

S-1184


sanguine
Media Ltd.

*Coming together is a beginning.
Keeping together is progress.
Working together is success.*

Report Junction

Annual Report 2006-2007



SANGUINE MEDIA LIMITED

BOARD OF DIRECTORS

<i>Managing Director</i>	D.V. Vinod
<i>Wholetime Director</i>	C.V. Ravi
<i>Directors</i>	P.S. Sundaram
	P.V.R. Murthy
	V.S. Sundararajan
	B. Aravind

<i>Company Secretary</i>	Hema Vijayakumar
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<i>Registered Office</i>	2nd Floor, Sri Ranga Apartments, 151, Mambalam High Road, T.Nagar, Chennai - 600 017.
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<i>Share Registrars</i>	Cameo Corporate Services Ltd Subramanian Building, No.1, Club House Road, Chennai - 600 002.
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<i>Auditors</i>	V.S. Reddy & Co. Chartered Accountants
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<i>Bankers</i>	Oriental Bank of Commerce T.Nagar, Chennai - 600 017.
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www.sanguinemediaimited.com



NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of SANGUINE MEDIA LIMITED will be held on Saturday, the 29th September, 2007 at 11.00 A.M., at Nahar hall, Deshbandhu Plaza, 47, Whites Road, Royapettah, Chennai-600 014 to transact the following business.

Ordinary business

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date and the Report of the Auditors' thereon.
2. To appoint a Director in the place of Shri.P.S. Sundaram, who retires by rotation, and being eligible offers himself for re-appointment.
3. To appoint M/s. Adisekhar Reddy & Company, Chartered Accountants as Statutory Auditors and to fix their remuneration as may be determined by the Board of Directors of the company.

By Order of the Board of Directors

Chennai
25th August 2007

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Ms. Hema Vijayakumar
Company Secretary

**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. (Proxy form is annexed herewith). The proxy form duly completed must be sent so as to reach the company, not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the company shall remain closed from Wednesday, the 26th September, 2007 to Saturday, 29th the September, 2007 (both days inclusive).
3. Members attending the meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same at the entrance of the meeting hall, duly signed.

Information about Appointment / Re-appointment of Directors.

Mr.P.S. Sundaram is a post graduate in Engineering from IIT Madras and has to his credit 26 years of experience in the Electronic Media (AIR & DD). He has served for 5 Years with the Public Sector Undertaking, Broadcast Engineering Consultants India Ltd (BECIL) has a founder Director and the first Chairman and Managing Director. With the Private Sector as Director and CEO of Intelivision Ltd, he conceptualised, evolved strategy, implemented and launched SPLASH, the satellite Television channel exclusively for schoolers. Currently, he is the Managing Director of Tehnomedia Solutions Pvt Ltd.



DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report together with the audited accounts for the year-ended 31st March, 2007.

FINANCIAL HIGHLIGHTS

	2006-07 Rs.in Lacs	2005-06 Rs.in Lacs
Profit/(Loss) before Depreciation & Tax	353.58	150.01
(Add) /Less : Depreciation	47.68	4.22
Preliminary Expenses Written off	—	1.50
Profit/(loss) before Tax	305.90	144.29
Provision for Taxation	46.00	34.50
Deferred Tax	79.78	0.48
Profit / (loss) after Tax	180.12	109.31
Earlier years' Profit brought forward	69.27	(40.04)
Balance carried forward to Balance sheet	249.39	69.27
Earnings Per Share	2.96	2.03

Operations and performance

During the year under review, your company recorded sales turnover of Rs.1591.31 Lacs. Your company's operations showed considerable improvement during the year under review and recorded a Profit Before Tax of Rs.305.90 Lacs against a profit of Rs.144.29 Lacs last year. Your company has made appropriate strategy to sustain and improve the turnover and profitability. Your Company has a healthy order book on hand for the year 2007-08.

During the year, the company has taken over business from M/s.Godavari Ads Pvt Ltd, a company engaged in Event Management, Van Operation Services for Rural Marketing and business promotion services. The company has also acquired M/s.Rohini Media, dealing in Media Promotion Activities. Both the acquisitions help the company to offer one-stop solutions to the clients.

Share capital

Your company has successfully made preferential allotment of Equity Shares during the year after convening an extra-ordinary general meeting on 7.10.2006.



The company during the year issued 12,00,000 equity shares of Rs.10/- each at a price of Rs.26.65 per share to various investors and also allotted 4,70,000 Equity shares of Rs.10/- each at a price of Rs.26.65 per share to M/s. Godavari Ads Pvt Ltd as part consideration for takeover of business.

The new ordinary shares, issued during the year shall rank pari passu with the existing Ordinary shares of your company.

Dividend

With a view to conserve the resources and to be profitably deployed in projects, the Directors are unable to recommend the dividend for the year. The Directors are confident that this step will enhance value in future.

Directors

In accordance with Section 255 of the Companies Act, 1956 and Article 85 of the Articles of Association of the Company Shri.Sundaram, Director, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Auditors

The Company's Statutory Auditors, M/s. V.S Reddy & Co, Chartered Accountants, Chennai, retire at this Annual General Meeting, and expressed their inability to continue as Statutory Auditors.

Therefore your directors proposed M/s. Adisekhar Reddy & Company, Chartered Accountants as statutory auditors of the company. Necessary resolution in this regard is included in the notice.

Audit committee

The company has an audit committee duly constitutes as per the provision of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Public deposit

The company has not accepted any deposit from the public during the year under review.

Listing

The shares of your company are presently listed in Madras Stock Exchange and Bombay Stock Exchange.

Corporate governance

Pursuant to clause 49 of the listing agreement with stock exchanges, a report on corporate governance is annexed hereto and forms part of this report. A certificate from M/s. V.S.Reddy & Co, Statutory Auditors, of the company regarding compliance of conditions of corporate governance stipulated by the stock exchanges is annexed to this report.



Management discussion and analysis report

In accordance with the listing agreement the Management Discussion and Analysis Report is annexed hereto and forms part of this report

Particulars of employees

None of the employees received remuneration during the year in excess of the limits specified under section 217(2A) of the Companies Act, 1956.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

Particulars required to be furnished in this report under Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable for the year under review and hence not furnished.

Relation with employees

Relationship with employees continued to remain cordial throughout the year under review. The company firmly believes in the commitment and loyalty of the employees to participate in the growth of the company. Your Directors place on record and acknowledge the commitment and dedication displayed by all the employee during the year.

Directors' responsibility statement

(Pursuant to Section 217 (2AA) of the Companies Act, 1956)

The Board of Directors of M/s. Sanguine Media Limited confirm that:

- In the preparation of the Profit & Loss Account for the financial year ended 31st March, 2007 and the Balance Sheet as at that date ("financial statements") applicable accounting standards have been followed:
- Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Financial statements have been prepared on a going concern basis.

Acknowledgement

Your Directors wish to place on record their gratitude to the Company's Bankers for their assistance and co-operation extended to the company. Your Directors' also appreciate the contributions made by the business associates and employees towards the good performance during the year.

Chennai
Date: 25.8.2007

FOR AND ON BEHALF OF THE BOARD

D.V. Vinod
Chairman of the Meeting



MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

OVERVIEW

Sanguine operates in three Major areas viz. TV Media, Print Media and Direct marketing through Events and Van operation in Rural areas thus providing total service for marketing and product promotion for corporates.

In TV media, the company acquires quality contents through contract production for telecast in leading channels in different time bands catering all the major segments of consumers and generates revenue through ad spends of major consumer goods manufacturers, FMCGs and service providers likes Banks, Mutual Funds and NBFCs.

In Print Media it operates in semi urban areas and towns syndicating localized advertisements for news papers from Superstores, Restaurants and big Corporates focusing on segment wise promotions.

The Direct Marketing activities are mainly in rural areas, where there is limited penetration of mass media like TVs and Publications, through Van operations and organising customized events.

Sanguine TV Media Division has:

Prime Time : 1 ½ Hours/day

Day Time (Female Oriented) : 1 Hour/day

Produced / Marketed : More than 1000 Episodes

Clients' serviced: Mindshare Fulcrum, Madison, HTA, Wipro, Cavincare, Results India, Lintas etc.,

Sanguine's Rural Division successfully carried out product promotion activities for GTL, TVS, Cavincare etc. Sanguine has introduced a vehicle "SAMRAT" – a unique designed van to penetrate into rural India through the shandy markets. This van can carry multiple non-competing brands into shandy market with a clear advantage to reach the consumers at the congregation point. Samrat is being used for sales promotion of the products of TVS and FMCG products. The company is planning to scale up its van strength to 100 in the near future.

Sanguine's Rohini Media, dealing in Media Promotion activities, has catered solutions to small and medium companies in and around Coimbatore viz., TVS, Kannan departmental stores etc.

INDUSTRY SCENARIO AND FUTURE

Over the few years there has been a substantial increase in the consumerism with ever increasing spending power as a result robust economic growth not only in Urban and semi urban areas but also in rural areas as well. Infact today the rural market is much bigger with many fold increase in the average income of rural household and changing aspirations and life style of rural consumers.

Opening up and resultant rapid growth in the economy has led to huge investment flow, both domestic and foreign, into consumer product industry like Automobile, Electronic durables, Mobile telephony, Personal care products and Cosmetics, Health care products, Laundry and washing products, Processed and ready to eat food products, Beverages and soft drinks, Confectionary products, and Service industries like Banking, NBFCs, Mutual Funds and Insurance. This has made the consumer The King today. He has become more demanding and discerning and awareness creation has become very important for industry to sell their products. The Ad spends are rapidly increasing and estimated to be around Rs.14800 crores currently and



expected to increase to Rs.25000 crores by 2010. Specialized marketing techniques Segmental and micro marketing are being adopted.

This throws immense Potential for your company to grow rapidly. Having firmly established itself as an integrated and most specialized solution provider your company is well poised to take advantage of the potential and achieve exponential growth in the coming years.

RISKS, THEATS AND RISK MANAGEMENT

Sanguine's major revenue is from TV ads. Ever increasing number of channels there is high competition among the channels for audience viewer ship and ad revenues. This has a direct implication to the company's revenue as the performance channel and the programs cannot be precisely predicted.

Sanguine has acquired adequate expertise and have has eminent panel of highly experienced media people to advise and select the appropriate contents to meet the ever changing viewers requirements. By also adopting to Band marketing than individual program marketing the dependence on the performance of a single program is gradually reduced.

Ability to acquire desired contents and artists talent may become increasingly expensive due to competition.

The company has established itself as a very reliable partner with contract producers and over the years have generated high good will. This in combination with well planned and scheduled production strategies will enable the company to keep the cost of the contents within the budgeted levels.

Rural marketing service is highly specialized area and calls for constant evolution of methodologies and the company must continue to invest and adapt to remain competitive.

Sanguine through constant research has acquired the necessary understanding of nuances of rural marketing and all the building blocks for in-depth knowledge of rural consumer behavior and hence in a position to provide the accurate and wide range of solutions for corporates to tap the ever growing rural market.

INTERNAL AUDIT CONTROL

Sanguine has a well defined organization structure, documented policy guidelines, predefined authority levels and a good system of internal control, optimal utilization and protection of resources, IT security, efficient reporting of financial transaction and compliance with applicable laws and regulations.

HUMAN RESOUCE MANAGEMENT

Sanguine has always stood by its commitment harnessing and developing its people resources in the best possible manner for achievement of its business goals and objectives. All through the year the level of people engaged has been of the highest order, which has impacted the process business growth and upgradation of various systems in a significant way.

CAUTIONARY STATMENT

Statements in this management discussion and analysis describing the company's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied depending upon economic conditions, Government policies and other incidental / related factors.



Report on Corporate Governance

Philosophy

The organization for Economic Co-operation and Development (OECD) countries took early initiative to address Corporate Governance issues, OECD has defined Corporate Governance to access a system by which business corporate are directed and controlled towards achieving the following:

- ❖ Ensuring the basis for effective Corporate Governance frame work.
- ❖ The right of the shareholders and key ownership function.
- ❖ The role of shareholder in Corporate Governance
- ❖ Disclosure and transparency.
- ❖ Defining the responsibility of the Board.

In India Corporate Governance evolved in the 90's with the recommendation of the Cadbury Committee Report after which followed various committees leading to a formal Corporate Governance Code. This Code was notified by the Securities Exchange Board of India (SEBI) by inserting new clause 49 in the Listing Guide lines to the Stock Exchanges making it mandatory for the listed companies to follow the requirements of clause 49.

Sanguine Media Limited has taken necessary steps to comply with the requirement of clause 49 of the listing agreement.

Company philosophy on corporate governance

Sanguine Media Limited lays emphasis on conducting its affairs within the framework policies, internal and external regulations in a transparent manner. Being a listed company its activities are subject to review by several external authorities. The company philosophy on Corporate Governance envisages the attainment of high levels of transparency, accountability, fairness, equity in all facets of business practices, procedures and reporting system. The Company focuses upon rich legacy of fair ethical and transparent governance practices. The Company's goal is to find creative and productive ways of delighting its stakeholders.

Board of directors

The Board of Directors of the Company consists of Executive Directors and Non Executive Directors. More than half of the Board consists of Non Executive Independent Directors. The Non Executive Directors are independent professionals drawn from amongst persons with experience in business/law/finance/technology and commerce. At present the total strength of the Board is six. Four are Non Executive Independent Directors. The Chairman of the Board is a Non Executive Director and the requirement of minimum of one third Independent Directors are duly complied with. The Non Executive Directors of the company have already submitted their declaration affirming their status as Independent Director as on 31st March 2007.

Board meetings

The Board of Directors met eight times during the year ended 31-3-2007. The dates of the Board meeting were 19th May 2006, 29th June 2006, 26th July 2006, 12th September 2006, 20th October 2006, 27th October, 2006, 24th November, 2006 and 24th Jan 2007.