

Annual Report 2013-14



SOWBAGYA MEDIA LIMITED



Board of Directors
Sri K.Ramakrishna Prasad
Managing Director

Sri V.Kishore
Director

Sri M.MadhusudhanaRao
Director

REGISTERED OFFICE
Plot No. 854 E,
Road No. 44A,
Jubilee Hills,
Hyderabad – 500 033.

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

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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



Notice to Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Sowbhagya Media Limited will be held on **30th September, 2014**, Tuesday at "S Square", **Plot No. 854, Road No 44A, Jubilee Hills, Hyderabad – 500 033** at **11:00 AM**, to transact the following business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2014 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of **Sri Madhusudhana Rao**, who retires by rotation and, being eligible, seeks re-appointment.
3. To consider re-appointment of Auditors

To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary

Resolution:

"RESOLVED that pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed there under, as amended from time to time, **M/s. Ganesh Venkat & Co., Chartered Accountants**, Chartered Accountants be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the **twentieth AGM** of the Company to be held in the year 2015, at such remuneration plus service tax, out-of-pocket, travelling and living expenses, etc., as may be mutually agreed between the Board of Directors of the Company and the Auditors."

Notes:

- The relevant details as required under clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/ re-appointment as Directors under Item No. 2 are annexed.
- A Member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than FORTY-EIGHT HOURS before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
- **The Register of Members and Share Transfer Books will remain closed from 23rd September, 2014 to 25th September, 2014 (both days inclusive)**
- In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.



- Members seeking any information with regard to the Accounts, are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.
- Transfer of Unclaimed/Unpaid amounts to the Investor Education and Protection Fund (IEPF): Pursuant to sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, all unclaimed/unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits, as applicable, remaining unclaimed/unpaid for a period of seven years from the date they became due for payment, in relation to the Company and erstwhile TCS e-Serve Limited, which has amalgamated with the Company, have been transferred to the IEPF established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred prior to March 31, 2014, nor shall any payment be made in respect of such claim.
- The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
- To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Depositories.

By Order of the Board of Directors

Sd/-

**K. Ramakrishna Prasad,
Managing Director**

Hyderabad August 30, 2014.
CIN: L51109AP1994PLC018800
Registered Office:

*Plot No. 854E,
Road No. 44A,
Jubilee Hills,
Hyderabad – 500 033.*



REPORT OF THE DIRECTORS

TO THE MEMBERS

Your Directors present their report for the Financial Year 2013-14 along with the material events that have taken place till the date of this report

Financial Results

(Rs. In Lakhs)

Particulars	As on 31.03.2014	As on 31.03.2013
1. Net Sales/Income from Operations	296.53	528.60
2. Total Operating Expenditure	386.82	485.69
3. Profit from Operations before Other Income, Interest and Exceptional Items (1-2)	(90.29)	42.91
4. Other Income	9.56	7.55
5. Interest	0.73	1.40
6. Profit (+)/ Loss (-) from Ordinary Activities before tax	(81.46)	49.06
7. Tax Expense	(25.04)	8.60
8. Net Profit (+)/ Loss (-) from Ordinary Activities after tax	(56.42)	40.46
9. Paid-up equity share capital	1,093.00	1,093.00
(Face Value of the Share shall be indicated)	Rs.10/- Each	Rs.10/- Each
10. Earnings Per Share	(0.52)	0.37

Business Operations

Your Company reported total income of Rs. 296.53 Lakhs for the financial year ended March 31, 2014. Lack of proper avenues in the last Financial Year has resulted in loss. However, in the current financial year, Management is planning to take few steps ahead and contribute to profit. The first initiative towards this drive is launching of the T V Serial "Gokulamlo Seetha".

DIVIDEND:

Your Directors have not recommended any dividend for Current Financial Year

PROSPECTS/NEW PROJECTS:

Your company has plans for expansion and Diversification. At the 19th Annual General Meeting, your company is happy to inform that various growth options are being considered to enhance that the company's future revenues.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

As required by Clause 49 of the Listing Agreements with Stock Exchanges, the Management discussion and Analysis Report is enclosed as a part of this report (Annexure - I).

LISTING WITH STOCK EXCHANGES:

The Company confirms that it has paid the Annual Listing Fees for the year 2014-2015 to MSE and BSE where the Company's Shares are listed

DEMATERIALIZATION OF SHARES:

93.73% of the company's paid up Equity Share Capital is in dematerialized form as on 31st March, 2014 and balance 6.27% is in physical form.



The Company's Registrars are M/s XL Softech Systems Ltd., 3 Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034.

DIRECTORS:

Sri K. Ramakrishna Prasad, is a Bachelor'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.

Sri V. Kishore, is a commerce graduate and an Independent Director with two decades of experience in Regional Entertainment Industry. He is known for his turnaround strategy in business.

Sri M. Madhusudana Rao, Years is a Honours Graduate in Commerce, Master's Degree Holder in Business Administration and has a Legal Degree, with more than 12 Years of Experience in Finance. He is a market leader within this sector and has handled the larger division of our organization with his extensive exposure. He would ensure the organization has continued growth and expansion in this challenging and rewarding environment with his knowledge. He works effectively to manage the day to day running of Finance Function and has credible track record in Media & Entertainment Industry.

DIRECTORS RESPONSIBILITY STATEMENT:

As required under section 217 (2AA) of the companies act, 1956 Directors of your Company hereby state and confirm that:

1. The applicable Accounting Standards have been followed in preparation of annual accounts;
2. The accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the State of affairs of the Company as at 31st march, 2014 and of the profit for the year ended on that date;
3. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts for the year ended 31st March, 2014 have been prepared on a going concern basis;

AUDIT OBSERVATIONS:

Auditors' observations are suitably explained in notes to the Accounts and are self-explanatory.

AUDITORS

The Auditors, M/s Ganeshvenkat & Co., Chartered Accountants, Hyderabad retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION:

Your Company has taken adequate steps to adhere to all the stipulations laid down in Clause 49 of the Listing Agreement. A report on Corporate Governance is included as a part of this Annual Report (Annexure II).

Certificate from the Statutory Auditors of the company M/s Ganesh Vekat & Co., Chartered Accountants confirming the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:

Information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Directors' Report) Rules, 1988 is given in the (Annexure III) to this report.

HUMAN RESOURCES:

There are no employees as on date on the rolls of the Company who are in receipt of Remuneration which requires disclosures under Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975.

During the year under review, relationship with the employees is cordial.

VIGIL MECHANISM:

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a vigil mechanism for directors and employees to report genuine concerns has been established.

RESERVES:

We propose to transfer Nil of the net profit for the year to the general reserve and another Nil to capital reserve. We propose to transfer Nil of the net profit for the year to the general reserve and another Nil to capital reserve

APPRECIATION:

The Directors wish to place on record their appreciation to employees at all levels for their co-operation. Your directors would also acknowledge the continued support of the Company's Shareholders, Bankers, Exhibitors, Distributors, and all others that contributed to the success of the company.

By Order of the Board of Directors
For M/s.SOWBHAGYA MEDIA LIMITED

Sd/-
(K.RAMAKRISHNA PRASAD)
MANAGING DIRECTOR

By Order of the Board of Directors
For M/s.SOWBHAGYA MEDIA LIMITED

Sd/-
(M. MADHUSUDANA RAO)
DIRECTOR





MANAGEMENT DISCUSSION AND ANALYSIS

Structure and Developments, Opportunities and Threats, Performance, outlook, Risks and Concerns:

The slowing down of the economy globally and the current market conditions had a downward effect on the Organization during the year 2013-14 affecting the Turnover. Earlier your company has reported a turnover of Rs. 528.60 Lakhs were as for Fiscal Year 2014 it fell down to Rs. 296.53 Lakhs. The main reason being lack of opportunity and unexpected changes in the industry.

The present adverse market conditions are expected to continue during the next year 2014-15. The profitability for the next year 2014-15 is expected to be under pressure due to increase in operating expenses. The Company is exploring new markets.

Internal Control Systems and their Adequacy :

Management has put in place effective Internal Control Systems to provide reasonable assurance for:

- Safeguarding Assets and their usage.
- Maintenance of Proper Accounting Records and
- Adequacy and Reliability of the information used for carrying on Business Operations.

The Audit Committee is regularly reviewing the Internal Audit Reports for the auditing carried out in all the key areas of the operations. Additionally the Audit Committee approves all the audit plans and reports for significant issues raised by the Internal and External Auditors. Regular reports on the business development, future plans and projections are given to the Board of Directors. Internal Audit Reports are regularly circulated for perusal of Senior Management for appropriate action as required.

Human Resources Development and Industrial Relations:

The Company is maintaining good employee relations and no working days are lost during the year. The Company continued the welfare activities for the employees, which include providing unbiased work place for staff and also supporting recreational activities. To enrich the skills of employees and enrich their experience, the Company arranges, Practical Training Courses by Internal and External Faculty.

The Company has constituted an Internal Complaint Committee (ICC) in pursuant to the provisions of Companies Act, 2013 for prevention, prohibition and redressal of complaints / grievances on the sexual harassment of women at work places.

RISK MANAGEMENT REPORT

Risk type	Risk implication	Risk mitigation
Market Risks		
Economic Slowdown Risk	Corporates may reduce their advertising budget for television, jeopardizing per-hour realizations	Sowbhagya has implemented strict cost control initiatives per episode. The Company evaluates and analyzes the risk-reward scenario before commencing film production or any other major project
Competition risk	Rising competition may reduce bargaining power with channels.	Sowbhagya is the undisputed leader in the Telugu Media Industry and space and enjoys strong brand recognition with shows commanding a good premium.
Risk of unfavorable government policies	Any unprecedented change in government policy may increase the overall cost.	Sowbhagya is suitably positioned to absorb, recover or pass on the rise in taxes to channels, distributors or exhibitors.
Business risks		
Risk of changing audience preferences	Rapid change in viewer tastes and preferences can impact business adversely.	Sowbhagya's dedicated team conducts research to understand evolving audience preferences. One result of such an effort is the new media business.
Human resource risk		
Talent retention and management risk	The business depends on key talent (story writers, creative heads, lead artists, directors, technicians, among others). Non-availability of such resources could impact business.	Sowbhagya (Management and Promoters) have always attracted the best of talent in the industry. It has created stars and transformed artists' careers.