

17th Annual Report
2011-2012

Universal Arts Limited

Board of Directors:

Mr. Manish Shah (Managing Director)

Mrs. Ulka Shah

Mr. Kunal Singh

Mr. Satish Shidhaye

Mr. Sandeep Poddar

Auditors :

M/s Sekhri Kanodia & Associates

Chartered Accountants

202, Shakti Sadan, B Wing,

Plot No. 14, Khernagar,

Opp. Provident Fund Office,

Bandra (E), Mumbai - 400 051.

Registered Office :

Plot No. 45,

Ganpati Bhavan, 1st Floor,

M. G. Road, Goregaon (West),

Mumbai 400 062.

Tele. 2874 8995/9001

Fax 2876 7645

Email: universalartslimited@hotmail.com

Registrars & Transfer Agents :

BIGSHARE SERVICES PRIVATE LIMITED

E/2, Ansa Industrial Estate,

Saki Vihar Road, Saki Naka,

Andheri (East),

Mumbai 400 072

Tele 2847 3474, 2847 0652/53

Fax 2852 5207

Email: bigshare@bom7.vsnl.net.in

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Notice to the Members

NOTICE is hereby given that the Seventeenth Annual General Meeting of Universal Arts Limited will be held on Thursday, 20th day of December, 2012 at Keshav Gore Smarak Trust Hall, "Smriti", Aarey Road, Goregaon (West), Mumbai 400062 at 11.00 a.m. to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2012 and the Statement of Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Ulka Shah who retires by rotation and, being eligible, offers herself for re-appointment.
3. To appoint M/s. Sekhri Kanodia & Associates, Chartered Accountants, the retiring Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be decided by the Board of Directors in consultation with the Auditors.

By Order of the Board

Sd/-

Manish Shah
Managing Director

Place: Mumbai

Dated: 12th November, 2012

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 OF THE COMPANY. THE PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, 14th December, 2012 to Thursday, 20th December, 2012 (both days inclusive).
3. Members seeking any information with regard to accounts of the Company are requested to send their queries so as to reach the registered office at least 10 days before the Annual General Meeting to enable the management to keep the information ready.
4. As a measure of economy, copies of Annual Reports will not be distributed at the Annual General Meeting. Members are requested to bring their copies of Annual Report to the Annual General Meeting.

Directors' Report

Your Directors have pleasure in presenting their Seventeenth Annual Report together with the Audited Accounts of the Company for the year ended on 30th June, 2012.

Financial Results

(Amount in Rs.)

| | For year ended on 30th June, 2012 | For year ended on 30th June, 2011 |
|--|--------------------------------------|--------------------------------------|
| Gross Income | 88,06,524 | 63,95,730 |
| Expenditure | 92,78,052 | 56,42,218 |
| Profit before Taxation & Depreciation | 26,78,472 | 7,53,512 |
| Depreciation | 1,93,804 | 1,93,804 |
| Profit / (Loss) before tax | 24,84,668 | 5,59,708 |
| Provision for Taxation & Fringe Benefit Tax | 2,27,028 | 2,750 |
| Profit / (Loss) after tax | 22,57,640 | 5,56,958 |
| Profit / (Loss) brought forward from last year | (1,81,88,765) | (1,87,45,723) |
| Profit / (Loss) carried forward to Balance Sheet | (1,59,31,125) | (1,81,88,765) |

Again due to existence of Big Corporate in the market, the Gross Income during the year under review increased to Rs.88.07 lakhs against Rs.63.96 lakhs during the previous year. Your Company posted a Profit before Tax of Rs.22.57 lakhs against a profit of Rs.5.60 lakhs during the previous year.

(A detailed analysis of financial results has been made in "Management Discussion & Analysis Report" which is annexed hereto.)

Management Discussion and Analysis

In accordance with the Listing Agreement entered into with stock exchanges, the Management Discussion and Analysis Report is annexed hereto and forms part of this report.

Fixed Deposits

The Company has not accepted any deposits from the Public within the meaning of Section 58A of the Companies Act, 1956 during the period under review.

Directors

Mrs. Ulka Shah will retire by rotation and being eligible, has offered herself for re-appointment at the ensuing Annual General Meeting. Your Directors recommend her re-appointment as Director.

Directors Responsibility Statement

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) In the preparation of these annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) The accounting policies have been consistently applied and reasonable and prudent judgments and estimates have been made, so as to give a true and fair view of the state of affairs of the Company for the year ended on 30th June 2012 and of the profit of the Company for that year;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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(iv) These annual accounts have been prepared on a going concern basis.

Auditors

M/s. Sekhri Kanodia & Associates., Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as the Auditors of the Company. A certificate from the Auditors has been received to the effect that their appointment, if made, would be within limits prescribed under Section 224(1B) of the Companies Act, 1956.

Auditors Report

The Auditors Report to the Shareholders does not contain any adverse qualifications.

Internal Control System

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets. The Company is now in the process of setting up Internal Audit System.

Corporate Governance

A report of the Corporate Governance is annexed hereto and forms part of this Report. A certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance is attached to this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

The Company is not strictly engaged in the manufacturing activity; as such particulars relating to conservation of energy and technology absorption are not applicable. However, in the editing facilities, offices etc., adequate measures are being taken to conserve energy as far as possible.

As far as foreign exchange earning and outgo is concerned, the Company has neither earned nor used any foreign exchange during the period under review.

Particulars of Employees

There is no employee covered pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended. Hence, no particulars are given.

Consolidated Financial Statements

Your Directors have pleasure in attaching the Consolidated Financial Statements prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

Acknowledgments

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by the Bankers, Shareholders, Registrar & Transfer Agents, the Artists and Technicians associated with the Company's programmes, media and channels, whose continued support has been a source of strength to the Company. Your Directors also place on record their appreciation for the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board
Sd/-

(Manish Shah)

Chairman cum Managing Director

Place: Mumbai

Date: 12th November, 2012

Management Discussion and Analysis Report

Industry Structure and Development

The Indian Entertainment industry (consisting of television, cinema, music, radio and live entertainment) continued to grow during the year 2012 too. The total size of the industry at present is about Rs.550 billion and is expected to grow to Rs.600 billion by 2013. The size of Indian television market was Rs.300 billion in 2012.

The television software segment, which provides content to broadcaster, accounted for about 20 percent of the entertainment industry and about 30 per cent of the Indian television industry. The same is expected to grow at the rate of about 15% per year.

Cable and satellite (C&S) penetration reached about 85 million households while average number channels increased to about 260. C&S, which was initially an urban phenomenon, began to penetrate rural areas. This is because the rural market for colour television is progressing rapidly. Of 260 lakhs households that brought television sets in India during last three years, 195 lakhs (75%) are in rural areas.

The Government of India amended Cable Network (Regulation) Act, 1995 in January 2003 whereby it was mandatory to view pay channels only via set top box. However, the failures of the CAS scheme and the repeated delays in the rollout of DTH have affected the sentiments of the industry in general.

The Indian film industry was worth an estimated Rs. 120 billion in 2010 and is expected to reach at about Rs. 180 billion by 2012. The industry is going through a radical change with advent of multiplexes.

Opportunities and Threats

Opportunities

The revenue for Hindi movies has increased ten folds in last five years.

Many new rights like Broadband, Internet Protocol Television, Ring tones etc has started generating revenues.

It is hoped that DTH and CAS becomes operational during next few years. These systems will end the monopoly of cable operators and shift the power to consumers.

Emergence of international audiences and NRI's as a strong and lucrative market for feature films

Television enjoys the highest reach across the people all over India. It has direct, day-to-day and continuous mass appeal when compared with newspapers, radio or cinema. There still exists a vast potential for reaching cable television.

The access of cable and satellite channels into television households is currently 21 percent compared to 43 per cent of all Indian households having television sets- a considerable room for growth within India's existing market.

The international markets represent a large untapped market for the Indian soap. India is in a position to capture the attention of a large Indian population across UK, UAE, South Africa and US.

Threats

However, we perceive certain threats as follows:

The economic / industrial recession which had affected most of the industries in the country still continues. The entertainment industry is the most affected one, since entertainment is the last priority for people in recession. Also with the world facing recession global sources of funds are drying up.

The possibility of a shake up in the Cable and Satellite Channels will result in stiff competition between the existing content providers. A delay in introduction of CAS and DTH had negative effects on the industry. The freeze on rates imposed through a TRAI notification may affect growth of broadcasters and cable operator's revenue. This may reduce the profitability and hence the growth rates in TV industry.

The media industry may feel a positive or negative impact in future due to the changes in the regulatory framework and tax laws as compared with the current scenario.

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With the entry of Big Corporate like UTV, Eros, TV18, Ashtavinayak, Sony Pictures, Reliance, Aditya Birla Group, the competition would increase and thereby increasing the cost of negative rights, satellite rights, video rights, etc.

With the entry of Corporate sector, the small producers will cease to exist and thereby the Company may find it difficult to get good quality of negative for future business.

To save cost, most of the Channels still look for syndication of movies and re-run of movies from their library which may effect the market for new acquisition of films.

Segment-wise or Product-wise performance

Purchasing rights of films

The Company buys rights of films produced in Hindi, Marathi, Gujarati, Bengali and Assamese languages and sells them on a piecemeal basis to various media organizations for a period of 5 years at a time.

The Company sells the satellite rights to channels such as Star, Zee, Sony, Sahara, ETV etc. and video rights to video Companies such as Time, Bombino etc. The Company offers movies to Doordarshan for one time single telecast.

Future Outlook

With the entry of Big Corporate like UTV, Eros, TV18, Ashtavinayak, Sony Pictures, Reliance, Aditya Birla Group, the competition has increased and thereby increasing the cost of negative rights, satellite rights, video rights, etc. This would result in requirement of huge amount of capital to survive in this business, With a small capital and negative reserves the going for the Company appears to be tough.

Internal Control System and their adequacy

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transaction of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets.

Discussion on financial performance with respect to operational performance

At the last Annual General Meeting of the Company, the Board of Directors expected a bad year. Due to entry of big corporates like Ashtavinayak, Eros, TV 18, UTV, Reliance, Adlabs, Sony Pictures, the business in which your Company is into has become more capital intense. It has become difficult to operate in the said industry will small corpus.

Even though it was a bad year the gross income of the Company has increased from Rs. 63.96 lakhs in the previous year to Rs.88.06 lakhs in the current year. Due to such increased income, the Company has reported a profit of Rs. 22.57 lakhs in the current year as against a profit of Rs.5.56 lakhs during the previous year. The Company is trying to explore other areas of operation.

It has always been the policy of the Company to control and reduce the expenditure to the extent possible. No director has claimed any sitting fees / out of pocket expenses for attending board/ committee meetings. As a cost cutting measure, the strength of employees was kept to the bare minimum.

The Company is exploring various options/means to come out of the intense and competitive arena where it finds itself.

Material Development in Human/ Industrial Relations Front

The Company believes that the manpower is the primary and most valuable resource to the growth of the organisation. Therefore, the Company is in the process of recruiting competent key managerial personnel in the field of editing, recording, production, post-production etc. The media industry is highly dependent on individual creative talent and the Company will make all the efforts to attract and retain the best and creative talent in the industry.

Report on Corporate Governance

This report on Corporate Governance forms part of the Directors Report. This section besides being in compliance of the mandatory listing agreement requirement gives an insight into the process of functioning of the Company.

Company's Philosophy on Code of Corporate Governance

- To adopt internal and external measures to increase the level of transparency and accountability.
- To demonstrate to stakeholders that the Company is following right governance practices.
- To lead the Company towards high growth path of higher profits and revenue.
- To respect the laws of the land and rights of stakeholders and to get respect from all concerned.
- To uphold at all times fundamental values of accountability, probity and transparency in all areas of its operations and business practices.

Board of Directors

The Board of Company consists of eminent persons with considerable professional experience and expertise in the field of media, law, finance, accounts etc.

The strength of the Board of Directors of the Company as on 30th June 2012 is 5.

The Composition of Board of Directors is as follows:

| Name of Directors | Designation | Category | Status |
|---------------------|-------------------|---------------|-------------|
| Mr. Manish Shah | Managing Director | Executive | Independent |
| Mrs. Ulka Shah | Director | Non-executive | Independent |
| Mr. Kunal Singh | Director | Non-executive | Independent |
| Mr. Satish Shidhaye | Director | Non-Executive | Independent |
| Mr. Sandeep Poddar | Director | Non-executive | Independent |

During the year, Five Board meetings were held and the requisite quorum was present at all Board meetings. There is no gap of four months between any two meetings. None of the Directors is a member in more than ten committees or acts as a Chairman in more than five committees across all companies in which he is a Director.

Audit Committee

The composition, powers and functions of the Audit Committee were as stipulated under clause 49 of the Listing Agreement and under section 292A of the Companies Act, 1956.

| Name of Directors | Designation | Category | Status |
|---------------------|------------------------------|---------------|-------------|
| Mr. Satish Shidhaye | Chairperson of the Committee | Non-Executive | Independent |
| Mrs. Ulka Shah | Member of the Committee | Non-Executive | Independent |
| Mr. Sandeep Poddar | Member of the Committee | Non-executive | Independent |

The Statutory Auditors are the permanent invitees to the Audit Committee Meeting. The Committee met five times during the year.

Remuneration Policy and Details of Remuneration paid

No remuneration was paid to other Executive Directors and Non-Executive Directors.

Shareholders / Investors Grievance Committee

The main functions of Shareholders/ Investors Grievance Committee is taking care of shareholders' grievances and strengthening investors' relations.

The Composition of the Committee as follows:

| Name of Director | Designation | Category | Status |
|---------------------|------------------------------|---------------|-------------|
| Mrs. Ulka Shah | Chairperson of the Committee | Non-executive | Independent |
| Mr. Satish Shidhaye | Member of the Committee | Non-executive | Independent |
| Mr. Manish Shah | Member of the Committee | Executive | Independent |

During the year, the Committee held five meetings. All investor complaints received during the year have been resolved.

Share Transfer Committee

The Share Transfer Committee consists of Mr. Manish Shah, the Managing Director and Mrs. Ulka Shah as its members. The Committee met four times during the year to approve the transfer of shares and other matters relating to transfer and registration of shares.

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Disclosure

There have been no transactions of material nature between the Company and its promoters, directors, management, their subsidiaries or relative etc. that may have potential conflict with the interests of the Company at large and which have not been disclosed to the Board.

The equity shares of the Company are listed on the Bombay Stock Exchange Limited and Hyderabad Stock Exchange Limited. The Company is complying with the regulations relating to capital markets and that no penalty or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority in respect thereof.

Means of Communication

Un-audited quarterly results of the Company for the quarter ending 30th September 2011, 31st December 2011, 31st March 2012 and 30th June 2012 were published in newspapers as stipulated under the listing agreement.

CEO / CFO Certification

A Certificate from the Managing Director on the financial statement of the Company was placed before the Board as required by clause 49(v) of the Listing Agreement.

General Body Meeting

The location and time where last three Annual General Meeting were held are as under :

| Date & Time | Venue | Special Resolution |
|--------------------------------------|---|--------------------|
| a) 20th March, 2012 11.00 a.m. | Keshav Gore Smarak Trust Hall Smriti, Aarey Road, Goregaon (W) Mumbai 400 062 | No |
| b) 24th December, 2010 12.00 noon | Keshav Gore Smarak Trust Hall Smriti, Aarey Road, Goregaon (W) Mumbai 400 062 | No |
| c) 23rd December, 2009 12.00 noon | Keshav Gore Smarak Trust Hall Smriti, Aarey Road, Goregaon (W) Mumbai 400 062 | No |

General Shareholders information

The required information is provided in "Shareholders information" Section.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of **UNIVERSAL ARTS LIMITED**

We have examined the Company's Compliance of conditions of Corporate Governance by **UNIVERSAL ARTS LIMITED** for the year ended 30th June, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our Examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company

In our Opinion and to be best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investors' grievance is pending for a period exceeding one month against the Company as per records maintained by the Shareholders' / Investors' Committee.

We further state that such compliance is neither an assurances as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M/s Sekhri Kanodia & Associates
Chartered Accountants

Ajay Sekhri
Partner

Place : Mumbai
Date : 12th November, 2012

CERTIFICATE OF COMPLIANCE WITH CODE OF CONDUCT POLICY

As provided under clause 49 of the Listing Agreement with the Stock Exchanges, this is to confirm that all the Members of the Board have affirmed the compliance of the Code of Conduct for the year ended 30th June, 2012.

For UNIVERSAL ARTS LIMITED
Manish Shah
MANAGING DIRECTOR

Place : Mumbai
Date : 12th November, 2012

Shareholders Information

**Date, time and venue of
17th AGM**

Thursday, 20th December 2012 at 11.00 am at
Keshav Gore Smarak Trust Hall, "Smriti", Aarey
Road, Goregaon (West), Mumbai 400062.

Date of Book Closure

14th December 2012 to 20th December 2012 (both
days inclusive)

Listing on Stock Exchanges

The Bombay Stock Exchange Limited
The Hyderabad Stock Exchange Limited.

Listing Fees

Paid as per the Listing Agreements

Demat Arrangement

With NSDL and CDSL

ISIN No.

INE 464801018

BSE Stock Code

532378

Registered Office

Plot No. 45, Ganpati Bhavan, 1st Floor,
M. G. Road, Goregaon (West), Mumbai 400 062
Tel No. 2874 8995, 2874 9001 Fax No. 2876 7645
Email: universalartslimited@hotmail.com

Registrar & Share Transfer Agents

M/s Bigshare Services Private Limited
E/2, Ansa Industrial Estate, Sakivihar Road, Saki
Naka, Andheri (East), Mumbai 400 072.
Tele No. 2847 3474, 2847 0652/0653
Fax No. 2852 5207
Email: bigshare@bom7.vsnl.net.in

Compliance Officer

Mr. Manish Shah
Managing Director
Plot No. 45, Ganpati Bhavan, 1st Floor, M. G. Road,
Goregaon (West), Mumbai 400 062
Tel No. 2874 8995, 2874 9001
Fax No. 2876 7645

Categories of Shareholders as on 30th June, 2012:

| Category | % of Shareholding | Nos. of shares held |
|--------------------------|-------------------|---------------------|
| Promoters | 0.0011 | 100 |
| Private Bodies Corporate | 6.8021 | 623742 |
| Indian Public | 89.5603 | 8212589 |
| Non Resident Indians | 3.5118 | 322030 |
| Clearing Member | 0.1247 | 11439 |
| Total | 100.0000 | 9169900 |

Total no. of shares forfeited but not re-issued (not included in above statement) = 30900

Distribution of Shareholding as on 30th June, 2012:

| No. of Equity Share | Shareholders | | No. of Shares | |
|---------------------|--------------|---------------|-----------------|---------------|
| | Number | % of holders | Number | % of shares |
| 1 - 5000 | 2715 | 56.95 | 7479860 | 8.16 |
| 5001 - 10000 | 957 | 20.07 | 8770580 | 9.56 |
| 10001 - 20000 | 467 | 9.80 | 7842530 | 8.55 |
| 20001 - 30000 | 190 | 3.99 | 5051830 | 5.51 |
| 30001 - 40000 | 91 | 1.91 | 3382690 | 3.69 |
| 40001 - 50000 | 101 | 2.12 | 4872560 | 5.31 |
| 50001 - 100000 | 130 | 2.73 | 9844720 | 10.73 |
| 100001 - and above | 116 | 2.43 | 44454230 | 48.48 |
| Total | 4767 | 100.00 | 91699000 | 100.00 |

Total no. of shares forfeited but not re-issued (not included in above statement) = 30900