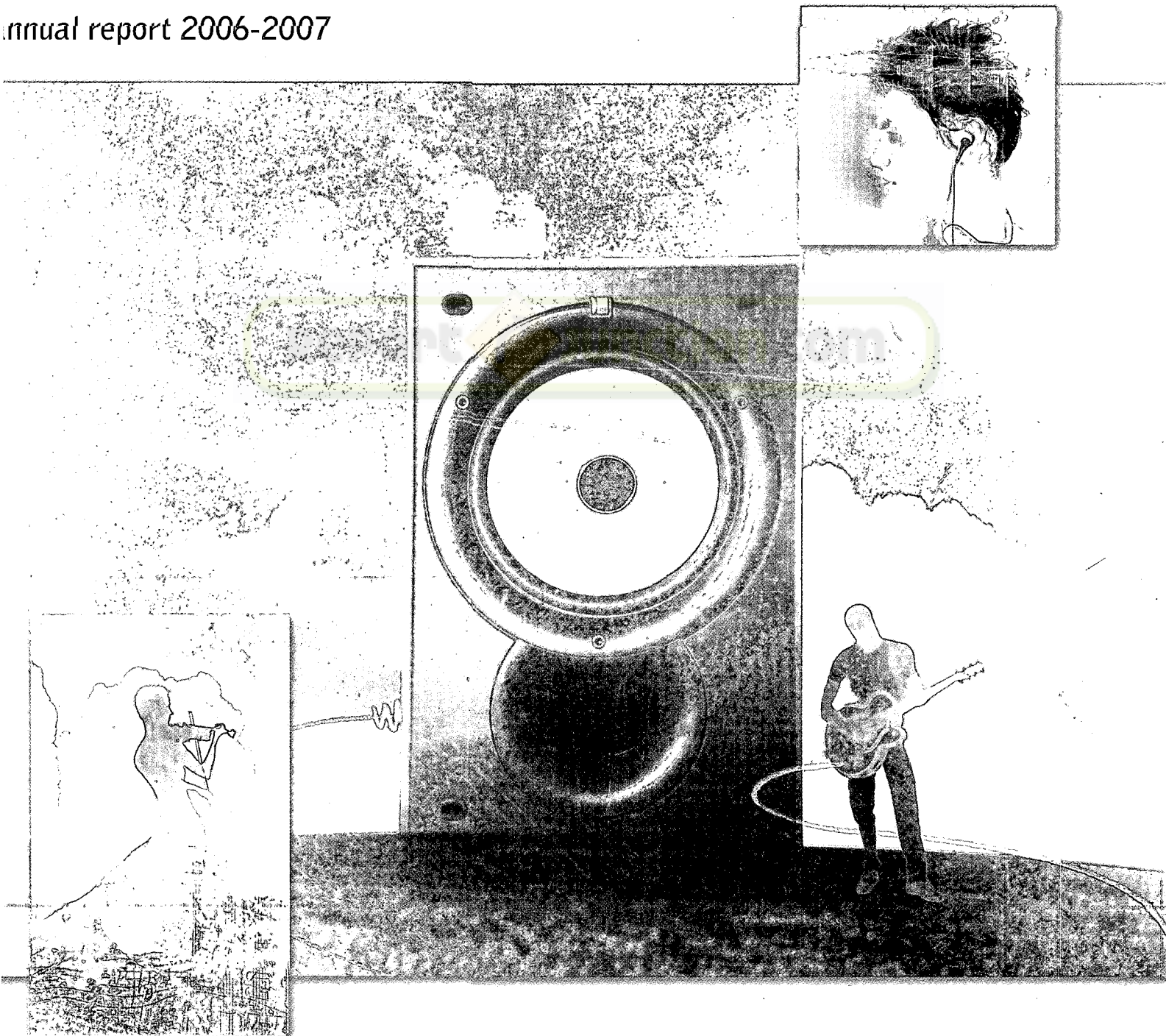


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Soul of India

Annual report 2006-2007

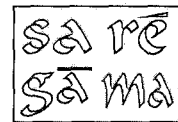


Saregama India Limited

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Soul of India

### Company Secretary & Head Legal

Mr. S. Coomer

### Auditors

Price Waterhouse  
Chartered Accountants

### Legal Advisors

Khaitan & Company

### Registrars and Share Transfer Agents

MCS Limited  
77/2A, Hazra Road  
Kolkata – 700 029

### Bankers

United Bank of India  
State Bank of India  
Canara Bank

### Registered Office

'The Studios @ Dum Dum'  
33, Jessore Road  
Dum Dum  
Kolkata – 700 028

## Board of Directors

*Mr. R. P. Goenka*

*Chairman*

*Mr. S. Goenka*

*Vice Chairman*

*Mr. S. Chattopadhyay*

*Managing Director*

*Mrs. S. Goenka*

*Mr. D. Basu*

*Mr. H. Neotia*

*Mr. S. Banerjee*

*Mr. P. K. Mohapatra*



## NOTICE

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Members of Saregama India Limited will be held at Williamson Magor Hall (1st Floor) of The Bengal Chamber of Commerce and Industry, 6, Netaji Subhas Road, Kolkata-700 001 on Monday, the 31st day of December, 2007 at 11.00 A.M. to transact the following :

### AS ORDINARY BUSINESS

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2007, the Balance Sheet as at that date and the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Mr. S. Banerjee who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. H. Neotia who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D. Basu who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

### AS SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modifications, the following resolution :

#### 6. *As a Special Resolution*

“RESOLVED that the Board of Directors be and is hereby authorized to contribute to charitable and other funds not directly related to the business of the Company or the welfare of its employees any amounts the aggregate of which in any financial year, may exceed Rs.50,000/- or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater, subject to a maximum contribution of Rupees Fifty lakhs.”



Registered Office:

'The Studios @ Dum Dum'

33, Jessore Road,

Kolkata-700 028

Dated: 7th December, 2007.

By Order of the Board

S. Coomer

Company Secretary & Head Legal

### NOTES :

1. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item 6 is annexed.
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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
3. Members/Proxies should bring the Attendance Slips, duly filled in, for attending the Meeting.
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
5. In accordance with Clause 49 IV (G) of the Listing Agreement, a brief profile regarding the Directors seeking appointment and/or re-appointment according to Items 2, 3 and 4 of this Notice are provided in the Notes annexed hereto.
6. The Register of Members and Share Transfer Books shall remain closed from 26th December, 2007 to 31st December, 2007 (both days inclusive).

**NOTICE (contd.)**

7. Pursuant to the provision of Section 205A of the Companies Act, 1956, dividend for the Financial Year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. The Company has transferred Rs.1,32,245.50 towards unpaid and unclaimed dividend for the period ended 31.3.1999 to the IEPF on 17th November, 2006. The Company has also transferred Rs.1,32,853.99 and Rs.1,41,701.00 towards unpaid and unclaimed amount of Interim and Final dividends for the Financial Year 1999-2000 to the IEPF on 6th July, 2007 and 23rd October, 2007 respectively. The Dividend for the Financial Year ended 31st March, 2001 is due to be transferred to the aforesaid account on or before 31st October, 2008. Shareholders who have not encashed their Dividend Warrant(s) for the Financial Year ended 31st March, 2001 are requested to apply to the Company's Registrars and Share Transfer Agents, MCS Limited, 77/2A, Hazra Road, Kolkata-700 029. It may be noted that on transfer of the unclaimed dividend to the IEPF no claims shall lie in respect thereof.
8. Members can avail the nomination facilities under Section 109A of the Companies Act, 1956 by filing Form No. 2B with the Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, Kolkata-700 029 (in the case of physical shares) or to the Depository Participants (in the case of dematerialised shares). The necessary Form will be supplied on request.
9. Members having queries relating to Accounts may send their queries at least 7 days before the date of the Meeting, to the Company's Secretarial Department at Millennium City Information Technology Park, DN-62, Block B, 3rd Floor, Sector V, Salt Lake, Kolkata-700 091.

**ANNEXURE TO THE NOTICE****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No. 6**

As a part of its corporate social responsibilities your Company may be required to contribute from time to time to various charitable and other funds which may not be directly related to the business of the Company or the welfare of its employees. Section 293 (1) (e) of the Companies Act, 1956 prescribes that approval of the Company in General Meeting is required in case the aggregate amount of such contribution in any financial year exceeds Rs.50,000/- or five percent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater. Since such amount may not be adequate, having regard to the losses of the Company for previous years, your Directors seek your consent to contribute to charitable and other funds upto a maximum amount of Rs.50,00,000/- in any financial year.

Your Board of Directors recommends that the resolution set out in item no. 6 of the Notice convening the Meeting be approved by the Members.

No Director of the Company is concerned with or interested in the above resolution.

Registered Office:

'The Studios @ Dum Dum'

33, Jessore Road,

Kolkata-700 028

Dated: 7th December, 2007.

By Order of the Board

S. Coomer

Company Secretary & Head Legal

## NOTICE (contd.)

### Brief profile of Directors seeking re-appointment at the Annual General Meeting to be held on 31st December, 2007.

#### 1. Mr. S. Banerjee

Mr. Sumantra Banerjee worked with Monsanto in the US and repatriated to India after 10 years in USA. In India, he has been in various companies of the RPG Group since 1984 at senior management level. He has been with CESC Limited as its Managing Director since 1993. Mr. Banerjee joined the RPG Management Board in 1991 and apart from being the MD of CESC Limited, he also holds the position of President & Chief Executive of RPG Power Group and RPG Retail Group.

Qualification: B. Tech from IIT, Kharagpur followed by an MS in Polymer Science and MBA in Marketing & Finance, both from USA.

Date of Birth: 31st December, 1949

Directorship in other companies: Mr. Sumantra Banerjee is also a Director in the following companies:

CEsc Limited – Managing Director, Ghaziabad Power Company Limited – Director, Spencer International Hotels Limited – Director, Dakshin Bharat Petrochem Limited – Director, Hilltop Holdings India Limited – Director, Noida Power Company Limited – Director, Jubilee Investments and Industries Limited – Director, Carniwal Investments Limited – Director and Great Wholesale Club Limited – Director.

Membership of Committees of the Board: Member of Investors' Grievance Committee of CESC Limited.

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

#### 2. Mr. H. Neotia

Mr. Harshavardhan Neotia is the Managing Director of Bengal Ambuja Housing Development Limited, a joint sector company with West Bengal Housing Board involved in mass housing. Mr. Neotia is also the Chairman of Ambuja Realty Development Limited, a company which is engaged in Real Estate Development in the various States in India. Mr. Neotia has been conferred with Padmashri by the Hon'ble President of India in 1999 for his outstanding initiative in social housing. He is also honoured with YPO Legacy of Honour Award in 2005. He is a member of the Board of Governors of Indian Institute of Management, Kolkata. He is also the member on the Board of Trade, Ministry of Commerce & Industry, Government of India. Mr. Neotia is the Executive Committee Member of CII, Eastern Region and also a member of National Council of CII. He is the Honorary Consul of Israel in West Bengal.

Qualification: B. Com. (Hons.) from St. Xavier's College, Kolkata and has completed the Owner President Management Program (OPM) from the Harvard Business School, USA.

Date of Birth: 19th July, 1961

Directorship in other companies: Mr. Harshavardhan Neotia is also a Director in the following companies:

GGL Hotel And Resort Company Limited – Chairman, Ganapati Parks Limited – Chairman, Ambuja Housing And Urban Infrastructure Company Limited – Chairman, Ambuja Realty Development Limited – Chairman, AIPL Ambuja Housing And Urban Infrastructure Limited – Chairman, Neotia Elbit Hospital Venture Limited – Chairman, Bengal Ambuja Housing Development Limited – Managing Director, Choicest Enterprises Limited – Director, Bengal Ambuja Metro Development Limited – Director, Energy Development Company Limited – Director and Luxmi Township Limited – Director.

Membership of Committees of the Board: Chairman of Audit Committee and Remuneration Committee of GGL Hotel And Resort Company Limited and Member of Audit Committee of Energy Development Company Limited.

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

**NOTICE (contd.)****3. Mr. D. Basu**

Mr. Dipankar Basu is the non-executive Chairman of Securities Trading Corporation of India Ltd., UTI Securities Ltd., Peerless General Finance & Investment Co. Ltd. and Peerless Securities Ltd. He is also on the Boards of several other companies in India. Mr. Basu was previously the Chairman of State Bank of India, retiring in 1995. Between 1996 and 1999, Mr. Basu served as a member of the Disinvestment Commission set up to advise the Government of India on public sector disinvestments. During 1997-98, Mr. Basu was a member of Narasimham Committee on Banking Sector Reforms. He has several years of Board level experience in companies engaged in a wide spectrum of businesses - both financial and non-financial.

Qualification: Master's degree in Economics from Delhi University.

Date of Birth: 10th August, 1935

Directorship in other companies: Mr. Basu is also a Director in the following companies:

Securities Trading Corporation of India Limited - Chairman, UTI Securities Limited - Chairman, Peerless General Finance & Investment Company Limited - Chairman, Peerless Securities Limited - Chairman, Chambal Fertilisers & Chemicals Limited - Director, iGate Global Solutions Limited - Director, Asian Paints Limited - Director, Deepak Fertilisers & Petrochemicals Corporation Limited - Director and STCI Primary Dealer Limited - Director.

Membership of Committees of the Board: Chairman of Audit Committee of Securities Trading Corporation of India Limited, Chairman of Remuneration Committees of iGate Global Solutions Limited and Asian Paints India Limited, Chairman of Shareholders' Grievance Committee of Deepak Fertilisers & Petrochemicals Corporation Limited, Member of Audit Committees of iGate Global Solutions Limited, Asian Paints India Limited and UTI Securities Limited and Member of Shareholders' Grievance Committee of iGate Global Solutions Limited.

Shareholdings as stated in Clause 49 (IV) (E) (v): Not applicable.

## REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Sixtieth Annual Report of Saregama India Limited alongwith the audited accounts for the year ended 31st March, 2007.

### Scheme of Amalgamation

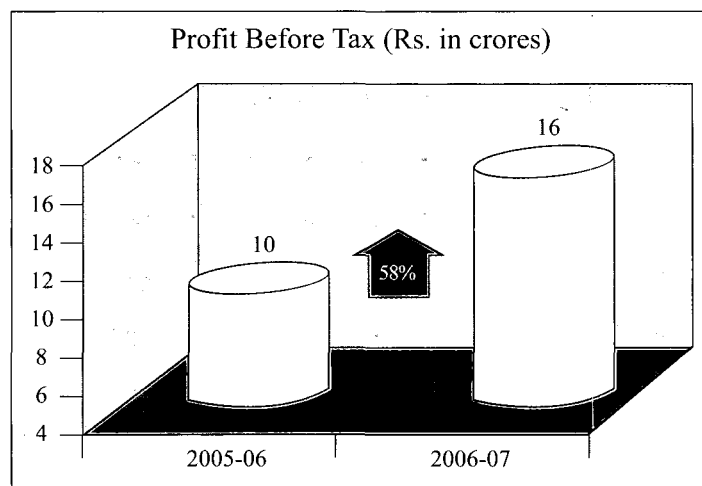
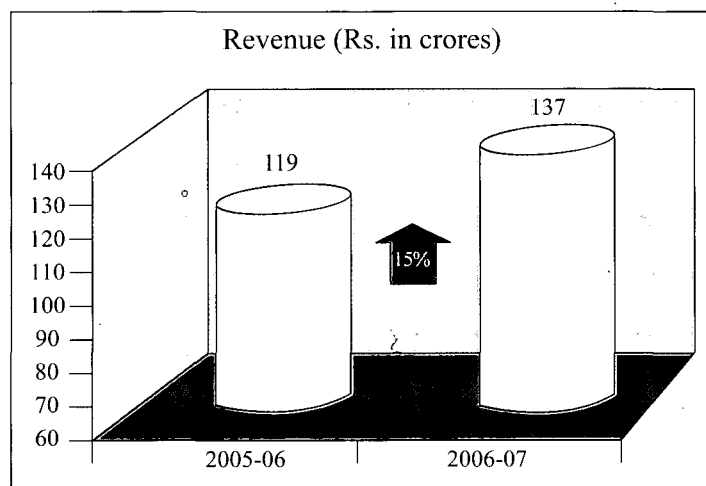
The Scheme of Amalgamation between your Company and Saregama Films Limited, the wholly owned subsidiary, with effect from 31st March, 2007 has been approved by the Hon'ble High Court at Calcutta by its order dated 28th November, 2007. This Scheme took effect from 31st March, 2007. Accordingly, the financial results of Saregama Films Limited have been merged with the results of Saregama India Limited.

### Financial Results

The performance of the merged entity for the year ended 31st March, 2007 is summarised below:

	(Rs. in lakhs)		
	Year ended 31st March '07	Year ended 31st March '06	Growth %
Total income	13730	11887	15.50
Profit/(Loss) from operations	1610	1022	
Extraordinary item	Nil	Nil	
Provision for Contingencies	Nil	Nil	
Profit/(Loss) before tax	1610	1022	57.53
Provision for Taxation	226	135	
Net profit/(Loss) (after tax and extraordinary items)	1384	887	56.03
Dividend (including tax thereon)	—	—	
Transfer to general reserve	—	—	
Reserves (excluding revaluation reserves)	7200	6557	

Even though the total income of the Company grew by more than 15% over previous year, due to many business initiatives, the profit before tax at Rs.16.10 crores recorded a quantum jump of 57% and the basic and diluted earnings per share also recorded a sharp increase from Rs.6.19 to Rs.9.43.



### Dividend

Prior to merger of the 100% subsidiary, Saregama Films Limited, the balance in Profit & Loss Account of Saregama India Limited stood at a healthy level of Rs. 683 lakhs. In the course of merger, this balance however has got utilized in offsetting the negative balance in the Profit & Loss Account of Saregama Films Limited. In the absence of any available balance in the Profit & Loss Account, post merger, your Directors regret their inability to recommend any dividend for the year ended 31st March, 2007.



## REPORT OF THE DIRECTORS (contd.)

### Rights Issue

Your Company offered 5,338,628 Equity shares of face value of Rs.10/- each for cash at a premium of Rs.35/- per share on Rights basis to the existing Members of your Company in the ratio of 4 Equity shares for every 7 Equity shares held on the Record Date (14th March, 2005) aggregating Rs.2,402 lakhs. Out of the total issue, 5,332,025 Equity shares were allotted in the year 2005-06 and the balance 6,603 Equity shares were kept in abeyance due to pending litigation and identification of beneficiaries of the clearing members by NSDL and CDSL. Subsequently, out of the shares kept in abeyance, your Company allotted 1,113 Equity shares during the year under review on identification of the beneficial owners by NSDL and CDSL. These 1,113 Equity shares rank *pari passu* with the existing Equity shares of the Company.

### New Subsidiary Company

During the year under review, your Company acquired 50,000 Equity shares of Rs.10 each representing 100% of the share capital of Kolkata Metro Networks Limited (KMNL) at a price of Rs.10 per share. KMNL is getting engaged in the business of setting up a web-based portal for hosting of audio, audio-visual and other content relating to entertainment and media. Apart from the content of your Company, such portal would also aggregate content from several other entertainment players.

### Joint Venture

During the year, your Company entered into a Joint Venture agreement with Regency Media Pty Ltd., Australia, a leading manufacturer of optical media, for investing in a joint venture company in India, Saregama Regency Optimedia Private Limited, for manufacture and replication of optical media. Your Company will be holding 26% of the equity shares in the said company and the balance 74% will be held by Regency Media Pty Ltd. Till the date of this Report your Company has acquired 5,40,800 equity shares of Rs.10 each at par in Saregama Regency Optimedia Private Limited.

### Operations

After a year of consolidation that yielded encouraging results in the previous year, your Company embarked on a number of fresh strategic initiatives during the year 2006-07, which not only helped in improving the profitability and but will facilitate sustaining the market position in the coming years.

Your Company adopted a Business Unit approach in terms of its regional businesses helping it to encompass digital sales, radio promotion and event management in addition to its core business of sale of physical audio and audio visual products.

### Audio Business

The sales of physical products like Music cassettes, Compact Discs and MP3 Discs continued to be the main stay of the audio business. Your Company addressed the growing need of the price sensitive segment of the consumers with launch of many new catalogue products in MP3 format towards end of the financial year. The initial market and consumer response has been satisfying and is expected to contribute significantly to sales in the near future.

As you are aware, your Company is the single largest owner of catalogue of music tracks in India. The catalogue offerings were revamped with implementation of new brands like Music Café. The existing brands like “Golden Collection”, “Anmol Ratan”, “Bombay Talkies” and “Box Office” have been given a fresh new look, keeping in view the requirements of young consumers. This enabled your Company to broaden exploitation of its repertoire by including several new brands to catalogue film banners in addition to regular sellers. This scheme of branding was implemented not only for national titles of Hindi film music but also covered regional repertoire. For Classical music, your Company entered into a licensing arrangement with the Sangeet Natak Academy, enabling it to release rare recordings; complementing new brands like ‘The Gramophone Era’, ‘Close To My Heart’ and ‘Raaga @ Fast Track’. Innovative packaging for albums like ‘Deserts of Rajasthan’, ‘Valleys Of Kashmir’ and ‘Brindavan Odessy’ offered a replica of music instruments in packs to elevate consumer interest.

### Home Video

Your Company’s home video business predominantly catered to English home video products of renowned overseas studios like Warner Home Video, Universal Pictures International B.V., Paramount Home Entertainment Global, Metro Goldwyn Mayer Home Entertainment LLC, and BBC Worldwide Limited. Your Company had successfully lined up many big new releases like ‘Harry Potter and the Goblet of Fire’, ‘King Kong’, ‘Superman Returns’, ‘Poseidon’, ‘Barbie in the 12 Dancing Princesses’, ‘MI-3’, ‘World Trade Centre’, etc. High retail prices, mandated by the Studios has acted as a dampner to the growth in the volumes of English home video products; albeit your Company could post growth of about 15% helping it to earn decent contribution for this business. During the year, the licensing agreements with BBC Worldwide Limited were successfully renewed for a period of 3 years. The English home video business was supplemented by Hindi home video products like ‘Woh Lamhe’, ‘Taxi No. 9211’ etc. where your Company could garner good volumes from the market.

REPORT OF THE DIRECTORS (contd.)

Publishing and New Media

During the year, the publishing and new media business registered a phenomenal growth of over 130%, earning revenues of over Rs.39 crores. The major contributors were revenues from ring-tones and FM Radio. With the mobile business continuing its stupendous growth, especially due to its vast and rich catalogue, your Company is better placed to take advantage of music on the mobile. Your Company continues to have the largest market share of about 40% of revenues received by PPL on account of mobile, radio and other streams of revenues.

The initiative of appointing an exclusive mobile aggregator in Bangladesh yielded good results, opening up that market to legitimate Saregama content for the first time.

Your Company has successfully become one of the largest aggregators of music content from other labels for distribution in the digital space. After thorough beta testing, your Company’s website www.saregama.com was opened up for access to a select group of consumers so that a market survey is conducted on the functioning of the portal. Suggestions are in the process of being incorporated and the portal will be ready for launch in the next year.

The other segments of publishing business continued to grow with continuous demand for your Company’s content for synchronization of music in TV commercials, films, etc.

In the international markets, licensing of songs to major record labels generated good revenues through mechanical and public performance royalties. The work of registration of songs with collecting societies continued and ground work was done to widen the number of new markets and territories. The territories of Middle East, Canada and Pakistan are also getting opened up in the coming year.

Films Business

With the amalgamation of Saregama Films Limited, the film and TV Software business would now be under the direct operation and control of your Company. One Hindi film ‘Chain Kuli Ki Main Kuli’ was released during the quarter. The film attracted a niche audience; appealing to cricket lovers and teenage children. The Company’s film business has successfully completed shooting of its Indo-US film ‘Karma, Confessions & Holi’ having starcast of leading Indian and overseas actors. This prestigious film is presently being marketed and showcased in overseas film festivals before its commercial launch. This film has created a positive impact in reviews and is expected to follow the successful path of other Indian crossover films. The Company has also undertaken production of a major Bengali film being directed by the renowned film director Ms. Aparna Sen. The film is the first Bengali film to be partly shot in Japan. This film will be released in calendar year 2008. In the meanwhile, the film business is being scaled up by signing on various projects with renowned directors and artistes.

TV Software

Your Company has been carrying on a profitable TV software business in the four southern languages. The programme ‘My Dear Bootham’ has already run successfully for over 900 episodes in Sun TV. Apart from the traditional TV business through sale of Free Commercial Time, your Company has also ventured into programmes featuring branded content like Horlicks Lite special programmes on World Diabetes Day, Pepsodent, Miranda Ooh Laa Laa Laa, etc. Your Company has also taken up production of TV commercials for various national and international brands. This division has continued its business of telecasting of content of overseas renowned studios like Warner on Sun network.

Corporate Governance

Your Company has adopted a Code of Conduct (the Code) for its Directors and Senior Management personnel, who have affirmed compliance with the Code.

The adoption of the Code stems from the fiduciary responsibility which the Directors and the Senior Management have towards the stakeholders of your Company. Your Directors and Senior Management act as trustees in the interest of all stakeholders of your Company by balancing conflicting interest, if any, between stakeholders for optimal benefit.

Your Board of Directors is committed to good governance practices based on principles of integrity, fairness, transparency and accountability for creating long term sustainable shareholder value.

The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report.

A certificate of the auditors regarding compliance of the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is annexed to this Report.

Management Discussion and Analysis (MD & A)

This Report includes MD & A as appropriate so that duplication and overlap between Directors’ Report and a separate MD & A is avoided and the entire information is provided in a composite and comprehensive manner.