subsidiaries of the Company.

As the Members are aware, the Ministry of Corporate Affairs towards supporting green initiative, has provided general exemption to companies vide General Circular No: 2/2011 dated.08.02.2011 from complying 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 2012-13 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.pentamedia.in. The Subsidiaries whose financials reflect a turnover of Esoftcom amounting to NIL with a net loss of 0.002m and turnover of NumTV amounting to NIL with a net loss of 0.003m. As explained in the last year Annual General Meeting, the commercial operations of these subsidiaries was suspended from October 2011, thus reducing the overheads in overseas and the parent Company directly dealing the overseas customers from India. This has been resulted the increase in profit margin by 49.94% from the sales which was 37.36% in the previous year. Hence there will not be any consolidated accounts from this financial year onwards as these subsidiaries are closed.

CEO/CFO Certification

The requisite certification from CEO and Head- Finance for the financial year 2012-13 under Clause 49(V) has been placed before the Board of Directors of the Company.

Consolidated Financial Statements

The Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards (AS-21, AS-23, and AS-27) issued by the Institute of Chartered Accountants of India and the same together with Auditors' Report thereon form part of the Annual report.

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

Income Tax demands & refund issues have been referred to ITAT & High Court of Madras for the previous years as the Company's is 100% EOU with benefits under STPI & EHTP scheme till 2010. The Company is confident of winning from this issues.

Dividend

Your Directors do not recommend any dividend for the financial year 2012-13 to conserve cash resources for future. Consequently no amount is transferred to General Reserve Account.

Management Discussion and Analysis Report

Industry Outlook

Media & Animation

Indian media and entertainment industry grew from Rs 728 billion in 2011 to Rs 820 billion in 2012, registering an overall growth of 12.6 per cent as per the FICCI-KPMG Media & Entertainment 2013 report. While 2012 was a challenging year for the industry, with some improvement likely in the global economy in 2013 and GDP in the region of 6.1 per cent to 6.7 per cent, the prognosis for the industry looks much better going forward. Given the impetus introduced by digitisation, continued growth of regional media, upcoming elections, continued strength in the film sector and fast increasing new media businesses, the industry is estimated to achieve a growth of 11.8 per cent in 2013 to touch Rs 917 billion. Going forward, the sector is projected to grow at a healthy CAGR of 15.2 per cent to reach Rs 1,661 billion by 2017.