



Board of Directors

Mr. S. Goenka
Chairman

Mrs. P. Goenka

Mrs. S. Goenka

Mr. H. Neotia

Mr. S. Banerjee

Mr. P. K. Mohapatra

Mr. B. Raychaudhuri

Mr. G. B. Aayeer

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

SAREGAMA INDIA LIMITED

CORPORATE INFORMATION

CIN : L22213WB1946PLC014346

Web : www.saregama.com

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

Regional Offices

2, Chowringhee Approach
Kolkata - 700 072
Phone : (033) 6550 2113
Fax No. : (033) 2212 8911
e-mail : karim@rp-sg.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 : rajesh.narvankar@rp-sg.in

6, DDA Commercial Complex
3rd Floor
Panchsheel Park
New Delhi - 110 017
Phone : (011) 4052 1912
Fax No : (011) 4052 1913
e-mail : nitin.garg@rp-sg.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@rp-sg.in

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REPORT OF THE DIRECTORS' WITH MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Sixty-Seventh Annual Report of Saregama India Limited along with the audited accounts for the year ended 31st March 2014.

Financial Results

The performance of your Company for the year ended 31st March, 2014 is summarized below:

(₹ in Lacs)

	Year ended 31st March, 2014	Year ended 31st March, 2013
Total income	17369	18446
Profit from operations	2611	1402
Exceptional item	886	327
Provision for Contingencies	Nil	Nil
Profit before tax	1726	1075
Provision for Taxation		
Deferred Tax Charged / (Credit)	(118)	(483)
Current tax	635	470
Net profit (after tax and exceptional items)	1209	1088
Proposed Dividend (including tax thereon)	305	305
Transfer to general reserve	60	54
Reserves (excluding revaluation reserves)	12724	11821

Your Board is pleased to report a profit of ₹ 1208.77 Lakhs in the year 2013-14.

Dividend

Your Board is pleased to recommend a dividend of ₹ 1.50/- per equity share of ₹ 10/- each for the year ended 31st March 2014.

Operations

Music Audio Business

Your company has developed state-of-the-art digital VAS business model that has added feathers to its existing rich music catalogue apart from building a formidable presence in conventional VAS Vectors like WAP and IVR besides the CRBT business. Your company also developed a very robust direct international presence in the Mobile VAS ecosystem with direct presence in over 50 countries covering over 100 telecom operators. In addition to Mobile VAS, the last year in particular has witnessed hectic activity in the Web digital business domain. Youtube has emerged as a powerhouse for monetizing music. Web based music services like SAAVN and GAANA has a growing customer base for streaming services. The coming year is expected to witness entry of almost all major Global Streaming Brands in India like Spotify, Google Play, Guvera and RDIO to name a few. The I-Tunes with its download model has also started shop in India. On the International Web business front, your company signed a 3-year deal with the global aggregator. This partnership is expected to make company's content available to millions of Indians globally via multiple web based music services.

Your Company witnessed a sharp drop in the revenues from the device manufacturers like Nokia, which had a severe knock on effect on revenues to Music Companies. However, D2C APP business holds a lot of promise in the coming years and as such your Company has been in the process of developing some state of the art game changing App products.

REPORT OF THE DIRECTORS (contd.)

Your Company's corporate segment of physical sales continues to post business. During the year under review, your Company acquired new Hindi and regional film soundtracks including in Hindi - 'Issaq' and a driver track of 'Heropanti', etc. The demand for use of old film hits in new films continued this year also.

Music Publishing Business

Your Company's decision to negotiate directly with all major Television broadcast networks at decent valuations has been a significant development in the current year. The Bollywood industry continues to synchronize your company's catalogue to create new content while retaining the nostalgic value of the retro music.

TV Software

Your National Television business is successfully producing programs in national Hindi language in mainstream channels like 'Savdhan India' in Star TV's Life OK Channel. The show won the Indian Television Academy Award (ITA) under the Best Thriller Category with tough competition from long running popular shows like 'CID' and 'Crime Patrol'. The Division is currently under pre-production stage for two new shows a daily on the Zee Network and a weekly one-hour show on Star Plus channel and also has two shows green lighted and approved on a new upcoming channel "EPIC TV" and will be on air as soon the channel is launched. The foray into regional channel BIG Magic continues with the production of the program 'Police Files'. Your Company continues to be a leading producer of TV content in all four South Indian languages. It includes hit serials titled 'Athipookal', 'My Dear Bootham', 'Velan', 'Soolam', 'Raja Rajeshwari' etc.

Publication Business

Your Company publishes the weekly current affairs magazine "OPEN" through its subsidiary Open Media Network Pvt. Ltd. Aimed at the intelligent Indian reader it has been well received by advertisers and readers at large. The subsidiary is adding to its existing business line, the promising the business vertical of organizing events for live panel discussions on trending topics in politics, society, sports, world affairs, etc. This new business vertical requires some amount of funding which your Board has duly considered and approved.

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 that 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 chartered accountants 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 music industry is still under process of streamlining the effects resulting from amendments to the Copyright Act. Music publishing business is expected to come of age and would offer many areas for revenue growth. As for the cost of new content, both in film and non-film space would be continuously on rise. The opportunities in digital space are continuously on the rise with widespread use by the consumers of mobile and Internet services. Launching of 4G data services in India, popularity and prominence of digital distribution of music with mobile and broadband is expected to grow manifolds changing the business models prevalent in music industry. Still Radio and television continues to be major platforms for consumption of music. However, the sales in physical formats with dropping volumes would not offer any profitable business opportunities. Added to this, unabated piracy is eating away a substantial portion of the increased revenue generation of physical business.

REPORT OF THE DIRECTORS (contd.)

Opportunities and Threats

Opportunities

Music Business

Your Company has more opportunities to increase its presence in digital vectors like WAP, Web, DTH, Applications and Devices besides consolidating its position in established vectors like CRBT and Mobile Radio business.

Music Publishing Business

Television publishing will be the biggest opportunity for your company and work is on full steam to ensure a robust presence.

TV Software

Two phases of digitization has been completed and the third phase is on the anvil. This has brought in a lot of transparency in subscriber reportage for the broadcasters and hence going forward the broadcaster share of subscription revenues will increase. Further, TRAI regulation of twelve-minute advertisement time for every hour is forcing the broadcasters to launch a second GEC Channel in their bouquet. Both above will result into increase in demand from the broadcasters for additional content.

Publication Business

The content focus of “Open” magazine continues to be the intellectual higher income households. This generates interest in advertising in the magazine by FMCG companies for large promotional spends to create appeal for higher income category of customers and promote their Luxury brands. The addition of business vertical of events for live panel discussions is expected to generate interest in advertisers and sponsors, providing new content for exploitation in different formats.

Threats

Music Audio Business

The new TRAI guidelines seeking a triple confirmation from customers before availing any service of Mobile VAS has adversely affected almost every player in this industry. However, your company strategized to arrest the drop on account of prudent proactive measures. Piracy continues to be the biggest threat both In physical as well as digital music sales.

Music Publishing Business

A number of clarifications, specially on the commercial front, are being sought by the stakeholders, including your Company in the content business regarding interpretation and implementation of the new Copyright Act.

TV Software

The growing cost of production, high cost of Artists and Technicians is a continuous problem faced by the software producers. This is also now resulting into production of shows shifting out of high cost locations like Mumbai.

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

Your Company's timeless musical treasure in Old Hindi Films, Classical and Regional music content continues to enter the charts across all platforms. Major non-film music albums released during the year includes - 'Destiny' with Ghazal maestros, Anup Jalota, Pankaj Udhas and Talat Aziz and 'Surmayi Raat' with living legends Gulzar & Bhupinder Singh. Mash-ups, the latest trend had a huge demand amongst the youth creating huge traction in digital formats. Due to high quality of the content in Tamil, TV software created for Sun Bouquet of channels commanded better pricing backed by good TRPs. The magazine “Open” has gradually increased its circulation and advertisement revenue yield and pricing better than the competitors.

REPORT OF THE DIRECTORS (contd.)

Outlook

Music Audio Business

Introduction of 4G services by various telecom providers will revolutionize market dynamics and create a new set of revenue streams and content delivery platforms. Social networking sites such as Facebook, Twitter and MYSpace are being used by the music companies to promote their music. Mobile manufacturers such as Nokia, Samsung, etc. are offering customers music bundled with purchase of selected mobile sets. There is a stiff competition between mobile set manufacturers to woo the customer where the music acts as a preferred gratification option. It has become very popular amongst mobile customers to subscribe for Caller Ring Back Tone (CRBT) and operators are offering various options of daily, monthly and quarterly change in CRBT preferences.

TV Software

With the launch of new channels the demand for content production will continue to rise. As the broadcaster subscription revenue share increases they will invest more towards production budget in order to offer top class and high production value content to their viewers. Further channels are increasing their program airings from five-day week to six-day week and hence there will be additional production opportunity for production houses.

Music Publishing Business

The music publishing business is expected to grow steadily as the demand for use of composition / lyrics of retro music are increasing day-by-day.

Publication Business

'Open' magazine has already created its own readership base in the industry. This is expected to augment revenue generation from advertisement and consolidate the readership base. Additionally the introduction of business vertical of events for live panel discussions will augment its top-line contributing to the profitability of the business.

Risk and Concerns

Statutory licensing in radio and television under the amended Copyright Act will adversely affect the dynamics of the Music Industry. Further, the divide between the stakeholders in terms of interpretation of new Copyright law will create lot of confusion. Piracy with tendency of music lovers to listen free of cost music deters growth of digital music. The alternative business models based on advertisement revenues are still to mature. In the television software business there is continuous trade off between the cost of content and its revenue potential. The fear of drop in TRPs is frequently forcing television channels to withdraw the content. This means non-recovery of fixed cost already incurred by television software producers in shooting the un-telecasted episodes. As for the publication business, the gestation period is long with gradual improvement in volumes and ad-revenue rates built up.

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 350 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 the Company's vast content but also build capabilities for the future and help to keep its operations contemporary.

REPORT OF THE DIRECTORS (contd.)

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 26th July, 2013, approved the implementation of *Saregama Employees Stock Option Scheme - 2013* for eligible employees of the Company and its subsidiaries. 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 Rs.10/- each and at a premium of Rs.92.47 each were allotted to promoters and others on preferential basis on 11th September, 2009.

Rights Issue

Your Company offered 5,338,628 Equity shares of face value of ₹ 10/- each for cash at a premium of ₹ 35/- per share on Rights basis to the existing Members of The Company in the ratio of 4 Equity shares for every 7 Equity shares held on the Record Date (14th March, 2005) aggregating ₹ 2402 Lacs. Out of the total issue, 5,332,025 and 1,113 and 200 Equity shares were allotted in the year 2005-06, 2006-07 and 2009-10 respectively and the balance 5,290 Equity shares were kept in abeyance due to pending litigation and identification of beneficiaries of the clearing members by NSDL and CDSL.

Fixed Deposits

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act read with the revised Clause 32 of the Listing Agreement as notified by Securities and Exchange Board of India, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the Company. None of the employees as set out in the said Annexure is related to any Director of The Company.

REPORT OF THE DIRECTORS (contd.)

Directors

In terms of Article 102 of the Articles of Association Mr. Sanjiv Goenka retires by rotation and, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

The particulars regarding the Directors proposed to be re-appointed at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement of the Stock Exchanges, has been given in the Notes annexed to the Notice convening the meeting.

The Board places on record its deep appreciation for the services rendered by Mr. Suryanarayana Murthy Mantha and Mr. Pradip Kumar Khaitan during their tenures as Managing Director and Director, respectively, of the Company.

Auditors

M/s Price Waterhouse, the Auditors of The Company, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Subsidiary Companies

In compliance with the requirements of Section 212(8)(v) of the Companies Act, 1956 the audited accounts and other particulars of Saregama Plc., RPG Global Music Limited, Kolkata Metro Networks Limited and Open Media Network Private Limited shall be available for inspection at the registered office of the company. Your Company has infused required funds in its subsidiary Open Media Network Pvt. Ltd., for the new business vertical of events for live panel discussions. The subsidiary has also converted its existing loan into equity resulting in your Company holding 58.63% in the subsidiary with full management control.

Consolidated Financial Statements

The Consolidated Financial Statements as stipulated by Clause 32 of the Listing Agreement with the Stock Exchanges have been prepared by The Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The audited Consolidated Financial Statements together with Auditors' Report thereon form part of the Annual Report.

Conservation of Energy and Technology Absorption

A. Conservation of energy:

(a) Energy conservation measures taken ;

During the year external experts conducted an energy audit and the recommendations have been implemented.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy ;

No additional investments for reduction in energy consumption have been made or are proposed to be made presently.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods ;

The Company has achieved marginal savings during 2013-2014 due to the measures at (a) above.

REPORT OF THE DIRECTORS (contd.)**B. Technology absorption:****(d) Efforts made in technology absorption as per Form B under :**

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to absorption.

Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company	No Research & Development activities have been carried out by the Company during the year.
2. Benefits derived as a result of the above R & D	—
3. Future plan of action	—
4. Expenditure on R & D :	Nil
(a) Capital	—
(b) Recurring	—
(c) Total	—
(d) Total R & D expenditure as a percentage of total turnover	—

Technology absorption, adaptation and innovation:

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.	
The technology for manufacturing audio cassettes was imported nearly 10 years earlier and has been absorbed fully. The product line of audio cassettes however is becoming outdated with advent of new formats of consumption.	
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution etc.	
None.	
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :	
Not Applicable.	
(a) Technology imported.	—
(b) Year of import.	—
(c) Has technology been fully absorbed?	—
(d) If not fully absorbed, areas where this has not taken place, reason therefore and future plans of action.	—

Foreign Exchange earnings and outgo

- a) The International business of the Company is handled by its foreign subsidiaries viz. Saregama Plc. and RPG Global Music Limited. Although, in line with the laid down policy of the Company, the foreign operations are directly handled by such subsidiaries, the Company actively assists and guides these companies in its marketing efforts, content creation, appointment of foreign sub-publishers etc. which leads to foreign exchange earnings for the Company.
- b) Total foreign exchange used and earned:

	Current Year	(₹ in Lacs) Previous Year
Foreign Exchange used	94.44	46.70
Foreign Exchange earned	2094.85	1700.57

Acknowledgement

Your Directors express their sincere thanks to all stakeholders including the employees, artistes, composers, musicians, film producers and shareholders for their continued support and cooperation.

By Order of the Board

Sanjiv Goenka
Chairman

Kolkata,
12th June, 2014

REPORT OF THE DIRECTORS (contd.)

Annexure to the Report to the Directors for the 12 months period ended 31st March, 2014

Disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

In accordance with Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the following are details of ESOPs offered:

	Options Granted during 2013-14						Total
Option granted	10000	25000	12000	10000	15000	10000	82000
Pricing Formula	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	The exercise price of the option is the closing price of the National Stock Exchange as on the date of the grant. The pricing is based in accordance with the definitions of market price as stated in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.	
Options Vested	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Options exercised	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Options Lapsed	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Variations of terms of Options	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Money realised by the exercise of the Options	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total number of Options in force	10000	25000	12000	10000	15000	10000	82000
Weighted average Exercise Price (₹)	69.85	87.50	100.80	68.05	63.90	53.95	—
Weighted average Fair Value(₹)	49.50	48.00	46.90	49.60	50.00	51.10	—

Description of the method and significant assumptions used during the year to estimate the fair values of options

- (a) **For Option granted during 2013-14** : Method: Black Scholes Options pricing model : (b) Assumptions: Risk free interest rate - 9.00% (Weighted average for 5 yrs): expected life - 10 years (Weighted Average for Option granted during 2013-14); Expected Volatility - 57.30%; Expected dividends - ₹0.50 and market price at the time of the Option grant : ₹63.50.