



JEWELLERY

CINEMAS

RETAIL

SRS LIMITED
ANNUAL REPORT
2012-13

Events



THE ECONOMIC TIMES ET 500 Companies

India's Top 2012 Companies

| RANK | COMPANY | REVENUE | PROFIT | ROCE | ROE | ROA | ROIC | ROF | ROE | ROA | ROIC | ROF | ROE | ROA | ROIC | ROF | ROE |
|------|-----------|---------|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1 | Infosys | 200.01 | 11.1 | 24.4 | 11.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 | 10.1 |
| 2 | Wipro | 180.01 | 10.1 | 21.1 | 10.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 |
| 3 | TCS | 160.01 | 9.1 | 18.1 | 9.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 | 8.1 |
| 4 | HCL | 140.01 | 8.1 | 16.1 | 8.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 | 7.1 |
| 5 | Capgemini | 120.01 | 7.1 | 14.1 | 7.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 |
| 6 | Oracle | 100.01 | 6.1 | 12.1 | 6.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 |
| 7 | IBM | 80.01 | 5.1 | 10.1 | 5.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| 8 | Microsoft | 60.01 | 4.1 | 8.1 | 4.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| 9 | Google | 40.01 | 3.1 | 6.1 | 3.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| 10 | Facebook | 20.01 | 2.1 | 4.1 | 2.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |



With its rising scale and success, SRS is being widely recognised as a business enterprise that is turning into a trailblazer of sorts. Leading media houses are writing about it, and SRS is also making its presence felt in prestigious industry rankings and awards.



Starcast Visits

Excitement reigns supreme at SRS Cinemas, and apart from showcasing movies, the brand also treated its patrons by giving them a chance to see their favourite stars from up close. Just one of the many ways in which the Company makes the entire experience of coming over at SRS properties more enjoyable and exciting.



Kahani Starcast at SRS Cinemas, Faridabad



Raanjhanaa Starcast at SRS Cinemas, Faridabad



Raaz 3 Starcast at SRS Cinemas, Faridabad



Starcast at SRS Cinemas, Ludhiana

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CORPORATE INFORMATION

BOARD OF DIRECTORS

| | | |
|--------------------------|---|------------------------|
| Dr. Anil Jindal | - | Chairman (Executive) |
| Sh. Sunil Jindal | - | Managing Director |
| Sh. Raju Bansal | - | Whole-Time Director |
| Sh. Vinod Kumar | - | Whole-Time Director |
| Sh. Praveen Kumar Kapoor | - | Non-Executive Director |
| Sh. Jitender Kumar Garg | - | Non-Executive Director |
| Sh. Praveen Gupta | - | Independent Director |
| Sh. Shiv Mohan Gupta | - | Independent Director |
| Sh. Nishant Goel | - | Independent Director |
| Sh. Jogindar Lal Chhabra | - | Independent Director |
| Sh. Kailash Tayal | - | Independent Director |
| Sh. Lalit Kumar | - | Independent Director |

COO & COMPANY SECRETARY

Dr. (Ms.) Navneet Kwatra

CFO

Sh. Bhagwan Dass

DEPUTY COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Mamta Rastogi

STATUTORY AUDITORS

M/s. S. S. Kothari Mehta & Co.

M/s. Rakesh Raj & Associates

INTERNAL AUDITORS

M/s. Naresh Jai & Associates

M/s. Goel Mintri & Associates

M/s. R.G. Sharma & Co.

M/s. Nitin Kanwar & Associates

M/s. Love Mangla & Co.

M/s. Sumit Chhabra & Co.

COST AUDITORS

M/s. Ashok Kumar & Associates

BANKERS

State Bank of India

State Bank of Patiala

Union Bank of India

Bank of India

State Bank of Travancore

State Bank of Bikaner & Jaipur

Oriental Bank of Commerce

Indian Overseas Bank

Corporation Bank

Central Bank of India

REGD. OFFICE

SRS Multiplex,

Top Floor, City Centre,

Sector – 12,

Faridabad (NCR Delhi)–121007

Ph. 0129-4282801-08

Fax: 0129-4282809-10

REGISTRAR AND SHARE TRANSFER AGENT

Beetal Financial & Computer Services (P) Ltd.

Behind Local Shopping Centre,

Near Dada Harsukh Dass Mandir, New Delhi – 110062

Tel: 011-29961281 Fax: 011-29961284



Chairman's Message

Dear Shareowners,

Right at the outset, I wish to thank you from the bottom of my heart for the gracious support you have extended to the Company. It is the result of your unstinted support that the company is proud to report a revenue of Rs 2888 crores in FY 2012-13, up from Rs 2667 crores in the previous year. On this happy note, I also take pleasure in announcing that the Board of the Company has recommended a dividend of Re 1 per equity share, payable subject to approval of the shareholders.

The rising scale of the Company over the last few years has taken your Company on a higher trajectory of growth and visibility. The growth strategy, business model and operational expertise of the Company are well-acknowledged by the business and financial world, and so is its ethical and value-driven management style. So it is a small wonder that SRS is moving into the limelight these days. In May 2013, the reputed magazine 'Business World' rated your company at the 2nd spot in the middleweight companies category. Earlier in December 2012, SRS Limited had made an impressive debut in Economic Times Top 500 with a ranking of 337 based on revenues.

But all such laurels only motivate us to work smarter, with greater dedication and passion. You will be happy to note that recently, the Company has launched two new cinemas at Shimla and Bareilly, taking the total number of seats to almost 10,000 across 14 properties and 39 screens. A glittering jewellery showroom too was opened at Noida, and shortly, in Noida itself, the Company shall launch two new retail stores.

Today, the Company is standing at an exciting juncture. It has got scale, a wide foot print, rich talent pool, high operational skills and a varied business portfolio. This, along with our diversified business model, has

played a vital role in bringing the company where it is today. However, while the diversified model of synergistic businesses has been very rewarding so far, it may have limitations to repeat this feat in the future, as such a model works best in the initial years of a company, and on a comparatively smaller base. But today, your Company has a reasonably large revenue base, wide-spread geographical footprint, specialized operations and significant scale in each of its main business verticals.

Therefore, to grow further in terms of revenues and profitability, we need to create a fresh, sharp and focused strategy for growth and unlock the real value of the Company. For this, we need to make a shift from diversification to specialization, wherein each vertical will get the strong focus it deserves as an independent business, complete with a dedicated team and all other resources - this perspective is well-acknowledged in the business and financial world as well. The Board looks forward to your support in making this happen, in the process enhancing the Company's growth and profitability as well as shareowners' wealth.

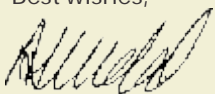
Now, let me also update you on two matters: One, in a recent development, the Company has launched its Fixed Deposit scheme, which has been warmly received by the investors, thanks largely to the high yield of up to 15.07% and strong reputation of the Company. Secondly, I take pleasure in informing that the Company has moved its corporate office to the newly constructed, grand-looking SRS Tower. The excitement of working from a top-class, modern corporate tower has brought in a new level of enthusiasm amongst the team on one hand, and has also left all our present and prospective business associates, customers and visitors impressed. In another development, the Company is also considering getting its equity shares listed at the MCX-SX to bring in greater liquidity for its public float of shares.

But in the midst of all this, the Company has done well to remember its duty as a responsible corporate citizen, and has tried to humbly do its bit for the betterment of the society. The Company participated by various means ranging from conducting mass weddings for girls from the economically weaker sections of the society to helping the poor with medical treatment to sponsoring education for under-privileged children to the welfare of the senior citizens of the society.

What the Company has achieved in the last year is quite commendable, and for this, I owe my gratitude to you for extending your complete support and fine wisdom to the Board. I also wish to place my sincere appreciation for all our business associates, vendors, customers, bankers, auditors and just about everyone who helped us bring where we are today. A special note of thanks goes out to the regulatory bodies and governmental departments who helped us with timely approvals and licenses so necessary to conduct our business smoothly in line with our plans. And lastly but not the least, I extend a warm word of thanks to the able management and team of the Company who worked passionately to create another victorious year for SRS Limited.

Once again, thank you and wish you all the very best. Together with you, I eagerly look forward to a fabulous FY 2013-14.

Best wishes,



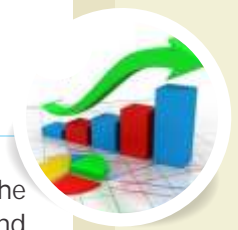
Dr Anil Jindal
Chairman



MDA

management
discussion &
analysis

The Indian Economy



The Indian Economy has been extremely promising over the last several years. It has been called the Asian Tiger, is a member of the elite BRIC groups of nations and is set to be one of the largest and fastest growing economies.

But promising is what it has all been, as the events of the last year or two have proven – the huge potential our economy remains elusive. The world's 10th largest economy by nominal GDP, the 19th largest exporter and the 10th largest importer does not seem to be leveraging its scale and potential to create a high single-digit growth that is so necessary to create millions of new jobs for its young population or pull out lakhs of people from the traps of poverty.

A lot of this rather dismal performance can be attributed to environmental factors, such as the EU crisis, Cyprus bail-out, US weakness and others. But it will be correct to admit that most of it is our doing, as a nation. For one, the current political instability is something that takes away the mind of the government from catalyzing growth and investments. The upcoming general elections of 2014 too make it difficult for the government to take tough decisions – decision that may hurt or be unfavourable in the short-term, but hugely benefit growth. Add to this the fact that inflation has become a resident evil of our economy – while WPI inflation hovers around 6-8%, the inflation on the street is definitely much higher. This of course, puts a braking effect on consumer spending, more so on discretionary spending. And overall, this works to increase friction on the highway to growth. Rising subsidies; increasing scams and instances of misgovernance are causing concern, and exerting a pull-back effect on growth.

Largely to a mix of such pressures, the Indian economy's growth rate in 2012-13 came tumbling down to just 5.2%, doing justice to neither her scale, nor potential or to her description of an Asian Tiger. This becomes all the more stark when you consider that in 2010-11, we grew by 9.2%. So effectively, in a span of just 2 short years, the country's GDP growth has screeched to just one-third of its growth rate. Incidentally, this 5% growth is the lowest in a decade, and includes just 1.9% growth in manufacturing as well as agriculture and agri-activities. The service sector including finance, insurance, real estate etc. decelerated to 8.6% from 11.7% last fiscal. This effect is broad-based across all sectors of the economy.

A stubbornly high inflation rate that hovers between 6-8% in recent times is creating havoc, more so considering that the real, grass-root level inflation levels may be higher than a notch or two. Consumer confidence is hitting lower levels each day, and naturally, consumer demand is following suit by getting weaker. This has the likeliness of a downward spiral cycle, and hence calls for some real and effective measures to be taken.

The government has been talking about taking charge and coming up with reform measures, but it is to be seen when this talk translates into actual action. There is an urgent need to boost growth, and at the same time, conflicting pressures are at work. For instance, to lower the fiscal deficit the government is trying to cut down on the governmental spending on welfare, defense and road projects and that has a diminishing effect of growth. But this must be managed, just as the structural bottlenecks need to be taken care of. Several important infrastructural projects worth crores of rupees have been held back for years because of delays in getting regulatory clearances. This clearly is a moment to prove leadership. The situation is tough and the times are trying, but surely, not everything is lost. The government has everything it needs to make India shine once again, if it really sets its mind to it.

Gold & Jewellery

The USD 40 billion Gold & jewellery industry has reasons to be happy always. Few things mesmerise Indians like Gold does - it has held everyone hypnotized since the time immemorial. It is deeply entrenched in our culture



and is a part of the Indian way of life. Be it the depiction of the richly adorned Gods and mythological figures or a wedding or the coming of a child or just about any other milestone in life, the commonality is the prominent role of gold jewellery. India was frequently known as a 'Sone ki Chidiya', and that is as much true literally as it was figuratively.

Our passion with Gold knows no bounds, and is the cherished metal loved by housewives and bankers alike. So it's a small wonder that we are the world's largest consumers of gold with a share of 30% in global consumption, consuming about 1000 tonnes in 2011. And not to miss the fact that gold imports alone account for 80% of the current account deficit of our country.

Recent developments

However, along with such strong factors favouring growth, there have to be some challenges as well. Over the last decade or so, Gold has appreciated significantly, and its impact was most significantly felt in the last two years or so wherein it appreciated at a CAGR of almost 20%. This saw it outperforming just about every other asset class. The key factors that triggered the sharp increase in prices included higher demand, strengthening rupee and an effective and dependable anti-inflationary holding in the facing of a sluggish global economy and weak Europe.

In turn, higher gold prices led to subdued demand, though the wedding and festive season did prop up the sales. One impact was that though the volume of jewellery bought came down, its value did shoot up. Also, the higher prices led to a regeneration of demand for light-weight yet elaborate looking sets, and also gave a fillip to diamond jewellery. Not surprisingly, gold demand fell to 864 tonnes in 2012, the second consecutive year of decline. The fall in demand for jewellery can also be attributed to an increased demand for bars and medallions, primarily as a hedge against inflation and economic uncertainty.

Post November 2012, Gold prices started moderating and this was reflected in the hunger for the yellow metal – the demand rose by 27% to 256 tonnes during the January-March period. Though this may result into lower operating margins for retailers, consumers loved it and started to throng the outlets to lap up jewellery, thanks to the sudden and sharp correction in the prices.

Way ahead and opportunities

Gold is way too deeply ingrained in our social, mental and cultural fabric, and is destined to be insulated against odds in the foreseeable future. The recent fall in the prices has resulted in the unleashing of a strong wave of demand, and with an improving economy, it is likely to be sustained strongly.

Organised retail seems particularly interesting as its share has risen from a low of 5% to a promising 18% in recent times. This is a result of the transparency of operations that this segment offers, along with superior service and wider array of designs. The trend is likely to strengthen in the coming times as well. Another wave of opportunity lies in tapping the semi-urban and rural markets which account for 70% of the total consumption. Making way into selective rich belts should be therefore rewarding for the various players.

The jewellery export market presents another rewarding opportunity on account of the higher margins it offers. With India's expertise in the jewellery designing craft and availability of reasonably priced labour, efforts on this front promise to be well-rewarding.

Diamond jewellery has traditionally lagged behind, but with their prices becoming more affordable and the gap between gold and diamond prices narrowing, this segment is looking up very well. The younger segment of the population is finding favour with it, and the heightened marketing attention given to this segment is only increasing the prospects.

As a result of all these efforts, the Indian gems & jewellery industry is expected to grow at a CAGR of about 16% between the five year period of FY11 and FY 17.

