



Soul of India



Board of Directors

Dr. R. P. Goenka
Chairman

Mr. S. Goenka
Vice Chairman

Mrs. S. Goenka

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) 2550 0817
 e-mail : co.sec@saregama.com

Visit us at : www.saregama.com

Regional Offices

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NOTICE

NOTICE

NOTICE is hereby given that the Sixty-Fourth 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 29th day of July, 2011 at 10.15 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, 2011, 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 Mrs. S. Goenka who retires by rotation and, being eligible, offers herself for re-appointment.
4. 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 :

5. *As an Ordinary Resolution*

“RESOLVED that in accordance with the applicable provisions of the Companies Act, 1956 or any amendment or re-enactment thereof, consent be and is hereby accorded to partially amending / varying the remuneration payable to Mr. Apurv Nagpal, Managing Director (Mr. Nagpal) as follows :-

With effect from 1st July, 2010

- Basic Salary : ₹ 3,34,000/- per month
- Management Allowance : ₹ 3,34,000/- per month
- Customized Allowance Pool (comprising of Leave Travel Allowance and Medical reimbursement) : ₹ 70,000/- per month

RESOLVED FURTHER that other allowances, reimbursements, benefits and perquisites payable to Mr. Nagpal shall remain unchanged except to the extent altered as above.

RESOLVED FURTHER that the total annual remuneration payable to Mr. Nagpal shall not exceed the limit approved by the Central Government by its letter reference No. A59536383/4/2011-CL.VII dated 27th April 2011.”

Registered Office:

'The Studios @ Dum Dum'

33, Jessore Road,

Kolkata-700 028

Dated: 30th June, 2011.

By Order of the Board

Tony Paul

Company Secretary & Head Legal

NOTES :

1. The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item 5 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. 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 and 3 of this Notice is provided in the Notes annexed hereto.
7. The Register of Members and Share Transfer Books shall remain closed from 22nd July, 2011 to 29th July, 2011 (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 33, Jessore Road, Kolkata-700 028.

ANNEXURE TO THE NOTICE

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

Item No. 5

Mr. Apurv Nagpal was appointed as the Managing Director of the Company with effect from 15th January, 2009 and his appointment and remuneration were approved by the shareholders at the Annual General Meeting held on 24th July, 2009 and subsequently by the Central Government by its letter reference No. A59536383/4/2011-CL.VII dated 27th April 2011. In terms of the said approval, Mr. Nagpal is entitled to a salary of ₹ 3,00,000/- per month

NOTICE (contd.)

and a Management Allowance of ₹ 3,00,000/- per month respectively. The Board of Directors of your Company ('the Board') at its meeting held on 22nd December, 2010, on the recommendation of the Compensation Committee, approved, subject to the approval of the Members, an increase in the Salary and Management Allowance as well as restructuring of the allowances / reimbursements payable to Mr. Apurv Nagpal, Managing Director with effect from 1st July, 2010 as detailed hereinbelow to bring it in conformity with the remuneration structure of the Company.

Accordingly, the remuneration payable to Mr. Nagpal as Managing Director is proposed to be varied / altered with effect from 1st July, 2010 as follows:

- Basic Salary : ₹ 3,34,000/- per month
- Management Allowance : ₹ 3,34,000/- per month
- Customized Allowance Pool (comprising of Leave Travel Allowance and Medical reimbursement) : ₹ 70,000/- per month

The other allowances, reimbursements, benefits and perquisites payable to Mr. Nagpal as approved by the shareholders at its meeting held on 24th July, 2009 shall remain unchanged except to the extent altered as above. Further, the total annual remuneration payable to Mr. Nagpal shall not exceed the limit approved by the Central Government by its letter reference No. A59536383/4/2011-CL.VII dated 27th April 2011.

An abstract containing the variation / alteration in the terms of remuneration of Mr. Nagpal pursuant to section 302 of the Companies Act, 1956 had already been sent to the Members in the second week of May, 2011.

Your Board of Directors recommends that the resolution set out in item no. 5 of the Notice convening the Meeting be approved by the Members.

Copy of the Supplemental 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: 30th June, 2011.

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 29th July, 2011.

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. 7,000 crores.

His companies are involved in power generation and distribution, coal mining, retailing, carbon black, as also entertainment. Mr. Goenka is a former President of CII and he was also Chairman, Board of Governors, Indian Institute of Technology, Kharagpur and immediate Past President of All India Management Association (AIMA). 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, Harrisons Malayalam Limited – Chairman, RPG Enterprises Limited – Vice Chairman, CESC Limited – Vice Chairman, Spencer & Company Limited – Director, Spencer International Hotels Limited – Director, Noida Power Company Limited – Director, Graphite India Limited – Director, Eveready Industries India Limited – Director, Sentinel Tea and Exports Limited – Director and Woodlands Multispeciality Hospital Limited – Chairman.

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. Mrs. Sushila Goenka

Mrs. Sushila Goenka is a connoisseur of Indian art, music and culture. She is associated with several social organizations, including Ladies Study Group, Kolkata.

Qualification: Home educated

Date of Birth: 15th August, 1936

Directorship in other companies: Nil.

Membership of Committees of the Board: Nil.

Shareholdings as stated in Clause 49 (IV) (E) (v): Nil.

REPORT OF THE DIRECTORS WITH MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Sixty-Fourth Annual Report of Saregama India Limited along with the audited accounts for the year ended 31st March, 2011.

Financial Results

The performance of your Company for the year ended 31st March, 2011 is summarized below:

	(₹ in lakhs)	
	Year ended 31st March 2011	Year ended 31st March 2010
Total income	13778	10743
Profit/(Loss) from operations	229	407
Extraordinary item	Nil	Nil
Provision for Contingencies	Nil	Nil
Profit/(Loss) before tax	229	407
Provision for Taxation	(406)	345
Net Profit/(Loss) (after tax and extraordinary items)	635	62
Proposed Dividend (including tax thereon)	Nil	Nil
Transfer to general reserve	—	—
Reserves (excluding revaluation reserves)	11178	10537

Your Board is pleased to report a profit of ₹ 634.62 Lakhs in the year 2010-11.

Operations

Music Audio Business

The physical audio business was driven this year with objective of consolidation of base revenues and improvement of contribution. The Company introduced centralized manufacturing and warehousing which dramatically improved logistics. The product mix was changed to include more high value multi CD options based on innovative concepts providing the customer delight. This arrested contribution erosion caused due to excessive reliance on MP3's as a product strategy used in the past. However, advances in technology such as – file sharing, online streaming, and USB, SD cards have given a big boost to piracy, hampering the music sales in physical formats.

The Company also re-invested its focus on high margin genres like Devotional and Classical music, with a view to start a major distribution initiative in traditional competitor strong holds such as all major religious towns. Another initiative this year that proved to be a game changer was the re-launch of the LP's which has met with tremendous success in the market. This again is a high margin initiative will help the Company to improve contribution in the physical business; given that in a short space of time, LP's would be almost 10 percent of the physical audio business turnover. The distribution network has been revamped by consciously hiring relevant marketing talent having long experience in the industry.

On the product front, the Company launched several umbrella brands under the “Best of ___ Ever Series” which will eventually have about 20 to 30 products under the umbrella. This would allow the Company to optimize promotional budgets to back and establish the individual brand. To protect the intellectual property rights, these brands have been registered with trade mark authorities. During the year, the Company acquired some of new Hindi and regional film soundtracks including 'Gumsuda', 'Satrangee Parachute', 'No One Killed Jessica', 'Ragini MMS', 'Gandhi to Hitler' and 'Chillar Party' (all in Hindi) and 'Mahanagar @ Kolkata', 'Shukno Lanka', 'Target' & 'Ranjana Ami Aar Asbona' (all in Bengali) and 'Mohan Na Monkies' (Gujrati), 'Aidhu Ondhla Aidu' (Kannada), 'Subhapradham' (Telugu), 'Ratha Charithram' & 'Naanga' (Tamil).

The publishing and new media business continued to register good growth with contributions generated from Caller Ring Back Tones, Ring-Tones and Radio. With its rich and expansive catalogue the Company is best positioned to take full advantage of the growth in mobile business. During the year all the major operators launched the 3G services and the same is expected to grow rapidly in the coming years. To keep pace with 3G services and reap the fruits of growth, the Company plans to acquire new video contents, create short films and convert the music catalogue to video so as to maintain equal foot hold in the market. This year saw new streams opening up in new media with Full Song Mobile Applications, Downloads, Celebrity Chat and Audio Cinema. This has bought a fresh change in the business dynamics and has enabled operators to park high revenues with the Music labels.

REPORT OF THE DIRECTORS (contd.)

Nokia OVI Store though generating small business is getting replicated by more such online stores like Google Music, Samsung Fun Zone, etc. and would contribute to revenues of the Company in the coming years. The Company's initiative in directly dealing with the mobile operators for online streaming and downloading of songs will bring more discipline in monetization of content. This will also strengthen the portal business of the Company. The introduction of content for online distribution through black box will ensure timely reports and plug revenue losses of the Company.

The trend of using old songs in new films continued this year also and the Company's new policy to release version recording of songs and / or the entire movie songs has resulted in increase in publishing and digital revenues. In order to restrict misuse of the rich catalogue of the Company and increase in sale of original songs, the licensing permissions for version recordings are being restrictively given. The Company is expected to expand its business to more international markets like Pakistan, Bangladesh, Fiji, etc.

The Company has also forayed into high technology in room entertainment for hotels for interactive video on demand. It has tied up with world class technology partners from Austria, Sweden and Taiwan along with Hollywood studios to provide films for this segment. The first property with this technology is coming up in Pune.

On international front, territories of US, Europe and some of the South East countries continue to remain revenue earners for the Company due to presence of large Indian diaspora. Due to accelerated drop in physical volumes, the Company has shifted its focus on alternative but strong sources of revenue such as publishing, digital and events. During the year prestigious event featuring Asha Bhosle and Shujaat Ali Khan was organized in multiple cities of UK. The overall margins of international business continue to remain under pressure as alternative sources of revenues could not reach level to offset loss of margin due to drop in physical business.

Films Business

In October, 2010, the Company released a Hindi film '*Jhoota Hi Sahi*', directed by Abbas Tyrewala and starring John Abraham, Pakhi, Raghu with guest appearances by Nandana Sen and R Madhavan. The pan-India response for the film was below average despite the film having notable director, actors and the Oscar winning music director AR Rahman.

The Company is currently producing a hi-concept, commercial mainstream Hindi film titled '*Soundtrack*'. This is the official remake of the award winning worldwide cult film 'It's All Gone Pete Tong'. The film directed by Neerav Ghosh stars Rajeev Khandelwal, Soha Ali Khan, Mrinalini Sharma and Mohan Kapoor among others, with the music score being composed by 'Midival Punditz' and 'Karsh Kale'. '*Soundtrack*' will release in cinemas across in the second quarter of next financial year. This film has been fully produced in-house resulting in savings in production budgets and completion within the anticipated timeline.

TV Software

The Company continues to maintain its position of strength in producing TV content in all four South Indian languages. The Company has produced and telecasted the hit serials titled '*Athipookal*', '*My Dear Bootham*', '*Velan*', '*Soolam*', '*Raja Rajeshwari*' etc. During the year under review, a Bengali serial titled '*Raj Rajeshwari*' was telecasted on Zee Bangla.

The Company has now launched itself in the National TV scene. This Division will pitch shows to the various General Entertainment Channels like Star, Sony, Colors, Zee etc. and produce high quality family entertainment programs for them.

Home Video

The 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 the Company forayed into the niche and lucrative business vertical for production, distribution and marketing of audio and audio-visual content for children educational entertainment products including 'Rumble-n-Tumble Play time' by Preeti Sagar, 'Sweet Values', etc.

Publication Business

The weekly current affairs and general features magazine "OPEN" published by the Company's 100% owned subsidiary Open Media Networks Pvt. Ltd. has grown in readership as well as repute. This smart and vibrant magazine is aimed at the intelligent Indian reader and has been well received by advertisers and readers at large. However, like any new player in the media space in its second year of operation, OPEN magazine still needs to go through the gestation period required for establishing its market position and achieve break even.

Corporate Governance

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

REPORT OF THE DIRECTORS (contd.)

The adoption of the Code stems from the fiduciary responsibility which the Directors and the Senior Management have towards the stakeholders of the Company. Your Directors and Senior Management act as trustees in the interest of all stakeholders of the 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 revenue from sales of physical formats which earlier dominated in the industry with 81% share in 2006 has drastically dropped to 38% in 2010. The other factors of price erosion and piracy contributed to further de-growth of physical sales. However the silver lining to the industry has been gaining popularity and prominence of digital distribution of music with mobile and broadband penetration growing in India. Vast number of consumers from young population using mobile, radio and internet will remain revenue contributors for the industry after stabilization of the 3G data services, the business models prevalent in music industry are expected to substantially change. Radio and television has been a major platform for consumption of music. With expected growth of Radio industry at a CAGR of 15% and forthcoming auction of phase III of radio licenses, the radio would be a major platform for consumption of music. However the Copyright Board recommendation of revenue sharing between radio and Music Industry is not going to be margin friendly for the music industry.

Opportunities and Threats

Opportunities

Films Business

The Film Entertainment business has managed to stem recession trends and the last year has seen bigger blockbuster hits than ever. Movie revenues continue to grow and newer technologies have allowed audiences to experience movies in a more pleasurable, more experiential environment. 3D has been a big growth driver for Hollywood films and now the Indian movie Industry is also waking to this new way to get film audiences. All of this has resulted in the growth of multiplexes and digital cinema which has given most screens the ability to play movies day and date across the country. An increased ticket price has allowed revenues to grow from the theatrical business. Additional revenue streams like internet, mobile and 3G will be the growth drivers enabling the industry to get incremental revenue from the same content.

TV Software

The Television scenario particularly in the Cable and Satellite (C&S) is booming. As per the reports, Television households are expected to grow ₹ 160 million by next 4 - 5 yrs. As digitization and addressability go main stream, the revenues from advertising and subscription revenues are expected to grow to ₹ 214 billion and ₹ 416 billion respectively. This growth in television industry augurs well for TV software production houses as the channels will require quality programming to attract and retain the advertisers.

Home Video

The market is opening up to newer formats such as BluRay, thanks to Hardware manufacturers going aggressive on these high-definition formats. Although the global Home Video business has been on a decline, BluRay as a format has seen growth, in India and overseas. The Company's foray into this segment was through the release of BBC's prestigious "David Attenborough: LIFE" series. The Company also saw opportunity in non-traditional revenue areas with major emphasis on Direct-To-Consumer marketing, which last year notched appreciable sales. Last year around 30 to 40% of movies were not released in Home Video because of prohibitive costs of acquisition. This has led to rationalization of acquisition cost providing opportunities to the Home Video players to make Home video business profitable.

Publication Business

Niche magazines cater to the focused viewers. Luxury brands and FMCG companies earmark large promotional spends to create appeal for higher SEC category of customers. For the magazines like "Open" which releases content and views different from the mass number of magazines, it provides the opportunity for the upmarket brands to advertise to reach out to the higher income households.

REPORT OF THE DIRECTORS (contd.)

Threats

Music Audio Business

The piracy continues to be a serious issue not only for physical sales but also for digital sales. With the advent of new powerful technologies and eventual roll out of 3G, piracy will see significant rise. In August 2010, Copyright Board directed that radio companies will have to pay 2% of their net ad revenue to the music providers. This is going to put a serious dent in the revenue of music companies. The Copyright Amendment Bill of 2010 is planning to create rights for the music composers and lyricist in the music created. This will create new paradigm in the music business compelling complete review of revenue and business model.

Films Business

There is a paucity of saleable stars in the Industry, and this coupled with the lack of compelling new scripts have resulted in movies not performing at the box-office. Media costs required to promote the film have galloped, and with increased fragmentation of media outlets, the money required to promote films have gone up many fold.

Film Piracy continues to be the big bane of the industry and with increased penetration of the internet, and faster download speed, movie piracy continues to be the single largest revenue loss for the industry.

The entry of 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 increasing pressure from television artiste unions who are demanding substantial wage hike is adversely affecting the quality of work. Also an 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 could get into jeopardy.

The long gestation period and the short patience of the channel vis-à-vis the performance of a program and thus its life is of grave concern. Every individual who has and can come up with a concept is a potential Producer and creates unfair competition.

Home Video

With movies been shown on television immediately within four weeks of release in the theatres, there is an increase level of piracy in the Home Video. The popularity of legitimate Home Video has substantially gone down. Due to reduced volumes, Home Video distributors are not in a position to offer acquisition prices to the expectation of the film producers.

Publication Business

The magazine market is overcrowded with presence of over 60 genres catered by thousands of the magazines. This on one hand reduces share of Magazines as part of overall print industry and on the other allows Advertisers to demand rock bottom ad rates; compromising the financial feasibility of the Magazine.

Productwise Performance

The Company's rich catalogue in various genres like old Hindi film, Classical and Regional music continued to do well.

Major non-film music albums, namely 'Naina Lagai Ke' by Asha Bhosle & Shujaat Khan, 'Sanwariya' by Hidayat Hussain, 'Sarhadein' – a compilation of songs by various renowned artistes like Lata Mangeshkar, Javed Akhtar etc. and 'Rewind Nine Lost Memories' by a Band were highly appreciated and acclaimed by the general public. The main stream Hindi Film titled 'Jhoota Hi Sahi' released in October 2010 was not a commercial success even though some of the rights of the film are still with the Company which expects to offer revenues in time to come. Due to high quality of the content in Tamil, TV software created for Sun Bouquet of channels commanded better pricing riding on the good TRPs. The software created for Zee Bangla on commission basis created successful program for the channel; however could draw only reasonable pricing as the software creation was for fixed fee per episode on commissioning basis. The magazine "Open" has gradually increased its circulation and ad revenue yield and commanded pricing better than the competition.

Outlook

Music Audio Business

Indian Music industry will progressively see shift from physical to digital forms of music consumption. The trend where the consumers would now like to sample the music and thereafter pay for it will determine the digital product offerings. These are also emerging as strong

REPORT OF THE DIRECTORS (contd.)

alternative to the pirated music. A sachetization of the digital music is expected to open up large “bottom of target audience”. As and when Copyright Amendment bill is passed the whole structure of music industry will undergo substantial change. Rolling out of 3G services by various telecom providers is expected to revolutionize the market dynamics and create a new set of revenue streams and content delivery platforms. Proliferation of organized merchant establishments and popularity of concerts amongst youth is expected to provide impetus to the music industry's revenue streams of public performance. In line with global trends, social networks such as MYSpace, Facebook and Twitter are increasingly being used by the music companies to promote their music. Number of operators are now bundling music to its mobile users as part of their monthly voice and messaging subscription. The services such as Nokia's 'Comes With Music' are offering music bundled with purchase of selected mobile devices. Large opportunities lie in sachetization of music content and thereby achieving penetration at the consumer base at bottom of the pyramid. Newer offerings like “All you can Listen in a Day” or a single day CRBT use for a small fee are becoming popular.

The future growth of the industry depends on how menace of piracy is contained. The government will be persuaded to start a three strike rule prevalent in certain parts of the world where the government enforces compliances using ISP.

Films Business

The industry has seen correction in movie budgets over the last year and now the most film stars are open to working with lower fees with profit share. Digital film making techniques have also enhanced the quality of production as well as lowering of the budget of films. The foray of corporate companies and Hollywood studios into the Indian film business is creating structured and transparent business processes in the industry.

The last year has seen an increased number of box-office hits from newer talent, and the original ideas. Resultantly, the industry's dependence on the routine “masala movie” has seen a slow but steady fall.

The Company is planning to produce other high concept, controlled budget films; both in Hindi as well as regional languages. In addition, the Company has now acquired rights to the highly acclaimed bestseller 'Battle for Bittora' written by celebrated author Anuja Chauhan,

TV Software

With advent of technology television industry are getting newer exploitation formats though 3G, broadband and mobile TV. The need for having customized content for each platform would lead to television channels forging strong partnership with the quality content producers so as to command premium pricing.

Home Video

The Company will increasingly focus 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, Discovery and other international studios. This will on one hand will enhance the Home Video library and will help to continuously make multiple product offerings.

Publication Business

Open as a magazine has already carved niche for itself in the industry. Efforts will be mounted to capitalize this equity by gaining better pricing and ad yield. Over the period, the magazine is expected to improve its business helping it to achieve the break even.

Risk and Concerns

While digital music provides lucrative business opportunities for music industry, the major risk are high tech piracy and tendency of young consumers to have music free of cost. Alternative business models to ward off ill effect of the piracy are to devise the business models purely on the advertising revenues. Such business models are yet to mature in India and in the meanwhile industry would face risk of decreased revenue. There is lack of clarity in terms of the copyright being enjoyed by the authors even though the contractual ownership is placed with the music labels. In the absence of such clarity, music industry on one hand is likely to witness a lot of litigation and on the other hand could hurt business opportunity of widespread exploitation of the music content.

As for the film business, the risk lies mainly in paucity of male stars as Indian cinema is still being driven by the power of stardom rather than story concept and the presentation of the same. For the television software business the concern is continuous trade off between the cost of content and its revenue potential. This is forcing television channels to withdraw the content on first fear of drop of TRPs even though the software producers would have invested large amount of uniform of certain fixed costs. As for the publication business, the hyper competition is becoming increasingly challenging to have a share of wallet of the consumers to whom the different medium of entertainment like television, music, films, games are available; some even free of cost. Typically print and publication business is a long gestation business as the volumes and ad-revenue rates built up on a very long period.

REPORT OF THE DIRECTORS (contd.)

Internal Control System and Adequacy

The Internal Audit department of the 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. The 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

The 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, the Company has 389 employees.

Information Technology

The 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 the 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 the Company and/or its businesses are intended to identify such forward-looking statements. The 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.

Employee Stock Option Plan

The Members of the Company, at its Annual General Meeting held on 24th September, 2001, approved the introduction of the Employee Stock Option Scheme for eligible employees of the Company and its subsidiaries. Due to separation of the employees number of options has lapsed till 31st March, 2011. The necessary disclosures prescribed under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is set out in the Annexure to this Report.

Issue of equity shares on preferential basis

In accordance with SEBI Guidelines / Regulations as amended upto date and necessary approvals of the members, 27,27,000 Equity shares of ₹10/- each and at a premium of ₹ 92.47 each were allotted to promoters and others on preferential basis on 11th September, 2009.