

Sowbhagya Media Limited

Seventeenth Annual Report

2011 - 12



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Board of Directors
Sri K.Ramakrishna Prasad
Managing Director

Sri E.V.Raja Reddy
Director

Sri V.Kishore
Director

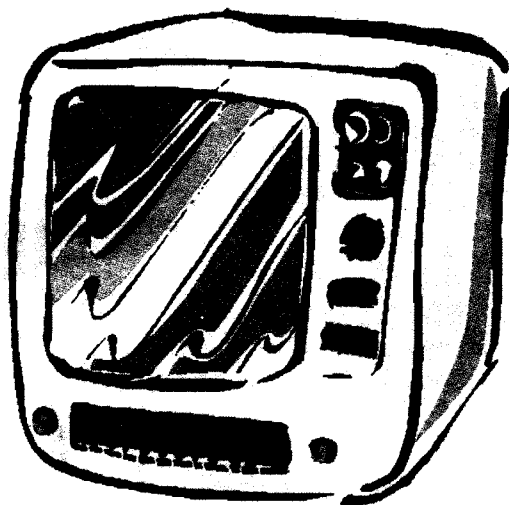
Sri M.Madhusudhana Rao
Director

REGISTERED OFFICE

Plot No. 512,
Road No. 31,
Jubilee Hills,
Hyderabad-500 033

REGISTRARS

XL Softech Systems Limited
Plot No.3, Sagar Society,
Road No.2, Banjara Hills,
Hyderabad



BANKERS

Vijaya Bank, Hyderabad
Bank of India, Hyderabad

AUDITORS

M/s. GANESHVENKAT & Co,
CHARTERED ACCOUNTANTS
402, Ram Kishan Residency,
6-3-6009/150, Anand Nagar Colony,
Khairathabad.
Hyderabad- 500004.

LISTING

The Bombay Stock Exchange Ltd
The Madras Stock Exchange Ltd





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www.sowbhagya.in



NOTICE OF ANNUAL GENERAL MEETING
Plot No. 512, Road No. 31, Jubilee Hills, Hyderabad – 500 033

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Sowbhagya Media Limited will be held on **26th September, 2012**, Wednesday at **"S Square", Plot No. 854, Road No 44A, Jubilee Hills, Hyderabad – 500 033** at 11:00 AM, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2012, and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of **M.Madhusudhan Rao**, who retires by rotation and, being eligible, seeks re-appointment.
3. To appoint **M/s. Ganesh Venkat & Co., Chartered Accountants**, Hyderabad to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration

SPECIAL BUSINESS

4. Employees Stock Ownership Plan and Granting of Options thereunder to 'Employees' of the Company, its Subsidiaries, Parent, Holding and Associate Companies

To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the "SEBI Guidelines") or any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, the Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) as may be necessary and subject to such condition(s) and modification(s) as may be prescribed or imposed while granting such approval(s), permission(s) and sanction(s), the approval and consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall include any 'Compensation Committee' or 'Employee Stock Option Committee' of the Board), to introduce and implement an 'Employee Stock Option Scheme - 2012' ('ESOP 2012' or 'the Scheme'), and to grant, offer, issue and allot in one or more tranches at any time to or to the benefit of such each permanent employees of the Company and each Directors of the Company, whether Whole-time Directors or otherwise, as may be decided by the Board, Options under ESOP-2012 exercisable or convertible into equity shares (hereinafter referred to as 'the securities') of the Company not exceeding in the aggregate **1%** of the issued, subscribed and paid-up capital of the Company as on March 31, 2012 i.e. up to 1,00,000 equity shares of Re. 10/- each of the Company (or such other adjusted number of shares for any bonus, consolidation or other re-organisation of the capital structure of the Company as may be applicable from time to time), on such terms and conditions as may be fixed or determined by the Board in accordance with the SEBI Guidelines or any other applicable provisions as may be prevailing at that time"

"RESOLVED FURTHER THAT,

- a) The Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the scheme on such terms and conditions as contained in the Explanatory Statement to this Notice and to make any modification(s), change(s), variation(s), alteration(s), or revision(s) in the terms and conditions of the Scheme from time to time including but not limited to amendments with respect to vesting period/schedule, exercise price/period, eligibility criteria or to suspend, withdraw, terminate or revise the Scheme;
- b) Each of the Non-Executive Directors of the Company including Independent Directors, be granted up to a maximum of 50,000 Options per annum and up to a maximum of 1,00,000 Options in the aggregate under the scheme;
- c) the securities may be allotted in accordance with the scheme either directly or through a trust which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust to enable to acquire, purchase or subscribe to the securities of the Company;
- d) any new equity shares to be issued and allotted upon exercise of options from time to time under ESOP-2012



shall rank pari passu inter se in all respects with the then existing Equity Shares of the Company;

e) the Board be and is hereby authorised to take requisite steps for listing of the securities allotted under ESOP-2012 on the Stock Exchanges where the securities of the Company are listed; and

f) for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

(ii) Special Resolution for extending the benefits to employees of subsidiary/parent/holding /associate Companies:

"RESOLVED THAT the benefits of Employees Stock Option Scheme 2012 proposed under Resolution No.5 (i) contained in this Notice be extended to the eligible employees of the subsidiary/holding Companies and, if permitted by law, to the eligible employees of associate Companies of the Company on such terms and conditions as may be decided by the Board."

Approval under section 81(1A) for Issue of shares to GGL ESOP Trust

(iii) Approval for Issue of shares to SML ESOP Trust

To consider, and if thought fit, to pass, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 81(1A) and other applicable provisions, if

any, of the Companies Act, 1956 ('the Act') (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of the Memorandum and Articles of Association of the Company, and subject to such regulations and other approvals as maybe required and the terms and conditions of such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution) to create, issue and allot, at its sole discretion, upto **1,00,00,000 equity shares (One Crore)** of Rs. 10 each of the Company, for cash at par, to **the Sowbhagya Media Limited Employees Stock Option Scheme Trust** ['SML ESOP Trust'] constituted for the benefit of the employees of the Company and / or its subsidiaries, to be utilized against exercise of Stock Options granted/to be granted under the Sowbhagya Media Limited - Employee Stock Ownership Plan [the 'ESOP Scheme'], as modified from time to time, or such other schemes as may be formulated from time to time for granting Stock Options to the employees of the Company and / or its subsidiaries AND THAT the Special Resolution passed at the Annual General Meeting of the Company held on 26th September, 2012 in this regard be and is hereby confirmed and reaffirmed;

"RESOLVED FURTHER THAT for the purpose of creating, issuing and allotting the shares of the Company as aforesaid, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit, necessary or desirable for such purpose, with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard";

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the aforesaid shares on the Bombay Stock Exchange Limited (BSE), Madras Stock Exchange of India Limited (MSE) as per the provisions of the Listing Agreements executed with the concerned Stock Exchanges and other guidelines, rules and regulations as may be applicable."

5. Loans/ Investments/ Corporate Guarantees

To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors of the Company to make loan(s) and/or give any guarantee(s)/provide any security(ies) in connection with loan(s) made to and/or acquire by way of subscription, purchase or otherwise the securities of any body corporate up to a limit not exceeding **Rs.10,00,00,000/-** (Rupees Ten Crores Only) notwithstanding that the aggregate of the loans, guarantees or securities so far given or to be given to and/or



securities so far acquired or to be acquired in all bodies corporate may exceed the limits prescribed under the said section."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Principal Officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

6. Borrowings by the Company

To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the Provisions of Section 293(1)(d) of the Companies Act, 1956 and other enabling provisions, if any, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing any sum or sums of moneys for and on behalf of the Company, from time to time from any of one or more persons, firms, Bodies Corporate, bankers, financial institutions, or from others by way of advance, deposit, loans, or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties, whether movable or immovable or stock in trade process and debts, advances notwithstanding that the sum or sums of moneys so borrowed together with moneys if any already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the Ordinary course of business) will or may exceed the aggregate of the Paid up Capital of the Company and its Free Reserves which have not been set apart for any specific purpose, provided that the total amount upto which the moneys may be borrowed shall not exceed **Rs. 50,00,00,000/-** (Rupees Fifty Crores Only) any point of time on account of Principal"

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as it may consider necessary or expedient to give effect to this resolution"

7. Reappointment of Managing Director for a Period of 5 Years.

To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the Provisions of Section 269 and Section 317 read with Schedule XIII and all other applicable provisions if any, of the Companies Act, 1956 or any statutory modification or reenactment thereof, and in compliance with Articles of Association of the Company and subject to the approval of the Central Government, required if any, subject to the approval of Company be and hereby accorded to the re-appointment of Shri K. Ramakrishna Prasad, Managing Director of the Company for a period of Five Years with effect from 18th June, 2012 upon the terms and conditions as per agreement entered by the Company as on "

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, and things as it may consider necessary or expedient to give effect to this resolution."



EXPLANATORY NOTES

Item No. 4: ESOP Scheme.

Internationally, Stock Options have long been recognized as an effective instrument, to align the interests of the employees with those of the Company and its shareholders, providing an opportunity to employees to share the growth of the Company and to create longterm wealth in the hands of the employees. Employee rewards through the mechanism of Stock Options has been well tested over a period of time globally. The main objective of Stock Option schemes is to give well-performing employees an opportunity to gain from the Company's performance thereby acting as a retention tool and to attract best talent available in the market.

Your Board, therefore, proposes to evolve an Employee Stock Option Scheme - 2012 ('ESOP-2012' or the 'Scheme') for the benefit of the permanent employees including Executive/Non-Executive Directors of the Company and such other persons in accordance with the provisions of prevailing regulations. To promote the culture of employee ownership, approval of the shareholders is being sought for issue of stock options to the employees of the Company.

The following are the salient features of the Scheme, and various disclosures as required by Clause 6 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the "SEBI Guidelines"):

1. Total number of options to be granted:

A number of options to be granted under the Scheme shall not exceed 1% of the issued, subscribed and paid-up equity shares of the Company as on March 31, 2012, i.e. up to 1,00,00,000 Equity Shares 1,00,000 Equity Shares of Re.10/- each of the Company for each employee. In the event of any corporate action(s) viz. bonus, consolidation or other reorganisation of the capital structure of the Company, number of options/shares to be issued shall undergo fair, reasonable and appropriate adjustments pursuant to the SEBI Guidelines. Each option when exercised would be converted into one Equity Share of Re.10/- each fully paid-up.

Any vested option(s) that lapse due to non-exercise or unvested option(s) that get cancelled due to resignation of the employees or otherwise, would be available for being regranted at a future date.

2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of the Company, including the Directors, whether Whole-time Directors or otherwise, but excluding the promoters of the Company, as may be decided by the Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme(s).

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any other person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee/stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting, period of vesting and maximum period of vesting:

The Options granted shall vest, not earlier than one year and not later than five years from the date of grant of options, so long as the employee continues to be in the employment of the Company, as the case may be. Vesting shall happen in one or more tranches, subject to such terms and conditions of vesting as may be decided by the Board including but not limited to certain performance metrics (on the achievement of which the granted options would vest) and the proportion in which options granted would vest.

5. Exercise Price or Pricing Formula:

The Options would be granted at an exercise price equal to the par value.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on or before completion of four years from the date of vesting of options. The options will lapse if not exercised within the specified exercise period or such other period as may be decided by the Board.

The options will be exercisable by the Employees by a written application to the designated officer of the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time.



7. Appraisal Process for determining the eligibility of the employees to ESOP:

The Company has a formal performance appraisal system established in line with emerging standards, wherein the performance of employees is assessed each year on the basis of various functional and managerial parameters. Stock Options would be granted based on performance linked parameters, value creation, leadership, role/designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Board at its sole discretion. The Board may at its sole discretion extend the benefits to a new entrant on such basis as it may deem fit.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme will depend upon the rank/ designation of the employee and shall be less than 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

9. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

10. Method of option valuation:

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognised if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as per Clause 6(1) of the SEBI Guidelines.

As per Clause 6(3) of the SEBI Guidelines, a separate special resolution is required to be passed if the benefits of the Scheme are to be extended to employees of subsidiary or holding company or associate company.

The Company will extend the benefits of ESOP 2012 to the eligible employees of associate companies, if permitted by law.

The Board recommends the resolution for your approval.

Interest of the Directors: None of the Directors of the Company, are in any way, concerned or interested in the resolution, except to the extent of any securities that may be offered to them under the Scheme.

Item No. 5: Inter Corporate Investment.

The Company is proposing to make substantial investments in the areas of business of the Company. As a measure of achieving greater financial flexibility and to enable optimal financial structuring to facilitate speedy implementation of various projects, it is proposed that the Board of Directors be authorized to invest upto **Rs.10,00,00,000/- (Rupees Ten Crores Only)** in any body corporate by way of subscription and /or purchase of equity/equity related securities and/or debentures, grant of loan, guarantee and/or providing of security from time to time.

As per Section 372A of the Companies Act, 1956, a Company cannot make investment, give loan or guarantee or provide any security in excess of the limits set out therein unless it is previously authorized by a special resolution. Hence, it is necessary to obtain approval for the same from the Members by passing a resolution. The funds required for the investment will be sourced through internal accruals, equity proceeds and/or borrowings.

Interest of the Directors: None of the Directors are interested or concerned in the proposed resolution

Item No. 6 :Enhancement of Borrowing Powers of the Directors.

As per the Provisions of Section 293 (1)(d) of the Companies Act, 1956, the Board of Directors of a Public Limited Company can not borrow money (apart from the Temporary Loans obtained from the Company's Bankers for Day to Day Operations in Normal Course of Business) in excess of the Company's Paid Up Capital and Free Reserves without the Consent of the Shareholders in the General Meeting.



The Resolution set out in Item No. 11 of the Notice is put forth for consideration of the Members as Special Resolution pursuant to Section 293 (1)(d) of the Companies Act, 1956 authorizing the Board to Borrow upto the Sum of **Rs. 50,00,00,000/- (Rupees Fifty Crores Only)**

Your Directors' recommend the above Resolution for your approval.

Interest of the Directors: None of the Directors are interested or concerned in the proposed resolution

Item No. 7: Re appointment of Managing Director for a period of 5 Years.

The Managing Director cannot be appointed for a duration of more than 5 Years. Shri K Ramakrishna Prasad has been appointed as Managing Director of M/s Sowbhagya Media Limited on 18th June, 2007. His duration ends on 18th June, 2012. It is required to reappoint him as Managing Director for the Post of "Managing Director".

Shri K Rama Krishna Prasad is associated with the Company since inception and has been instrumental in formulation of the Long Term Vision and Strategy of the Company as a Managing Director in the Company. Aged 66 Years is a Master's Degree from Andhra University with more than three decades experience in media and publishing industry. He has successfully led a number of publications from their inception to commercial success. He brings in rich experience of handling the intricacies of media and publishing businesses. He has handled both the advertising agencies and well as publications and has good understanding of both the sides of the advertisement operations. He was on the Editorial Board of Yugavani in the 1970s

The Board recommends the proposed resolution for approval of the Shareholders.

The proposed Resolution is required to passed as a Special Resolution as required under Schedule XIII of the Companies Act, 1956.

Interest of the Directors: No other Director, other than Shri K. Ramakrishna Prasad, are interested or concerned in the proposed resolution

