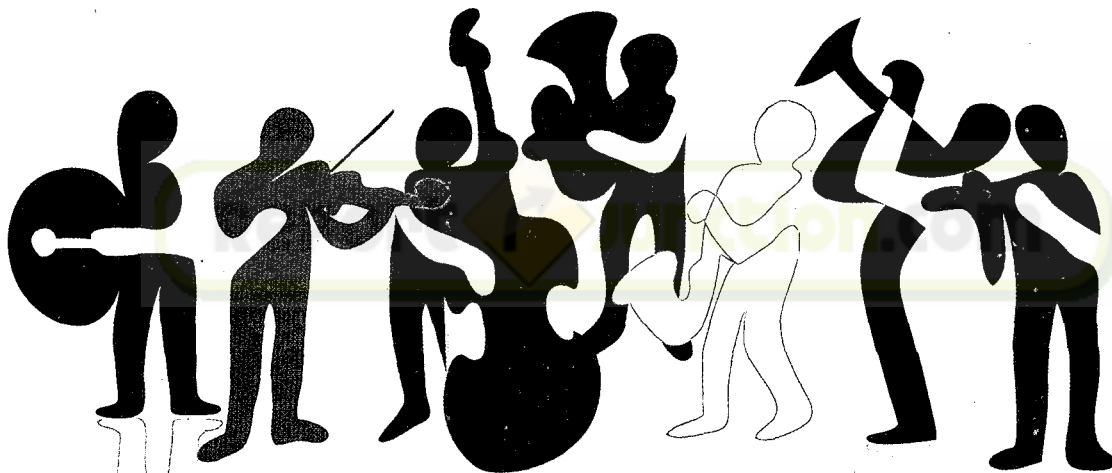
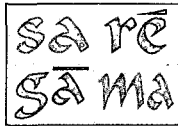




SAREGAMA INDIA LIMITED

ANNUAL REPORT 2008-2009





Soul of India



Entertainment Sector

Board of Directors

Dr. R. P. Goenka
Chairman

Mr. S. Goenka
Vice Chairman

Mrs. S. Goenka

Mr. D. Basu

Mr. H. Neotia

Mr. S. Banerjee

Mr. P. K. Mohapatra

Mr. A. Nagpal
Managing Director

Company Secretary & Head Legal

Mr. Tony Paul

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

ICICI Bank Limited

Registered Office

'The Studios@Dum Dum'

33, Jessore Road

Dum Dum

Kolkata - 700 028

CORPORATE INFORMATION

Registered Office & Studios

'The Studios @ Dum Dum'
33, Jessore Road
Kolkata - 700 028
Phone : (033) 2551 2984, 4773
Fax No. : (033) 2551 2461, 2550 0817
e-mail : co.sec@saregama.co.in

Corporate Office

Millennium City Information Technology Park
DN-62, Block B, 3rd Floor
Sector V, Salt Lake, Kolkata - 700 091
Phone : (033) 3012 0150
Fax No. : (033) 3012 0157
e-mail : co.sec@saregama.co.in

Visit us at : www.saregama.com

Regional Offices

2, Chowringhee Approach
Kolkata - 700 072
Phone : (033) 3292 0167, 6550 2113
Fax No. : (033) 2212 8911
e-mail : karim@saregama.co.in

High Tide, 1st Floor
Plot No. B 30, Juhu Tara Road
Santacruz (W), Mumbai - 400 049
Phone : (022) 6688 6200
Fax No. : (022) 2661 0059
e-mail : anurag.singh@saregama.co.in

310A, 3rd Floor, Rectangle-I
D-4, Saket District Centre
New Delhi - 110 017
Phone : (011) 4608 1725, 1726
Fax No. : (011) 4608 1731
e-mail : suresh.sharma@saregama.co.in

Door No. 2, 3, 4 & 5
3rd Floor, Kasi Arcade
No. 116, Thyagaraya Road,
T. Nagar
Chennai - 600 017
Phone : (044) 2815 1669 - 73
Fax No. : (044) 2815 1674
e-mail : br.vijayalakshmi@saregama.co.in

CONTENTS

	Page
Notice	3
Report of the Directors & Management Discussion and Analysis	7
Report on Corporate Governance	18
Auditors' Report	29
Balance Sheet	32
Profit & Loss Account	33
Schedules to the Accounts	34
Balance Sheet Abstract	54
Cash Flow Statement	55
Statement related to Subsidiary Companies	57
Subsidiary Companies	58
Consolidated Accounts	107

NOTICE

NOTICE

NOTICE is hereby given that the Sixty-Second Annual General Meeting of the Members of Saregama India Limited will be held at G. D. Birla Sabhagar, 29, Ashutosh Choudhury Avenue, Kolkata-700 019 on Friday, the 24th day of July, 2009 at 10.30 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, 2009, 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. Goenka who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. D. Basu who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H. Neotia 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 resolutions :

6. *As an Ordinary Resolution*

"RESOLVED that Mr. Apurv Nagpal be and is hereby appointed a Director of the Company".

7. *As a Special Resolution*

"RESOLVED that subject to the approval of the Central Government pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) the approval of the Company be and is hereby granted to the appointment of Mr. Apurv Nagpal as the Managing Director of the Company for a period of five years with effect from 15th January, 2009 on the terms and conditions set out in the Agreement, a copy whereof initialed by the Chairman is laid on the table for the purpose of identification.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to make necessary alterations / variation in the remuneration payable to Mr. Apurv Nagpal including the terms and conditions of the said appointment, if any, in terms of the approval of the Central Government in this regard."

Registered Office:

'The Studios @ Dum Dum'

33, Jessore Road,

Kolkata-700 028

Dated: 29th June, 2009.

Report Junction.com

By Order of the Board

Tony Paul

Company Secretary & Head Legal

NOTES :

1. The Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item 6 and 7 are 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. Corporate Members are requested to send to the Registered Office of the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorising their representative to attend and vote at the Annual General Meeting.
4. Members/Proxies should bring the Attendance Slips duly filled in, for attending the Meeting.
5. 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.
6. In accordance with Clause 49 IV (G) of the Listing Agreement, a brief profile of the Directors seeking appointment and/or re-appointment according to Items 2, 3, 4 and 6 of this Notice is provided in the Notes annexed hereto.
7. The Register of Members and Share Transfer Books shall remain closed from 17th July, 2009 to 24th July, 2009 (both days inclusive).
8. 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 dividend for the Financial Year ended 31st March, 2008 is due to be transferred to the aforesaid account on or before 28th August, 2015. Shareholders who have not encashed their Dividend Warrant(s) for the Financial Year ended 31st March, 2008 are requested to apply to the Company's Registrar 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 IEPF no claims shall lie in respect thereof.
9. 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.
10. 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.

NOTICE (contd.)

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 6 & 7

The Board of Directors (The Board) of the Company, has approved appointment of Mr. Apurv Nagpal (Mr. Nagpal) as an Additional Director on 15th January, 2009 to hold office upto the next Annual General Meeting.

Mr. Nagpal is a Commerce Graduate with Honours from Delhi University and Masters in Management from Indian Institute of Management, Ahmedabad. Mr. Nagpal has wide national and international exposure across a mix of developed and emerging markets such as India, South Asia, Russia and Europe spanning over 15 years. He comes with long valuable experience of marketing, brand management and business with some of the world's leading consumer good companies, viz. Procter & Gamble, British American Tobacco and Reckitt Benckiser, who are in the business of personal care, tobacco and household products respectively. Before joining the Company, Mr. Nagpal was Marketing Director, India with SAB Miller.

Notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose the candidature of Mr. Nagpal as a Director of the Company.

The Board at its meeting held on 15th January, 2009 appointed Mr. Nagpal as the Managing Director of the Company for a period of five years with effect from 15th January, 2009, subject to the approval of the Members of the Company and that of the Central Government in terms of Section 269 and other applicable provisions of the Companies Act, 1956. Subject to necessary approvals, Mr. Nagpal would be entitled to the following remuneration:

- | | | |
|-------------------------------|---|---|
| 1. Basic Salary | : | Rs. 3,00,000/- per month. |
| 2. Management Allowance | : | Rs. 3,00,000/- per month. |
| 3. Bonus/Incentive/Increments | : | In accordance with the Rules of the Company. |
| 4. Perquisites | : | As detailed in Part A hereunder. Perquisites shall be reckoned on the basis of actual expenditure or liability incurred by the Company. |

PART A

- (i) Company Leased Accommodation / House Rent Allowance: Not exceeding 60% of Basic Salary. In addition the Company shall reimburse Rs. 2,50,000/- in a block of five years towards furniture / household equipment.
- (ii) Customized Allowance Pool (comprising of Leave Travel Allowance and Medical reimbursement): In accordance with the rules of the Company but not exceeding Rs. 50,000/- per month in aggregate.
- (iii) Hospitalisation Insurance: The Company shall pay premia for Medical insurance for Mr. Nagpal and his family as per the Rules of the Company.
- (iv) Term Life Insurance: The Company shall take out a Term Life Insurance policy for Mr. Nagpal as per the Rules of the Company.
- (v) Club Fees : Fees of one Club including entrance, membership and other fees.

NOTE: For the purpose of domiciliary medical expenses and Hospital Insurance stated herein above family shall include the spouse, dependant children and the dependant parents of Mr. Nagpal.

Mr. Nagpal shall be eligible to joining time bonus of Rs. 12,00,000/-, which will be amortised over a period of two years. In the event of separation prior to the completion of two year period, the amount 'not amortised' will become payable to the Company along with an interest of 10% p.a. However, in circumstances when the Company decides to terminate his services, then no amount shall be payable by him to the Company.

Mr. Apurv Nagpal shall be granted options of 25,000 shares under Saregama Employees' Stock Option Scheme, options for 7,500 shares will be fixed without its vesting getting linked with the performance ratings at the closing market price prevailing as on 14th January, 2009.

The Board may vary, amend, alter and / or include any other perquisite in Part A subject to the overall ceiling of an amount equivalent to the aggregate of the annual Salary and annual Management Allowance from time to time.

PART B

- (vi) Company's contribution towards Provident Fund for Mr. Nagpal will be as per Rules of the Company and shall be subject to the ceilings as may be prescribed from time to time under the Income Tax Act, 1961 and the Rules framed thereunder provided that these either singly or put together are not taxable under the Income Tax Act, 1961.
- (vii) Gratuity payable to Mr. Nagpal shall be in accordance with the Rules of the Company.
- (viii) Superannuation payable to Mr. Nagpal shall be in accordance with the Rules of the Company.

PART C

Provision of Car for use of Company's business as per Company's policy along with one driver, telephone at residence and one cellular phone (the rentals and usage expenses for official purposes to be reimbursed by the Company), will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Mr. Nagpal.

Earned leave : Mr. Nagpal shall be entitled to one month's leave on full pay and allowances for every eleven months of service with a right to accumulate such leave for a period not exceeding 90 days. Mr. Nagpal shall be entitled to encash the leave accumulated and not availed by him.

5. In case of absence or inadequacy of profits, Mr. Nagpal shall be entitled to receive the same remuneration as above as minimum remuneration.

NOTICE (contd.)

The Board may vary and increase the remuneration, perquisites, incentives and bonus etc. payable to Mr. Nagpal from time to time as the Board may consider appropriate.

In view of the rich and varied experience of Mr. Nagpal, your Board considers that such appointment shall be advantageous to the Company and recommends that the resolutions set out in item nos. 6 and 7 of the Notice convening the Meeting be approved by the Members.

Copy of the Agreement executed between Mr. Nagpal and the Company is available for inspection of Members at the Registered Office of the Company between 10 A.M. to 12 Noon on any working day of the Company and will also be available for inspection at the Meeting.

Except Mr. Nagpal, no other Director of the Company is concerned or interested in the above resolution.

Registered Office:

'The Studios @ Dum Dum'

33, Jessore Road,

Kolkata-700 028

Dated: 29th June, 2009.

By Order of the Board

Tony Paul

Company Secretary & Head Legal

Brief profile of Directors seeking re-appointment at the Annual General Meeting to be held on 24th July, 2009.

1. Mr. S. Goenka

Mr. S. Goenka is Vice Chairman, RPG Enterprises, one of India's well-known industrial houses with an annual turnover of Rs.14,500 crores.

The Group's core activities include power, transmission, retail, tyre, entertainment and technology. Mr. Goenka is a former President of CII and he was also Chairman, Board of Governors, Indian Institute of Technology, Kharagpur. He is currently Honorary Consul of Canada in Kolkata and a Member of India-China Eminent Persons' Group, Indo-French Forum and National Integration Council.

Qualification : B. Com (Hons.) from St. Xavier's College, Kolkata.

Date of Birth : 29th January, 1961.

Directorship in other companies:

Mr. S. Goenka is also a Director in the following companies:

Phillips Carbon Black Limited - Chairman, Spencer & Co. Limited - Chairman, Spencer International Hotels Limited - Chairman, Spencer's Travel Services Limited - Chairman, Harrisons Malayalam Limited - Chairman, Woodlands Medical Centre Limited - Chairman, RPG Enterprises Limited - Vice Chairman, CESC Limited - Vice Chairman, Noida Power Co. Limited - Director, Graphite India Limited - Director and Eveready Industries India Limited - Director.

Membership of Committees of the Board:

Chairman of Shareholders/Investors Grievance Committee of CESC Limited, Member of Audit Committees of CESC Limited and Eveready Industries India Limited and Member of Remuneration Committee of Eveready Industries India Limited.

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

2. Mr. D. Basu

Mr. Dipankar Basu aged 74 years, is an M.A. (Economics). Mr. Basu is the Non-Executive Chairman of Securities Trading Corporation of India Ltd., STCI Primary Dealer Ltd., Peerless General Finance & Investment Co. Ltd., Peerless Securities Ltd. and RAIN CII Carbon (India) Ltd. He is also a Director on the Boards of few other companies. Mr. Basu is a former Chairman of State Bank of India. Between 1996 and 1999, Mr. Basu served as a member of the Disinvestment Commission set up by the Government of India. During 1997-98, Mr. Basu was a member of the Narasimham Committee on Banking Sector Reforms.

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

Date of Birth : 10th August, 1935.

Directorship in other companies:

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

Securities Trading Corporation of India Limited - Chairman, Peerless General Finance & Investment Company Limited - Chairman, Peerless Securities Limited - Chairman, RAIN CII Carbon (India) Limited - Chairman, STCI Primary Dealer Limited - Chairman, Chambal Fertilisers & Chemicals Limited - Director, Asian Paints Limited - Director and Deepak Fertilisers & Petrochemicals Corporation Limited - Director.

Membership of Committees of the Board:

Chairman of Audit Committees of Securities Trading Corporation of India Limited and Peerless Securities Limited, Chairman of Remuneration Committees of Asian Paints India Limited and RAIN CII Carbon (India) Limited, Chairman of Shareholders' Grievance Committee of Deepak Fertilisers & Petrochemicals Corporation Limited, Member of Audit Committees of Asian Paints India Limited and RAIN CII Carbon (India) Limited.

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

NOTICE (contd.)

3. Mr. H. Neotia

Mr Harshavardhan Neotia did his schooling in La Martiniere for Boys, Kolkata and obtained B.Com (Hons.) from St. Xavier's College, Kolkata. Subsequently he completed the Owner President Management Program (OPM) from the Harvard Business School, USA. Mr. Neotia is the Chairman of the Ambuja Realty Group. Operating through several companies the Ambuja Realty Group covers the entire spectrum of the Real Estate industry including Housing, Retail, Hospitality, Health Care and Education. Mr. Neotia was conferred with Padmashri by the Hon'ble President of India in 1999 for his outstanding initiative in social housing. He was also honoured with YPO Legacy of Honour Award in 2005. Mr Neotia is a Member on the Board of Governors of Indian Institute of Management, Kolkata. Mr Neotia is a Member of CII National Council and Chairman of CII National Committee on Real Estate and Housing. 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. H. Neotia is also a Director in the following companies:

Choiceest Enterprises Limited - Chairman, GGL Hotel & Resort Company Limited - Chairman, AIPL Ambuja Housing & Urban Infrastructure Limited - Chairman, Ambuja Housing & Urban Infrastructure Company Limited - Chairman, Neotia Elbit Hospital Venture Limited - Chairman, Ambuja Realty Development Limited - Chairman, Ganapati Parks Limited - Chairman, Bengal Ambuja Housing Development Limited - Managing Director, Luxmi Township Limited - Director, Bengal Ambuja Metro Development Limited - Director, Energy Development Company Limited - Director and BAHDL Hospitality Limited - Director.

Membership of Committees of the Board:

Chairman of Audit Committees and Remuneration Committees of GGL Hotel & Resort Company Limited, Ambuja Realty Development Limited, Ambuja Housing & Urban Infrastructure Company Limited and Neotia Elbit Hospital Venture Limited and Member of Audit Committee of Energy Development Company Limited.

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

4. Mr. Apurv Nagpal

Mr. Apurv Nagpal's career spanning 16 years has been right out of a travelogue. An alumnus of Sri Ram College of Commerce, Delhi University and MBA from IIM - Ahmedabad, he has national and international exposure of over 16 years across different consumer goods. His assignments include global and operational roles with some of the world's leading organisations - P&G, British American Tobacco and Reckitt Benckiser across developed and emerging markets like India, South Asia, Russia and Europe.

He started his career with Brand Management at P&G in India and later moved first to Sri Lanka and then to Bangladesh as Marketing Manager. He then joined British American Tobacco as a Group Brand Manager, Russia and then was assigned to London and became International Brand Manager on Pall Mall, looking after the brand globally. He then managed a category globally for Reckitt Benckiser in their global HQ in UK and later led innovations globally for their flagship category of Automatic Dishwashing. In 2005, he moved to Holland as Marketing Director, Reckitt Benckiser, where he was brought in to help turn around a sharp downturn in business, led by a trade price war and increasing growth of private labels and hard discounters.

After almost 11 years abroad, Mr. Nagpal was homeward bound as Director, Marketing at SAB Miller - India handling annual revenues of Rs. 2500 Crs. He handled brands like Foster's, Castle Lager, Haywards 5000, Haywards Black, Royal Challenge Premium Lager, Knock Out and the Italian Brand Peroni Nastro Azzurro.

He is master in the game of Innovation, Consumer marketing, Managing People, all culminating in running a profitable business. His other interests include, Sports, Travel (he has been to all seven continents now after visiting Antarctica in Dec '08), Wines & Cocktails and Cinema (he has a blog where he reviews Movies www.apurvhollywood.blogspot.com). All of 38, he has featured in the Business Today, India's Hottest Young Executives List.

Qualification : Commerce Graduate with Honours from Delhi University and Masters in Management from Indian Institute of Management, Ahmedabad.

Date of Birth : 1st April, 1971.

Directorship in other companies:

Mr. Apurv Nagpal is also a Director in the following companies:

Kolkata Metro Networks Limited - Director and Phonographic Performance Ltd. - Director.

Membership of Committees of the Board: Nil.

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

REPORT OF THE DIRECTORS WITH MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Sixty-Second Annual Report of Saregama India Limited along with the audited accounts for the year ended 31st March, 2009.

Financial Results

The performance of your Company for the year ended 31st March, 2009 is summarised below:

	Year ended 31st March 2009	Year ended 31st March 2008
Total income	12501	14339
Profit/(Loss) from operations	200	916
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	200	916
Provision for Taxation	63	143
Net Profit/(Loss) (after tax and extraordinary items)	137	773
Proposed Dividend (including tax thereon)	Nil	172
Transfer to general reserve	—	—
Reserves (excluding revaluation reserves)	7959	7822

Your Board is pleased to report a profit of Rs. 137.37 Lakhs in the year 2008-2009 in spite of the global economic meltdown coupled with paradigm shift of revenue verticals from physical to non-physical formats.

Operations**Music 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 the 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.

The music sales in physical space has been declining worldwide & the Company is also affected not because of slow down, but more from piracy through advanced technology- file sharing, USB, SD cards. The Company consciously abstained from acquisition of new Hindi and regional film soundtracks, due to uneconomical prices that were being offered by various new players. The Company continued to concentrate on our catalogue and deep catalogue for the year and established a fair amount of interest among various listeners.

Publishing and New Media

During the year, publishing and new media business registered a phenomenal growth, and 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 a large market share of revenues received by PPL on account of mobile, radio and other streams of non-physical business.

The other segments of publishing business continued to grow with continuous demand for the 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.

After the soft launch of its portal last year, the need was felt to add many new consumer friendly features and functionality. The portal has been completely revamped and is being re-launched in the next year.

REPORT OF THE DIRECTORS (contd.)

Films Business

During the year under consideration your Company has released the film titled 'Karma aur Holi' starring Sushmita Sen, Randeep Hooda and Naomi Campbell. The response however was lukewarm. Another film, 'The Japanese Wife' directed by Aparna Sen starring Rahul Bose, Raima Sen and Moushumi Chatterjee is scheduled for release shortly.

Your Company has also signed two big budget Hindi Films. The first project called '1-800-Love' is Abbas Tyrewala's second film after his stunning debut in 'Jaane Tu' last year. The film stars John Abraham and Pakhi in the lead roles, with the music score by A. R. Rahman. The second project, titled 'Chenab Gandhi' starring Amitabh Bachchan is being co-produced with the production house of Sanjay Leela Bhansali.

Your Company has several other projects in the pipeline supported by renowned directors and artistes of repute. The Company is building management capabilities in producing, marketing, monetising and distributing the feature films of different genres.

TV Software

Your Company has produced over 2500 hours of TV content and has maintained its position of strength in all the four South Indian languages. Your Company produced TV software for talent hunt program, 13-episodes of Bands judged by Mr. A. R. Rahman in Sun TV, 66-episodes of Kids in Chutty TV, 13-episodes of Dance in Sun and Gemini TV. The maiden venture of the Company in Hindi named 'Clinic Plus Mom Aur Hum' is getting telecast on DD National. A programme in Bengali by Zee Bangla and ETV Bangla was telecast on the occasion of World Diabetes Day. The new serials 'Gangana Kusumalu' in Telegu and 'Rani Maharani' in Tamil and Malayalam are in the pipeline ready for telecast.

Home Video

Your Company distributes and markets Home Video titles predominantly catering English Home Video products of renowned studios like BBC Worldwide Limited, 2 Entertain and other independent studios.

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.

Industry Structure and Developments

The price of music to the consumer continued to fall as many labels dropped the price of music sold in various physical formats. The introduction of Social Networking websites meant the encouragement of free music to the customers. It will be a long time before these websites become part of legitimate trade and enter into a financial arrangement with music labels in order to survive.

Music retailers continued to witness a growth in large format stores with the entry of new players as well as existing stores like Planet M being taken over by hardware manufacturers, like Videocon Group. Retail stores are exploring other businesses like accessories and gadgets, which has resulted in reduction of available shelf space for both Audio and Home Video content. Most retail outlets prefer to stock limited top sellers and new releases than to offer a wide range of catalogue to customers, to enable them to cut down on inventory holding costs. This, in addition to entry of low price players, has destabilized prevailing business models of existing players in the Home Video business, where earlier revenues were driven through high realization comparable to international practices.

REPORT OF THE DIRECTORS (contd.)

The Collecting Societies for the music Industry, namely Phonographic Performance Limited (PPL) and the Indian Performing Rights Society (IPRS), grew in strength and revenues in 2008-09. Some FM Radio broadcasters, who were unwilling to pay the publishing tariffs of the Societies for broadcast of music, were brought into the fold through legal recourse. Although, all the FM stations licensed by the Government did not commence operations, majority of stations which started up, were licensed by the Collecting Societies, leading to growth in radio revenues. The entry of new players looking to aggregate music for the mobile space was a destabilizing force in the market as they attempted to purchase long-term licenses from content owners for a flat fee. Given that some of these aggregators had only short term plans to remain in the business, this disruptive process impacted the ability of societies to negotiate better terms with mobile operators and handset manufacturers.

With rapid globalization and changing lifestyles, international cinema is steadily gaining popularity even in rural areas. Due to language constraints, dubbed content is a preferred choice of such consumers. The Home Video market consequently is witnessing growth in volumes for dubbed content, though the pricing for dubs in the recent past has crashed heavily to a range of Rs.49-69. Piracy continues to remain a major issue. However, with a large part of the cinema industry not having organized antipiracy set up, it will take herculean efforts not only on part of the entertainment industry but also law enforcement agencies to implement Copyright laws in full earnest.

Opportunities and Threats

Opportunities

Music Audio Business

The emerging retail chains from various industrial houses are all looking to stock entertainment products and have been in discussion with the music labels for stocking their catalogue in new emerging formats and MP3. This will translate into increased demand for music consumption in CDs and Home Video products.

With a number of artistes understanding the need for music companies to get into artiste management and thereby earn a portion of their performance fees, artistes are signing management contracts which will enable companies to recover investments in recordings, videos and marketing from artiste performances as well. As a pilot project, your Company held three live concerts with Sonu Niigaam in Birmingham and London to a box office sell out and was telecasted by Sony TV. Your Company is now in the process of releasing the DVD with 5.1 Dolby sound.

Publishing and New Media

The booming mobile business continues to drive the growth of digital music sales in India. Mobile operations are adding newer music services to their basket of Value Added Services (VAS) like music on hold, mobile radio and music messaging. Caller Ringback Tone (CRBT) continues to be the format of choice for the consumer. Mobile handset manufacturers are enhancing storage capacity on their phones and promoting them as music players. The advent of 3G within the next couple of months should bring about a further boom in music consumption on the mobile.

Although broadband services on the Internet in India have been slow to commence, connectivity is now at two million users and growing rapidly. This will provide a platform for a sustainable music business on the Internet.

As more composers and lyricists are getting educated about rights, opportunities are growing for the publishing business in India. This could lead to new trend where composers and lyricists will sign their works to Saregama for publishing even where the recorded music is released by other labels.

Films Business

With changing lifestyles and higher disposable income, consumers are willing to expend more for the total entertainment experience. This is evidenced by the phenomenal growth of multiplexes and digital cinema as compared to single screen theatres. Further, due to advancement of technology in areas of film production and distribution, not only superior quality films are being produced but also international studios are showing greater interest to outsource or set up their own studios in India. Gradual corporatization of the industry is leading to structured business processes and transparency. This will help active participation of investors, financial institutions and various stakeholders fueling growth of the industry.

TV Software

With the availability of increasing number of TV channels, the customers' priority for quality TV software, as produced by your Company, has increased. Your Company's entry into Hindi and other regional languages has further broadened operations and resulting opportunities. Demand for non-fiction programs, reality shows and talent hunts are on the rise.