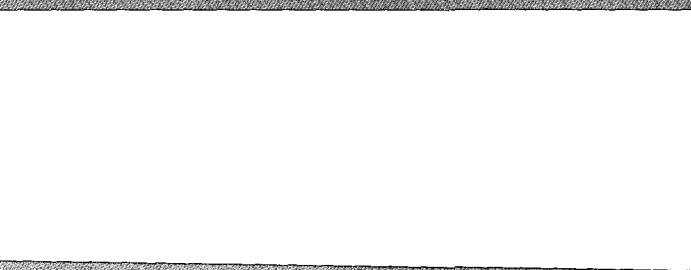
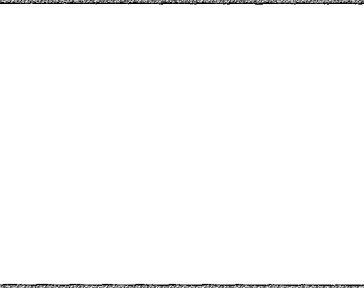
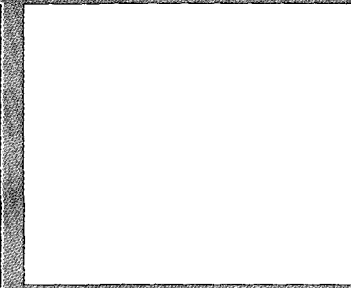


# Annual Report

2012-13.



Sowbhagya Media Limited



## Board of Directors

**Sri K.Ramakrishna Prasad**  
Managing Director

**Sri E.V.Raja Reddy**  
Director (Resigned w.e. from  
Feb 13, 2013)

**Sri V.Kishore**  
Director

**Sri M.Madhusudhana Rao**  
Director

## Corporate Profile Registered Office

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

## AUDITORS

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

## REGISTRARS

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

## Listed at

**BSE**

(Scrip Id: Sowbhagya &  
Scrip Code: 532025)

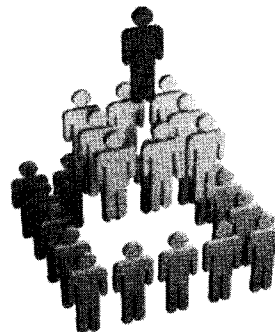
**MSE**

## BANKERS

**Vijaya Bank, Hyderabad**  
Bank of India, Hyderabad

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# Sowbhagya Media Limited



## Notice Of Annual General Meeting

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

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of Sowbhagya Media Limited will be held on **30<sup>th</sup> September, 2013**, Monday 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 at on 31st March, 2013, and the statement of 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 Vadde Kishore, 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

### **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING OF THE COMPANY SHALL BE ENTITLED TO APPOINT ANY PERSON WHETHER A MEMBER OR NOT AS HIS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. Instruments appointing proxies, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than forty-eight hours before the commencement of the meeting.
2. Members / proxies should bring duly filled Attendance Slips sent herewith for attending the meeting.
3. All the documents referred to in the accompanying notice, annual report and the Register of Directors' Shareholding are open for inspection by the members at the Registered Office of the Company on all working days between 11:30 a.m. to 3:30 p.m.
4. The Register of Members and Share Transfer Books will remain closed from **September 25, 2013 to September 26, 2013 (both days inclusive)**
5. Pursuant to provisions of Section 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all the unclaimed/unpaid dividend amount remaining unclaimed / unpaid for a period of seven years from the date of its lying in the unpaid dividend account has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Members are requested to contact the Company's Registrar and Transfer Agents, for payment in respect of unclaimed / unpaid dividends declared by the Company after August 2004. Members may please note that no claim shall lie either against the Fund or the Company in respect of dividend which remain unclaimed /unpaid for a period of seven years from the date it is lying in the unpaid dividend account and no payment shall be made in respect of such claims.
6. Members are requested to address all correspondences, to the Registrar and Share Transfer Agents XL Softech, Road No. 2, Banjara Hills, Hyderabad, 500 034.
7. Pursuant to the requirements of the Listing Agreements of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be re-appointed is given in the Annexure to the Notice.
8. Across the world, there is an increasing focus on doing our share to help save our environment from further degradation. Recognizing this trend, the Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011, respectively, taken a 'Green Initiative in Corporate Governance', by allowing paperless compliances through electronic mode. In view of the Company's strong focus on the environment and eco-sustainability, Sowbhagya Media Limited proposes to send all documents / communications to its shareholders through email. We request you to kindly update your email id with your respective Depository Participant and make this effort of your Company a grand success.

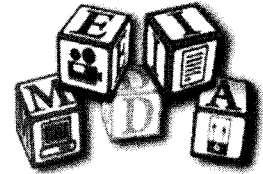
By order of the Board of Directors  
Sd/-  
K. Ramakrishna Prasad,  
Managing Director

Registered Office:  
Sowbhagya Media Limited  
Plot No. 512, Road No. 31  
Jubilee Hills, Hyderabad – 500 033.



## Management discussion and analysis

- Industry Structure, development and Outlook
- Risk Management
- Opportunities and threats
- Operational Overview
- Financial Review



### A. Industry Structure, development and Outlook

The Indian media and entertainment (M&E) industry has massive reach. The industry is largely driven by increased digitization, growth of regional media, robust film industry and emergence of new media for content delivery. The Indian M&E industry is projected to grow 11.8 per cent to clock revenues worth Rs 91, 700 crore (US\$ 16 billion) in 2013, according to an industry report. While conventional media such as television (TV), print and radio continue to be dominant segments, animation, visual effects, films and music are also posting strong progress owing to content and the benefits of digitization.

Moreover, the Government's drive towards digitalization and addressability for cable television by 2014 is expected to provide a boost to direct-to-home (DTH) and digital cable growth.

In a nutshell, alignment of entertainment, information and telecommunication is increasingly affecting India's overall M&E industry. Launch of more advanced media devices over the last decade has facilitated access of the same content on a variety of media platforms. This is helping in emergence of new business models and revenue streams, not only for content providers, but for a variety of new players becoming a part of the new media ecosystem. With all these factors well-in-place, the M&E sector certainly is marching towards new horizons of growth.

### Market Dynamics

- The Indian M&E industry grew from Rs 728 billion (US\$ 13.6 billion) in 2011 to Rs 820 billion (US\$ 14.18 billion) in 2012; marking a growth of 12.6 per cent.
- Total advertising expenditure (AdEx) across media stood at Rs 327.4 billion (US\$ 5.66 billion) in 2012 while advertising revenues increased by 9 per cent.
- Print continued to be the largest beneficiary, accounting for 46 per cent of the advertising pie at Rs 150 billion (US\$ 2.59 billion).
- Furthermore, television continued to be a dominant segment in the M&E industry while new media sectors (like animation/VFX) and Films and Music segments recorded strong growth.
- Radio is expected to witness great emancipation, post the roll-out of Phase 3 licensing, at a compounded annual growth rate (CAGR) of 16.6 per cent over 2012-17.

(Source: <http://www.ibef.org/industry/media-entertainment-india.aspx>)

*Indian television industry is ripe enough to accept niche channels that could cater to a specific audience, with specific tastes and choice. The intense pace of digitisation of distribution systems has removed the artificial limit on the*

*number of channels that could be carried on our old analogue networks. This, in-turn, allows broadcasters to target specific audience with niche channels that would otherwise have been inefficient to distribute.*

A report prepared by KPMG with an industry body says that Advertisers will only benefit from the trend (of niche channels) "as infotainment channels focussed on sub-genres would help them reach a targeted audience. Some of the developments in the same are enumerated below:

*Sowbhagya Media Limited* (hereinafter referred to as 'Sowbhagya' or 'the Company'), a well known, leading company in Telugu Media and Entertainment Industry is a brand in itself. At Sowbhagya we hold our head high for telecasting and producing top-class Daily Mega Serials. Until date, there was never a question about the quality of our Production. With the help of deep industry and functional expertise, heart gripping story contents and a realistic story, we reach the Heart of Audience.

Inspite of the Current Market Scenarios or the troubled times, we still tend to meet the expectations set by our Audience. Our creative capabilities had set industry benchmarks in the past, and we are committed to build on our previous achievements.

The pride of being part of Sowbhagya comes from the fact that we maintain consistency in our Creative Endeavors. We value time of our Audience and work hard to do justice to their entertainment. We also ensure our programmes do not have any biased opinion. We concentrate on satisfying the audience natural reasoning ability by bending reality with fiction.

Life @ Media Industry is never Easy. There is increased competition, constantly changing economic scenarios, versatile audience, reduced lives of show. Media Industry should cater to the interests of varied age groups and geographies simultaneously. The programme content should be original, creative and yet should not leave the realms of reality. Such a scenario has warranted a thorough scrutinizing of priorities and business strategies.

With a robust commitment for value, there's so much more we're still hungry to achieve.

*We chase value by accelerating our Serial Production...*

*We build value by strengthening the Creative Genius...*

*We create value by maintaining a perfect team to deliver...*

*We preserve value through a compelling performance...*

*We enhance value by widening the global platform for Telugu cinema.*

Collaborating with different ideas, we have ambitious plans to tap and be the Leader in the regional markets across India. To capitalize on the immense potential of Indian movie space, we are now more focused towards production and distribution of films.

Our creative instinct is well-known. However, our other important strength, built over the years is the infrastructure we have invested in, and our abilities to handle multiple projects simultaneously, leading to a diverse repertoire of offerings. We will continue to focus on this important aspect of our corporate credo – not applying all our ideas in one property and instead, focusing on multiple projects at the same time.

At Sowbhagya, sustainability is a derivative of consistent and efficient operations to stay afloat in a persistently inflationary environment. We have further improved operational efficiencies in terms of shifts taken per episode, rationalizing space / resource utilization and disciplined shooting schedules.

We are also focusing on creating a dynamic team of committed individuals, who can help us scale new heights and set high standards of individual and collective excellence.

Amidst the dynamic change witnessed by our industry, the one thing that will never change is consistent viewership demand for unique entertainment and the viewers readiness to pay a premium for the same. This reality will drive our strategies to emerge as a prominent national brand, generating shareholder value.

We are powered by a pool of talented Artists and consulting professionals across Acting, Dubbing, client relationship management, business intelligence, business process quality, operations management, digital convergence, and infrastructure management services, among other capabilities. Our Dubbing Suites and Re-Recording centers in Jubilee Hills, Hyderabad serve both the Serials.

Creativity is something that is indefinite, versatile and volatile. It is a balloon that can reach the sky or burst in the path. It is a Boon and Bane

As quoted by Cecil B. DeMille, "Creativity is a drug I cannot live without"

As an Organization, we are proud to say that we have Creativity in our DNA. We have a track record of consistent innovation and introducing many firsts in the Indian entertainment space, primarily television channels. We entered into the Business of Gameshows and have started a new Game Show by name Comedy Club. Our easy-to-understand (yet engaging) content has turned our serial and game-show protagonists into familiar faces across rural and urban households.

We have introduced numerous new faces in the industry, breaking the talent- monotony in our serials. However, what is it that we want to do next?

#### ***Forward Looking Statements:***

The E&M industry as a whole will continue to be dominated by TV, print and films by 2014. This is not very different from the present structure.

We at Sowbhgya are planning to go deep and wider into the Industry. We want to be household name for entertainment and a trendsetter in the Industry with our forward thinking and capabilities. We plan to conquer the market of Regional Telugu Industry and make our footprints in Indian Media Industry.

#### ***B. Risk Management***

Our audit committee ensures statutory and regulatory control and transparency of all financial disclosures. Our internal audit team monitors and enhances operational efficiencies and ensures optimum effectiveness of the Company.

Piracy of content produced can adversely affect our revenues and profitability. The film industry has set up the Anti-Piracy Society to combat this peril. Delays or cost over-runs can impact the completion and release of our films. Further, the unorganised nature of this industry can impact revenues.

However, an inclination towards corporatisation of our industry, better planning and execution can help us mitigate these risks.

#### SWOT ANALYSIS:

<p><b>S</b></p> <p>Media And Entertainment is one of the most booming sectors in India due to its vast customer reach. The various segments of the Media And Entertainment industry like television and film industry have a large customer base.</p> <p>The growing middle class with higher disposable income has become the strength of the Media And Entertainment industry.</p> <p>Change in the lifestyle and spending patterns.</p> <p><b>Strengths</b></p> <p>Technological innovations like online distribution channels, web-stores, multi- and mega-stores are complementing the ongoing revolution and the growth of the sector.</p> <p>Low cost of production and high revenues.</p>	<p><b>W</b></p> <p>The Media And Entertainment sector in India is still a fragmented market. Lack of uniform standards is not a boon but a curse.</p> <p>The lack of efforts for media penetration in lower socio-economic classes, where the media penetration is low.</p> <p><b>Weaknesses</b></p>
<p><b>O</b></p> <p>Technological innovations like online distribution channels, web-stores, multi- and mega-stores are complementing the ongoing revolution and the growth of the sector.</p> <p>Low cost of production and high revenues.</p> <p><b>Opportunities</b></p>	<p><b>T</b></p> <p>demographic changes and changing demands.</p> <p><b>Threats</b></p>

### Compliance Report on Corporate Governance

As the company is a part of Group B of Bombay Stock Exchange, in the terms of Clause 49 of the Listing Agreement of the Stock Exchanges, the Compliance Report on Corporate Governance along with the Certificate of Statutory Auditors is given as under

A strong governance process is integral to business success. For an important reason: a broad based governance initiative harmonizes the interest of all shareholders.

At Sowbhagya, a commitment to a mature governance process is leading to stronger business prospects, a growth of business partners, enhanced employee and investor wealth as well an increased societal development at large.

THE COMPANY'S GOVERNANCE PHILOSOPHY



The Company's Philosophy on Code of Governance as adopted by the Board is as under

Ensure that the Quantity, Quality and Frequency of Financial and Managerial information, which management shares with the Board, fully places the Board members in control of the Company's affairs

Ensure that the Board exercises its fiduciary responsibilities towards Shareowners and Creditors, thereby ensuring high accountability

Ensure that the extent to which the information is disclosed to present and potential investors is maximized

Ensure that the decision making is transparent and documentary evidence is traceable through the minutes of the meetings of the Board/Committee thereof.

Ensure that the Corporate Governance Task Force itself, the Board, the Employees and all concerned are fully committed to maximizing long-term value to the Shareowners and the Company;

Ensure that the core values of the Company are protected;

Ensure that the Company positions itself from time to time to be at par with any other Company of world class in operating practices.

#### **I. BOARD OF DIRECTORS**

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

##### **Composition:**

The company's board is a balanced Board comprising of Independent Executive and Non Executive Directors. The following is the composition of the Board as on 31st March, 2013:

Category	No. of Directors	Percentage to Total no. of Directors
Executive/Promoter Directors	1	331/3%
Non-Executive/Independent Directors	2	672/3%

##### **Meetings and Attendance**

Particulars.	Category	No. of Other Directorships	No. of Meetings attended.
Executive Directors			
K.Ramakrishna Prasad	Executive Promoter Director	2	All
Independent Directors			
E.V.Raja Reddy*	Non Executive Director	1	All
M. Madhusudhana Rao	Non Executive Director	-	All
Vadde Kishore	Non Executive Director	-	All

\*Shri E.V. Raja Reddy resigned from the Board of Directors on 13<sup>th</sup> February, 2013.



### ***Board Agenda***

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are generally circulated seven working days prior to the Board meeting.

### ***Information placed before the Board***

Apart from the items that are required to be placed before the Board for its approval, both under the statutes and the Governance Policy, the following are also tabled for the Board's periodic review / information:

- Quarterly performance against plan, including business-wise financials in respect of revenue, profits, cash flow, balance sheet, investments and capex.
- Half-Yearly summary of all long-term borrowings made, bank guarantees issued and investments made.
- Internal Audit findings and External Audit Management Reports (through the Audit Committee).
- Status of safety, security and legal compliance.
- Status of business risk exposures, its management and related action plans.
- Company's management development processes and succession of senior management (through the Nominations Committee).
- Default, if any, in payment of dues to any major creditor.
- Terms of reference of Board Committees.
- Policy on Shareholder Disclosures.
- Incident of theft / fraud / dishonesty of a significant nature, if any.
- Write-offs / disposals (fixed assets, inventories, receivables, advances etc.) on a half-yearly basis.

### ***Post-meeting follow-up system***

The Governance processes in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board, the Board Committees, the Corporate Management Committee and the Divisional / SBU Management Committees.

### ***Details of Board Meetings during the financial year***

During the financial year ended 31st March, 2013, six meetings of the Board were held, as follows:

<b>Sl.NO.</b>	<b>Date of Board Meeting</b>	<b>Strength of Directors</b>	<b>Directors Present.</b>
1	13 Feb 2013	4	4
2	14 Nov 2012	4	4
3	26 Sep 2012	4	4
4	29 Aug 2012	4	4
5	14 Aug 2012	4	4
6	16 Jun 2012	4	4