



Soul of India



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.com

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.com

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.com

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.com

M 56, 2nd Floor
M - Block Market
Greater Kailash - 2
New Delhi - 110 048
Phone : (011) 4608 1720 - 26
Fax No. : (011) 4608 1731
e-mail : sanjay.kaul@saregama.com

Door No. 2, 3, 4 & 5
3rd Floor, Kasi Arcade
No. 116, Thyagaraya Road, T. Nagar
Chennai - 600 017
Phone : (044) 2815 1669 - 71 / 1673
Fax No. : (044) 2815 1674
e-mail : br.vijayalakshmi@saregama.com

CONTENTS

	Page
Notice	3
Report of the Directors & Management Discussion and Analysis	5
Report on Corporate Governance	16
Auditors' Report	27
Balance Sheet	30
Profit & Loss Account	31
Schedules to the Accounts	32
Balance Sheet Abstract	52
Cash Flow Statement	53
Statement related to Subsidiary Companies	55
Subsidiary Companies	56
Consolidated Accounts	105

NOTICE

NOTICE

NOTICE is hereby given that the Sixty-Third 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 23rd day of July, 2010 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, 2010, the Balance Sheet as at that date and the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Dr. R. P. Goenka who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. Banerjee who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. K. Mohapatra 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.

Registered Office:
'The Studios @ Dum Dum'
33, Jessore Road,
Kolkata-700 028
Dated: 22nd June, 2010.

By Order of the Board
Tony Paul
Company Secretary & Head Legal

NOTES :

1. **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.
2. 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.
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 of the Directors seeking appointment and/or re-appointment according to Items 2, 3 and 4 of this Notice is provided in the Notes annexed hereto.
6. The Register of Members and Share Transfer Books shall remain closed from 16th July, 2010 to 23rd July, 2010 (both days inclusive).
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 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.
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

Brief profile of Directors seeking re-appointment at the Annual General Meeting to be held on 23rd July, 2010.

1. Dr. R. P. Goenka

Dr. Rama Prasad Goenka is Chairman Emeritus of the Rs. 16000 crore RPG Group. Amongst the Group's core businesses are power, infrastructure, tyre, retail, information technology and other activities involving chemicals and life sciences. A Member of the Prime Minister's Council on Trade and Industry, Dr. Goenka is a Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation. He is also a Member of the Board of Trustees of Tirumala Tirupati Devasthanams. A former Member of Parliament (Rajya Sabha), Dr. Goenka is a past President of the Federation of Indian Chambers of Commerce & Industry (FICCI) and the Confederation of Asia-Pacific Chambers of Commerce and Industry, currently a member of its Advisory Board.

Other positions, once held by Dr. Goenka include:

- Chairman, Board of Governors, Indian Institute of Technology (IIT), Kharagpur
- Central Board of Reserve Bank of India
- General Insurance Corporation of India
- Steel Authority of India Limited
- Industrial Development Bank of India (IDBI).

NOTICE (contd.)

Dr. Goenka has received from the Emperor of Japan "The Order of the Sacred Treasure Gold and Silver Star". Other honours include the first Lifetime Achievement Award from All India Management Association (AIMA).

Qualification :

- B.A. (Hons.), Presidency College, Calcutta University
- Advanced Management Academic Programme, Harvard University, USA
- Doctor of Science (Honoris Causa) from IIT, Kharagpur
- D. Litt. (Honoris Causa) from the Institute of Advanced Studies in Education (IASE) of Rajasthan

Date of Birth : 1st March, 1930.

Directorship in other companies :

Dr. R. P. Goenka is also a Director in the following companies:

CEAT Limited – Chairman, CESC Limited – Chairman.

Membership of Committees of the Board: Nil

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

2. 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. Mr. Banerjee has 37 years of experience in India and abroad in manufacturing, engineering, finance, marketing and general management functions. He joined the RPG Management Board in 1991 and since 1993, he has been with CESC Limited as its Managing Director. Apart from being the Managing Director of CESC Limited, Mr. Banerjee is also the President and Chief Executive of RPG Power and Retail Groups.

Qualification :

- B. Tech from IIT, Kharagpur
- MS in Polymer Science
- MBA in Marketing and Finance from USA

Date of Birth : 31st December, 1949.

Directorship in other companies :

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

CESC Limited – Managing Director, Ghaziabad Power Company Limited – Director, Spencer International Hotels Limited – Director, Dhariwal Infrastructure Limited – Director, Noida Power Company Limited – Director, Spencer's Retail Limited – Director, Carniwal Investments Limited – Director and Au Bon Pain Café India Limited – Director.

Membership of Committees of the Board :

Member of Audit and Investors' Grievance Committees of Spencer's Retail Limited and CESC Limited respectively.

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

3. Mr. P. K. Mohapatra

Mr. Pradipta Kumar Mohapatra coaches executives and entrepreneurs after two decades of experience in supervising CEOs across businesses. During his long innings at the RPG Group, Mr. Mohapatra incubated a series of first time businesses in India such as Foodworld, Musicworld, Health & Glow, Saregama.com and Hamarac.com (first custom CD manufacturing portal in the world). He sits on the Board of many public as well as startup companies across India, Asia-Pacific, UK and USA.

Mr. Mohapatra served as Chairman, Confederation of Indian Industries (Southern Region) and President of Madras Management Association and co-founded Coaching Foundation India Limited as well as Chennai Business School Limited. Studied Management at Mumbai and Harvard, Mr. Mohapatra was invited to be a Fellow of Chartered Management Institute, UK.

Mr. Mohapatra co-authored 2009's best selling book, 'India's Global Powerhouses' published by Harvard Business Publishing, Boston.

Qualification : B.Sc. (Eng.), FCMI (UK), AMP.

Date of Birth : 19th February, 1950.

Directorship in other companies :

Mr. P. K. Mohapatra is also a Director in the following companies :

Spencer International Hotels Limited – Director, Zensar Technologies Limited – Director, RPG Life Sciences Limited – Director, Morarjee Textiles Limited – Director, Zensar OBT Technologies Limited – Director, Totus Consulting Limited – Chairman, Executive & Business Coaching Foundation India Limited – Chairman and Chennai Business School Limited – Chairman.

Membership of Committees of the Board :

Chairman and member of Compensation and Audit Committees of Zensar Technologies Limited respectively and member of Audit and Compensation Committees of RPG Life Sciences Limited.

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-Third Annual Report of Saregama India Limited along with the audited accounts for the year ended 31st March, 2010.

Financial Results

The performance of your Company for the year ended 31st March, 2010 is summarized below:

	(Rs. in lakhs)	
	Year ended 31st March 2010	Year ended 31st March 2009
Total income	10743	12501
Profit/(Loss) from operations	407	200
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	407	200
Provision for Taxation	345	63
Net Profit/(Loss) (after tax and extraordinary items)	62	137
Proposed Dividend (including tax thereon)	Nil	Nil
Transfer to general reserve	—	—
Reserves (excluding revaluation reserves)	10537	7959

Your Board is pleased to report a profit of Rs. 61.85 Lakhs in the year 2009-2010.

Operations

Music Audio Business

The physical audio business continued to be dominated by the sales of physical products like Audio Compact Discs and MP3 Discs. Your Company has taken effective steps to address the needs of customers in this price sensitive segment by the launch of new catalogue products covering diverse genres mainly in MP3 Disc format. The market and consumer response has been satisfying and is contributing significantly to sales.

During the year, your Company released A R Rahman's first Hollywood soundtrack 'Couple's Retreat' which was a success. However, advances in technology such as - file sharing, online streaming, USB, SD cards - have given a big boost to piracy, hampering the music sales in physical formats. Owing to rampant piracy in music as well as the unviable prices that were being offered by various new players, your Company has consciously abstained from acquisition of new Hindi and regional film soundtracks. Your Company continued to concentrate on its rich catalogue by employing innovative and attractive positioning of products, which has established a fair amount of interest among various listeners.

Publishing and New Media

The publishing and new media business continued to register phenomenal growth surpassing its projected numbers with substantial contributions generated from Caller Ring Back Tones, Ring-Tones, Public Performance and Radio. With its rich and expansive catalogue, your Company is best positioned to take full advantage of the stupendous growth in mobile business. Your Company recently set up a WAP site on mobile platform which has proven to be a great success with customers downloading over 5 lakh full songs on their mobile phones within the period of first six months. Another unique achievement was the embedding of Sonu Niigaam's new album 'Time Travel' exclusively for Nokia's 5130 brand of mobile phones.

The demand for your Company's content for synchronization of music in TV commercials, films etc. has further contributed to the continued growth of music publishing business. A trend of using yesteryears' classic film songs in new hit films is emerging and will provide a further boost to the publishing business.

Licensing of songs to major record labels in the international markets has generated good revenues by way of mechanical and public performance royalties. The work of registration of songs with collecting societies throughout the globe continued and the ground work is being laid to widen your Company's reach in new markets and territories.

REPORT OF THE DIRECTORS (contd.)

Your Company's web portal is being completely revamped and will be re-launched in the coming year to make it more contemporary, as consumer survey demanded the addition of many new consumer friendly features and functionalities.

Films Business

Your Company released a Bengali film with English sub-titles called 'The Japanese Wife' in April, 2010, directed by renowned director Aparna Sen and starring Rahul Bose, Raima Sen, Chigusa Takaku and Moushumi Chatterjee. The pan-India response has been highly satisfying with overflowing appreciation coming from film critics and viewers.

Your Company is currently producing a commercial mainstream Hindi film tentatively titled '1-800-Love', directed by Abbas Tyrewala. This is his second film following his successful directorial debut in 'Jaane Tu... Ya Jaane Naa'. The film stars John Abraham and Pakhi in the lead roles, with the music score being composed by A R Rahman. The Company is also planning to produce high concept - small budget films, both in Hindi as well as regional languages. The Company has introduced the discipline of meticulous analysis of such projects by a film committee comprising of director of repute and in house professionals having expertise in creativity, distribution and other commercial aspects of the film business. The Company is building management capabilities in terms of production, distribution and marketing of the 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 four South Indian languages. Your Company has produced and telecasted the hit serials titled 'Ahipookal', 'My Dear Bootham', 'Velan', 'Soolam', 'Raja Rajeshwari' etc. During the year under review, for the first time, a Bengali serial titled 'Kon Kanoner Phool' was telecast in Zee Bangla. On NDTV Imagine, a kids singing talent reality show in Hindi titled 'Junior Star Super Singer', has been aired.

Home Video

Your Company distributes and markets Home Video titles predominantly catering English home video products of renowned international studios like BBC Worldwide Limited, Discovery, Entertainment Rights, Focus Features, Millennium Interactive, Power Sports, Kimmel Entertainment and other independent studios.

During the year under review your Company forayed into the niche and lucrative business vertical for production, distribution and marketing of audio and audio-visual content for children. The Company has tied up with Knowledge Adventures (USA) to bring out educational entertainment products under the brand name "Jump Start". Also, the highly publicized project 'Rhyme Skool' with Katrina Kaif and A R Rahman has been successfully launched.

Publication Business

In April 2009, your Company's 100% owned subsidiary Open Media Network Pvt. Ltd. launched the weekly current affairs and features magazine "OPEN" in 12 major cities across India. This smart and vibrant magazine is aimed at the intelligent Indian reader and has been well received by advertisers and readers at large. In its first year of operation, OPEN has focused on establishing and expanding its market presence and reach. However, like any new player in the media space, OPEN magazine needs to go through the gestation period required for establishing its market position and achieve break even.

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.

REPORT OF THE DIRECTORS (contd.)

Industry Structure and Developments

The market trend of reduction in the pricing of music continued this year. Several labels dropped the price of music sold in various physical formats in order to counter the increasing availability of free music to customers which is further fuelled by the mushrooming of Social Networking websites and forums. It will be a long time before such websites become a part of the legitimate industry and enter into financial arrangements with music labels.

Large format retail stores, alongside sale of audio and audio-visual products, have been entering into diverse businesses such as accessories & gadgets effectively reducing the shelf space available for both audio and audio-visual products. In order to cut down on costs, retail outlets increasingly prefer to limit their stocks to top sellers and new releases instead of displaying a wide range of catalogue which may appeal to customers.

In 2009-10, Phonographic Performance Limited (PPL) and the Indian Performing Rights Society (IPRS) recorded substantial growth in terms of market reach and revenues. Some of the FM Radio broadcasters, who were previously unwilling to recognize and pay the licensing fees for broadcast of music as fixed by the said Copyright Societies, were brought into the fold through legal recourse. Radio revenues were further reinforced by ensuring that a majority of FM stations, which commenced operations in the year under review, obtained requisite licenses from the Collecting Societies.

Rapid globalization and changing lifestyles have enabled penetration of international cinema into previously unexplored territories, such as rural areas, especially in respect of dubbed content. Although the Home Video market has witnessed growth in terms of volumes for such dubbed content, the pricing for the same has continued to fall. Piracy is a dampener in terms of revenues in this segment as well, especially due to the lack of any organized anti-piracy set-up in the Indian cinema industry. Implementation of Copyright laws continues to be a hurdle and it will take herculean efforts on part of the entertainment industry and law enforcement agencies to effectively curb piracy.

Opportunities and Threats

Opportunities

Music Audio Business

With the emergence of a plethora of new artistes, the entertainment industry has felt the need for music companies to be involved in artiste and event management. This development will be mutually beneficial for artistes and music companies resulting in an increase in artistes' performance fees and ticketing revenues. Artistes are entering into management and publishing agreements which will enable companies to recover the investments made in recording, production, marketing and distribution of music and videos. Your company is taking full advantage of this emerging scenario, such as the live concerts already held with Rahat Fateh Ali Khan in Birmingham, Nottingham and London, to box office sell out.

Publishing and New Media

The mobile and telecom industry continues to register phenomenal growth, directly resulting in an increase in consumption of music in the mobile space. The advent of 3G services in 2010-11 is expected to give a big boost to the demand for entertainment content on mobile platforms, in both the audio as well as audiovisual segments.

The slated launch of your Company's revamped web portal will provide an important thrust in terms of market reach and accessibility of your Company's products. Also, legitimate web stores for music download and streaming are expected to grow gradually in India, leading to an increase in business opportunities on the internet, which have so far been fairly non-existent. This is exemplified in Nokia's initiative 'Comes With Music' launching the Nokia web store in India which, in a short period of time, has generated sizeable number of visitors.

The increasingly popular trend of film makers using old songs in new feature films and television advertisements is expected to continue, which will result in healthy contribution to your Company's synchronization revenues.

Your Company expects to see growth in its international publishing business, in territories such as Australia, Scandinavia and South Africa in the coming year.

The government is expected to launch the third phase of FM Radio licensing which is projected to have a positive impact on the growth of radio revenue in the coming year.

Films Business

With the strengthening of the Indian economy and higher disposable incomes, the consumers are willing to spend more for the total entertainment experience. This is evidenced by the phenomenal growth of multiplexes and digital cinema as compared to single screen theatres. Also, the increasing reach and advancement of technology have led to exploitation of ancillary rights of films (from wallpapers and ringtones to film music), which are being made available to millions of consumers through growing platforms such as satellite TV, online streaming, mobiles etc.

REPORT OF THE DIRECTORS (contd.)

The industry has seen a phenomenal growth in terms of production quality and budgets. The foray of corporate and private-sector companies into the films business is creating structured and transparent business processes in the industry. The explosion of the Indian film industry has not gone unnoticed with the international studios gradually entering the market.

TV Software

With the increasing number of TV channels and programmes being made available to the public, the number of viewers, as well as the viewers' demand for quality entertainment on television, as produced by your Company, has increased. Your Company's entry into Bengali programming has further broadened the scope of operations and opportunities in the TV segment. This increase in demand has been significant in respect of non-fiction programs, reality shows and talent hunts.

Home Video

The popularity and demand of domestic as well as international Home Video products is growing in volumes, with customers looking to purchase content in diverse special interest categories such as Education, Wildlife, Travel & Living, Health and Well-being etc. This is evidenced from the growth in demand for the Company's BBC and Jump Start Products. Such demand has been further fuelled by the emergence of new affordable formats as well as the increased availability and dropping prices of high-tech home entertainment systems.

Threats

Music Audio Business

The two biggest threats to the music business today are the market pressure on pricing of products and proliferation of high-tech piracy. While players in the market are focusing on short term gains by adopting aggressive and competitive pricing, it is the content that sells in the long term irrespective of the prices. However, such aggressive pricing exerts tremendous pressure to reduce prices of physical formats such as Compact Discs, MP3 Discs etc. Against the backdrop of rising cost of content and rampant piracy in high-tech formats, the current pressure on pricing would increasingly hurt the business model of the Music Audio Business.

Publishing and New Media

The proposed amendment to the Copyright Act, 1957 could jeopardize and diminish publishing revenues if the amendment impacts ownership of rights.

In the mobile segment, almost 70% of the growth projected by telecom operators is anticipated to come from rural areas and the increase in consumption of music and related VAS services through mobile platforms may not be proportionate to such growth figures.

The cost of 3G data services will also be an important factor in influencing the consumption of entertainment content on the mobile platform.

Films Business

The production cost of films has seen an upward trend in the recent past and this has been further fuelled by the paucity of saleable artistes and key technicians. The entry of large corporate houses and international studios with bigger budgets has also contributed to inflated costs. Further, due to a limited number of leading male stars the number of big budget commercial films continues to be limited. The revenues from theatrical exploitation, especially in respect of low and mid-sized budget films, are severely affected due to increasing physical and internet piracy.

TV Software

The increase in telecast fees charged by TV channels is destabilizing the cost equilibrium status. Frequent changes in time slots from semi-prime to non-prime, without adequate advance notice by the TV channels, leads to loss of revenue. With an increasing number of film stars getting wooed towards television acting and the ever-inflating cost of software, the commercial viability of this segment is in jeopardy.

Home Video

Home Video business still faces the threats of piracy, especially for Film content where piracy is driven by high quality replicated DVDs, imported from abroad on higher versions such as DVDI.

Retail as a format, which has hitherto been the staple channel for distribution of Home Video products, is rapidly shrinking with retail stores foraging into other businesses such as accessories and gadgets for which margins are higher and thus reducing the space previously allocated for Home Video product.

REPORT OF THE DIRECTORS (contd.)

Productwise Performance

Your Company's rich catalogue in various genres like old Hindi film, Classical and Regional music continued to do well. Major catalogue products sold in MP3 format were received well in small towns as well.

Two major non-film music albums, namely 'The Music Room' by Pandit Amjad Ali Khan and 'Time Travel' by Sonu Niigaam, were highly appreciated and acclaimed by the general public.

Your Company continued the trend of spotting and launching new talents in the music industry and one such new talent was Radha Mangeshkar whose Marathi songs album titled 'NAAV MAZHA SHAMI' was well received by the public at large. On the instrumental music album front, duo of Rahul Sharma and Zakir Hussain titled 'RHYTHM OF LOVE' was a success. Several initiatives were taken on the non-film music front and are slated for release in the coming months.

Outlook

Music Audio Business

Your Company has placed itself in a strong position to adapt its existing systems, network and catalogue strength to the changing face of the music industry, especially as it goes into the digital era. Your Company plans to focus on creation and promotion of quality content in music having sustainable sales potential. Revenues from artiste performances will be major contributors in terms of recovering investments made in the creation and marketing of content. Your Company also plans to look for overseas producers and investors to partner in the creation and marketing of soundtrack to minimize its exposure in acquisition of new film soundtracks.

The strategy of dividing the business operations of your Company into four geographical locations is expected to help in increasing your Company's market share in digital business, aggressively promote content on radio, generate greater corporate sales opportunities and expose new artistes through concerts in different cities.

Publishing and New Media

The proposed amendment to the Copyright Act may determine the future course of the publishing business. On the mobile platform it is expected that there will be greater engagement with providers of application services to bundle music with their offerings, leading to an increased usage of music by consumers and especially by the technology savvy generation. The Company plans to encourage new players in setting up websites on the internet for legitimate consumption of music by consumers.

Films Business

Your Company is aggressively planning to focus on production of films for which the said business unit has been revamped with recruitment of new talents and tie-ups with successful directors, script-writers and artistes for films in Hindi, English and Tamil languages. Your Company is also exploring opportunities in film distribution for Indian as well as international cinema.

TV Software

With the growth of the Television industry especially in terms of Satellite, Direct to Home telecasts and increasing number of registered channels, the outlook for this industry appears to be promising. This has created new avenues of revenue generation for your Company such as in-brand advertising, sponsored programmes and non-fiction based programmes, talent hunt, reality shows etc.

Home Video

Your Company is focusing on various non-traditional categories which are slated to grow substantially such as Edutainment, Kids content etc., along with mainstream and popular products of BBC and other international studios.

Risk and Concerns

With increasing acquisition costs and rampant spread of physical and internet piracy, acquisition of new film music is mostly a non-viable proposition. Entry of several players with considerable resources has only resulted in prices of the content shooting up sharply. Further, film producers are trying to distribute various rights available like physical, digital, mobiles, publishing etc. to the highest bidders in each category which in turn makes it difficult to recoup or set-off losses incurred from one medium against the revenues from other mediums. Also, production houses and films producers prefer down payment and minimum guarantees instead of the profit sharing business model increasing the risks and costs of such acquisitions.

REPORT OF THE DIRECTORS (contd.)

Due to the high gestation period from the date of investment to realization of returns, investment in film business requires valuable working capital to be locked in for long periods (which may even extend up to 36 months). Entry of big corporate houses and international studios has resulted in sharp increase of the overall costs, from actors' fees to technical costs.

In Home Video business the entry of major players has resulted in severe competition in terms of pricing as well as market presence. International studios are demanding ever increasing minimum guarantees and royalty payments and offering their content for reduced licensing periods.

In spite of a steady overall growth in the Television industry, there has been sharp increase in telecast fees charged by TV channels during the year and this has escalated the overall production expenditures and exerted undue pressure on costs and bottom line.

Internal Control System and Adequacy

The Internal Audit department of your Company conducts both financial and system audit for all key operations. Such reports are placed before the Audit Committee of Directors and recommendations, if any, are implemented. Your Company has also well documented standard operating procedures for all operational and functional areas. Further, the Board periodically reviews the policies and procedures for risk identification and mitigation.

Financial Performance with respect to Operational Performance

Strict budgetary control is maintained on all operational performance indicators, and review on working capital and cash flow is carried on for improving the operational efficiency.

Human Resources

Your Company's human resource management systems and processes aim to create a responsive, market-focused, customer-centric culture and enhance organizational vitality, so that each business is internationally competitive and equipped to seize emerging market opportunities.

As on the date of this Report your Company has 395 employees.

Information Technology

Your Company is in the process of consolidating the benefits of implementation of ERP from SAP equipped module handling Intellectual Property Rights Management. This initiative would not only efficiently utilize your Company's vast content but also build capabilities for the future and help to keep its operations contemporary.

Forward-looking Statements

This Report contains forward-looking statements that involve risks and uncertainties. When used in this Report, the words "anticipate", "believe", "estimate", "expect", "intend", "will" and other similar expressions as they relate to your Company and/or its businesses are intended to identify such forward-looking statements. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors states:

- That, in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- That your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- That your Directors have taken proper and sufficient care of the maintenance of adequate accounting records, in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That your Directors have prepared the Annual Accounts on a going concern basis.