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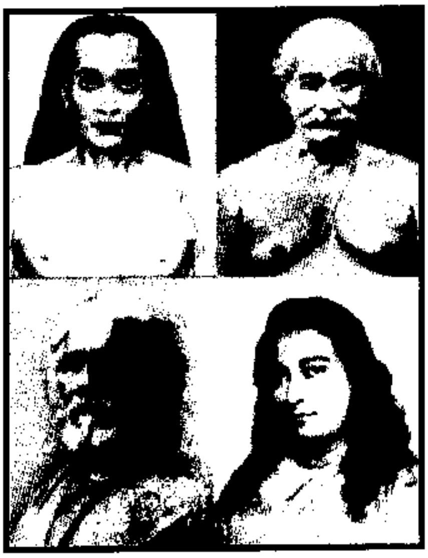

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VATSA
CORPORATIONS LIMITED

23RD ANNUAL REPORT
2009 - 2010

REGISTERED OFFICE

Vatsa House, Fort,
Mumbai-400 001. INDIA
E-mail : vatsa.corpo@gmail.com
Website : www.vatsa.info

LEGAL ADVISORS

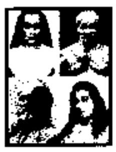
Law Firm 85

AUDITORS

S.M.BHAT & ASSOCIATES

Chartered Accountants

CONTENTS :



NOTICE TO MEMBERS

NOTICE is hereby given that the 23rd Annual General Meeting of Vatsa Corporations Limited will be held on Wednesday, 16th February, 2011, at the Registered Office of the Company at Vatsa House, Fort, Mumbai - 400 001, at 10.30 a.m. to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31st October 2010, Profit and Loss Account for the year ended on that date and reports of Directors and Auditors.
2. To appoint a Director in place of Mr. Gautam Sonavale, who retires by rotation and is eligible for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

   "RESOLVED that M/s. S. M. Bhat & Associates., Chartered Accountants, (Membership No:030696) be and is hereby appointed as 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 such remuneration as shall be fixed by the Board of Directors."

Notes :

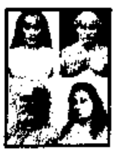
1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The register of members and the share transfer register will be closed from Thursday, 10th February, 2011, to Wednesday, 16th February, 2011, both days inclusive.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 2 is annexed.
4. Members are advised to avail of nomination facility in respect of shares held by them. Nomination forms can be obtained from the Secretarial Department of the Company.
5. Members are requested to :
   a. Intimate the Company changes, if any, in their registered addresses at an early date for shares held in physical form. For shares held in electronic form, changes if any may be communicated to respective DPs.
   b. Quote ledger folio numbers/DP ID and Client ID numbers in all their correspondence.
   c. To avoid inconvenience, get the shares transferred in joint names, if they are held in a single name and/or appoint a nominee.
   d. Bring with them at the meeting a copy of the Annual Report and Attendance Slip.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their communications to the Registered Office of the Company, so as to reach at least seven days before the date of the meeting, so that the required information can be made available at the meeting, to the extent possible.
7. Members, who hold shares in electronic form, are requested to bring their Client DP and ID numbers at the meeting for easier identification.

By Order of the Board of Directors

Sd/-
Samadhan Ogale
Chairman & Whole-time Director

Mumbai, 5th January, 2011

Registered Office
Vatsa House, Fort,
Mumbai-400 001. INDIA
E-mail : vatsa.corpo@gmail.com
Website : www.vatsa.info



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 2

Mr. Gautam Sonavale, is liable to retire by rotation. A brief profile of Mr. Sonavale and name of the Companies in which he is a Director are given in the Corporate Governance Report, which forms part of the Annual Report.

Mr. Sonavale does not hold any Equity Shares in the Company.

None of directors, except Mr. Sonavale can be considered to be interested in or concerned with the said resolution.

The Board recommends passing of the resolution.

By Order of the Board of Directors

Sd/-
Samadhan Ogale
Chairman & Whole-time Director

Mumbai, 5th January, 2011

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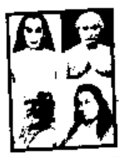


MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry structure and developments :

Consistent commitment to economic reform over the last decade has spurred the steady growth of the Indian economy. The emphasis on creating an enabling environment for investment and the inherent potential of the Indian economy have together pushed India's annual Gross Domestic Product (GDP) growth rate beyond 8 percent.

While India's GDP ranks eleventh in the world in absolute terms, it ranks among the top five economies of the world when assessed in terms of purchasing power parity. It is the growing consuming class with the proclivity to spend that will drive the growth of the Indian entertainment industry. Adding to this positive outlook is the fact that the average Indian is getting younger and is showing a greater propensity to indulge and entertain himself. Moreover, there are over 20 million Indians living abroad who are increasingly opting for India-oriented entertainment, as the availability of such content increases. Globally, a clutch of international films with Indian content, themes and performers are receiving wide visibility and acclaim. This broad acceptance of Indian entertainment is likely to give a further fillip to the expansion of this industry.

Key Developments, Opportunities and Threats and Outlook :

Television Industry :

The significant growth in the entertainment industry in the last decade of the twentieth century was largely triggered by the coming of age of television. For most of the last fifty years, it was a monopoly of the public sector broadcaster. However, the nineties inspired private sector enterprise across the television value chain. Since then, the rapid growth of the television industry has made it the most significant component, in value terms, of the entertainment sector. With increased hours of mass entertainment programming during prime time and better coverage of popular events, it has seen an explosive growth in consumer mindshare. Its status as the preferred mode of entertainment of the people is obvious from the fact that it now contributes more than 60 percent of the entertainment industry's revenues.

Out of its total current revenues of INR 139 billion, subscription contributed 53 percent, i.e. INR 73 billion. That is one-and-a-half times the advertising revenues, which are at INR 49 billion. However, due to the large skew in the 'last mile', as discussed later, the broadcasters' share of pay revenues amount to only around 17 percent, or INR 12.5 billion. Other revenues, which include international distribution right, amount to INR 14 billion.

As any industry matures, inevitably its growth starts slowing down. The Indian television industry too is following this dictum, seeing its growth decelerating from over 20 percent, till a few years ago, to less than 15 percent currently. However, it would be completely wrong to say that television has become a mature, sunset industry. While the current sets of growth drivers are gradually reaching saturation, there are a number of new initiatives which can power a fresh round of expansion. Some of these key factors are:

Introduction of addressability : In spite of apprehensions, public debate and litigation, CAS was eventually launched in Chennai, providing valuable lessons for future attempts to bring in addressability across the country, though the impact of the same is yet limited;

Alternative distribution platforms : DTH broadcasting has introduced the power of choice to the consumer. The last mile distribution segment is expected to see further action with the entry of new DTH players, IP-TV, broadcasting services on DSL technologies, etc;

New players in niche genres offering more content choice to viewers : Niche genres have significantly enhanced their proposition over the last few years with the entry of several new channels. While, news and children's programming segments accounted for most of the new entrants, other niche genres like religion and health also experienced the launch of several new channels.

Meaningful regulatory intervention : The government needs to create a conducive regulatory environment for rapid but stable growth by supporting initiatives like digitalisation of cable television, regulatory policy for DTH players, etc.

These trends have the potential to redefine the landscape of the broadcasting industry in the country. The significance of such a redefinition should be understood in the context of the overall evolution of the broadcasting and distribution market in India. The high growth that took place in a relative regulatory vacuum in the last decade created a distortion in the distribution of value amongst industry players. This has fostered an opaque transactional environment, resulting in:

- Lack of consumer choice for last-mile access;
- Under declaration of subscriber numbers resulting in revenue loss for broadcasters and tax loss for the government;
- Absence of uniform pricing with prices varying across geographies and consumer segments;
- "Lack of level playing field for alternative platforms like DTH, IP-TV, etc resulting from 'unreal' cost structures of incumbent access providers and non-uniform licensing conditions.

Film Industry :

India is the world's largest producer of films by volume - producing almost a thousand films annually. However, revenue-wise, it accounts for only 1 percent of global film industry revenues. Film and film-based entertainment together occupy a considerable part of the Indian consumer's mindshare. In terms of its sheer impact and visibility, film and film-based entertainment transcend well beyond what their 27 percent direct share of the Indian entertainment industry's revenues would indicate. Indian films, especially the mainstream Hindi film industry (or "Bollywood") dominate segments like music and live entertainment as well as television, where popular films and film-based programmes attract the highest viewership along with cricket.

Although over ninety years old, the Indian film industry was accorded the status of an industry as recently as 2000. Consequently, it is only during the last five years that organised financing from banks, financial institutions, corporates and venture funds became possible. Earlier, it was almost solely reliant on private and largely individual financing at extremely high interest rates.

Over the last few years, there has been some change in the operating style of theindustry. Film financing from organised sources is on the rise: around 100 films availed of organised funding of INR 7 billion in 2004, compared to virtually nil a few years ago. This number could be higher in the future if

- on the demand side, the industry responds pragmatically, by creating an environment conducive to organised funding; and
- on the supply side, more financiers from the organised sector enter the fray - spreading the risk for a single financier and deepening the market.

The seeds of corporatisation have been sown and early forms of vertical integration between content producers, distributors, exhibitors, broadcasters and music companies can be observed in the industry. The stakeholders, especially the new generation of producers, directors and performers, are now much more receptive to international best practices to redefine the way of doing business. Better discipline has resulted in a slow turnaround in the industry, which recovered from an unsuccessful 2002 to record better profitability in the last two years.

Integration and rightsizing of all functions across the value chain is expected to lead to a consolidation among the fragmented players in the industry. This would result in increased market power, better economies of scale (through sharing of common resources across different areas of the value chain) and initiatives to mitigate risks as against transferring risks on to the next player. This will lead to a more efficient film-making process, where relevant content will be developed, distributed and exhibited in a more synergistic manner and on a larger canvas. Aided by investments in technology (like networking the last-mile through digital distribution) and the right measure of governmental intervention, India could establish itself as an important global film-making hub outside of Hollywood.

The changing paradigm

- The opening up of new markets overseas, with viewership of Indian films spreading beyond the Indian diaspora into Asian, and eventually non-Asian audiences.
- Nationwide distribution of well-made, big-budget regional films, some of which could cross over into countries like Japan and China.
- Rising penetration of home video and greater demand for pay-per-view content with the advent of alternate delivery platforms like DTH and IP-TV.
- Increased theatrical attendance consequent to
  - o right-sizing and upgradation of theatres and
  - o introduction of multiplexes to enhance the viewing experience
- Reduced leakages and piracy, with greater investments in digital distribution technology and network for:
  - o eliminating / reducing the time lag between releases in mainstream and other centres
  - o more effective monitoring and recording of revenues

Components of the Indian film industry

The Indian film industry comprises of a cluster of regional film industries, like Hindi, Telugu, Tamil, Kannada, Malayalam, Bengali, etc. This makes it one of the most complex and fragmented national film industries in the world. These regional language films compete with each other in certain market segments and enjoy a virtual monopoly in certain others. The most popular among them is the Hindi film industry located in Mumbai, popularly referred to as "Bollywood".

Bollywood :

Out of the 200 Hindi films made in India each year, around 150 are made in Bollywood. These Bollywood films are released throughout India on both big and small screen formats, with several of them being screened overseas as well. Though there have been sporadic instances of regional films, enjoying a national release or even an overseas release, virtually all films having a national audience, are made in Bollywood. It accounts for over 40 percent of the total revenues of the overall Indian film industry, which is currently estimated at INR . 59 billion. It is estimated that only INR 50 billion finds its way to the industry coffers, with the1 balance INR 9 billion being cornered by pirates

Regional films :

The major regional film industries are Tamil

and Telugu, which together earn around INR 15 billion, followed by Malayalam, Bengali and Punjabi. The average cost of production of a regional film, in keeping with its limited market (compared to a Hindi film) and lower revenue potential, are only a fraction of that of a mainstream Bollywood film. With increased viewer exposure to a plethora of entertainment options on satellite television, the number of regional films produced annually has fallen from around 800, three years ago, to around 650 currently.

However, in terms of discipline and cost control, the level of professionalism prevalent in certain regional film industries (like Tamil) is higher than that observed in Bollywood. For instance, the average time frame for completion of a relatively big-budget Tamil film is 4-9 months, as opposed to 15-18 months in Bollywood. Some key reasons for this are:

- Appropriate importance given to script development and pre-production,
- Leading actors working on limited number (usually one or two) of assignments at a time and
- Large scale of operations of studios giving them:
  - o flexibility to amortise and spread costs and risks over a larger portfolio
  - o greater degree of integration

English films

Big budget Hollywood films are beginning to make a mark, with their dubbed versions making inroads into the semi-urban and rural markets.

Emerging genres

Till date, categories like tele-films and special-effects driven films, which drive film revenues internationally, were virtually absent in India. Efforts in producing telefilms have been few and far between. However, with the advent of additional distribution platforms like DTH and IP-TV, this could become a considerable revenue-earner for the industry in the future, with established film producers, directors and actors helping in realising its potential.

Outlook

With an overall reduction in costs, there is a potential for each of the revenue components to grow, albeit in varying degrees. Domestic theatrical revenues are estimated to grow at 17 percent, aided largely by multiplicity of ticket rates and higher occupancy due to rightsizing of screens from INR 34 billion to INR 86 billion in 2010. Satellite rights, including pay-per-view and broadband rights, could take off in 2007, when DTH, IP-TV and broadband cable networks are expected to be rolled out on a large scale. Satellite revenues are expected to grow at 22 percent from INR 5 billion to INR 17 billion in 2010. Growth in other income from in-film promotions and merchandising is anticipated to flatten out after the initial spurt, while growth in revenues from the sale of music rights could be minimal. The combined forces of digital technology and more stringent regulations should be able to reduce the menace of piracy, though in absolute terms, it may still continue to account for around INR 6 billion in revenues in 2010.

The current realisation on overseas theatrical and home video at retail value, i.e. the amount that the overseas end-consumer pays on Indian filmed entertainment is believed to be around USD 360 million a significant 90-100 percent over the USD 190 million (INR 9 billion) at which these rights are sold. The end-user consumer revenues of USD 360 million are projected to grow at 13 percent annually to reach USD 750 million in six years (some optimistic projections put it at over USD 1 billion), while the realisation for the Indian IPR owners will be better, narrowing down the margin from 100 percent to around 40 percent by 2010. Consequently, overseas theatrical and home video are expected to grow at 22 percent annually from INR 9 billion to INR 30.5 billion in 2010. This would still be well below the true export potential of Indian content and the appropriate marketing focus, synergistic alliances and co-productions could push this number up significantly.

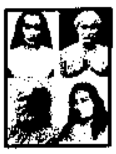
Though the growth prospects for the Indian film industry are quite strong, it is still performing below its underlying potential. It is a fact that India's per capita monthly spend on films is less than INR 4, which is extremely low for an entertainment-crazy country like ours.

Concerted efforts undertaken by the industry participants can launch the industry on an accelerated growth path, so that it can beat the forecasts. Some of the key drivers that can enable such accelerated growth could be:

- Corporatisation
- Developing economies of scale
- Organised film financing
- Value chain integration
- Last mile consolidation in distribution and exhibition
- Piracy and its control
- Expanding the international market
- Outsourcing to India
- Training and education and
- Government incentives.

Piracy and its control

Initiatives to reduce piracy in the years to come, either due to digital encoding mechanisms or better enforcement of the law, can also lead to an increase in domestic theatre viewership revenues. In the US, a typical theatrical window spans six months, where collection amounts to 25 percent of the total gross. In India typically 70 percent is collected over three months, after which piracy catches up and virtually nullifies any further theatre revenue potential. There are a large number



of video rental shops across the country, many of which thrive on pirated videos. It is difficult to estimate the combined revenues of these rental shops but the impact it has on eroding theatrical revenues is significant. Issues relating to piracy have been discussed in detail later in this report.

Music Industry

The Indian music industry is over a century old. However, the past few years have been dismal for the industry. It has shrunk to INR 10 billion from INR 13.5 billion in the last four years, as the onslaught of piracy, the high cost of acquisition of film music and the low priority accorded to the sectoral issues by the authorities have somewhat upset its business viability.

The situation in India is not unique. Globally, the music industry has been in recession for about four years and is now making a slow recovery. A series of revenue enhancing and cost-cutting measures have been undertaken by global music majors, which are expected to bring about a turnaround soon.

In India, the pattern of music consumption and distribution has shifted radically in recent times. Music buying has reduced and, despite the popularity of the new Hindi films, which make up for 40 percent of total music sales, the number of units being sold is falling. On the other hand, piracy has ensured that the average retail price of music cassettes remains stagnant over the years, while that of CDs fall. This has led to a spiralling decline in revenues, since such falling prices have not been compensated through rising volumes.

Over the last few years, the industry also witnessed the rapid rise of remixes, or cover versions and music videos of original soundtrack, which have attained mass popularity and received more airplay than the originals, on television and on FM radio, but did not significantly increase the sales of the original music companies.

Future growth is likely to come from non-physical formats like digital downloads, royalty income and ringtones, among others. The Indian music industry needs to adapt to this swing in audience preferences by leveraging appropriate technology in a facilitating regulatory environment. Going forward, the industry will need to focus on controlling its distribution and manufacturing costs. This is likely to enhance the industry's bottomline and result in more capital being freed for investment in technology and infrastructure.

A unique Industry structure

The Indian music industry has a unique structure compared to most global markets. Till 1990, it was completely dominated by film and devotional music. With the advent of satellite television and increasing consumer exposure to nonfilm music channels, non-film albums and remixes have gained popularity recently. In the non-film category, devotional music produced by smaller and local companies is the most popular. A few late entrants to this category have decided to stay away from the vagaries of film music and have focussed on high end classical, devotional and other niche genres instead.

Piracy - A growing affliction

Though the problem of piracy has been in existence for the last twenty odd years, it has emerged as an all-engulfing menace in the last five years or so. The volume of pirated units has been rising consistently despite the falling prices of legitimate music. Piracy, which is currently estimated at INR 4.3 billion, accounts for as much as 42 percent of the industry's total revenues. Unless stringent measures are taken now, this is expected to rise further.

Segment-wise or product-wise performance :

Your Company is planning to set up its own entertainment channel. In the current year, your Company has earned revenue from Royalty of music rights.

Your Company is not involved in Non-banking finance Company (NBFC) activity related business.

Risks and concerns :

The piracy of music and movie is the biggest threat.

Internal control systems and their adequacy :

There is an adequate internal control system commensurate with the size of the Company and the nature of its business.

Discussion on financial performance with respect to operational performance:

During the year under review the sales of the Company remain unchanged Rs. 15,800/-. The profit before loss marginally decrease at Rs. 8,14,802/- (Previous year : Rs. 8,15,425/-). The said income is earned out of Royalty of music rights. The Company was in process of starting off its own English and Hindi entertainment channel. However, due to various reasons your Company plan was never been take off.

Material developments in Human Resources / Industrial Relations front, including number of people employed:

The Company was finding difficult to find talent and retaining of existing staff.

For and on behalf of the Board of Directors

Sd/-
Samadhan Ogale
Chairman & Whole-time Director

Mumbai, 5th January, 2011

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Corporate Governance :

Vatsa believes that good governance generates goodwill among business partners, customers and investors, earns respect from society, brings about a consistent sustainable growth for the Company and generates competitive returns for the investors. Your Company is committed to the principles of good governance.

2. Board of Directors

Sl. No.	Name of the director	Whether Promoter/ Executive/ Independent	No. of Board Meetings held during the year		Attendance at the last AGM	Number of Directorships of other companies	Member/ Chairman of Committees other than those of the Company
			Held	Attended			
1.	Mr. Samadhan Ogale	E.D.	5	5	Yes	2	2
2.	Mr. Solomon Nadar	I.D.	5	5	Yes	-----	—
3.	Mr. Ratnadeep Waghmare	I.D.	5	5	Yes	-----	—
4.	Mr. Gauram Sonavale	E.D.	5	5	Yes	-----	-----

Notes: -

a. E.D.: Executive Director and I.D.: Independent Director.

Board Meetings

The Board plays a pivotal role in ensuring good corporate governance. It directs and guides the activities of the management towards set goals. Board members express their opinions and bring up matters for discussion at Board meetings. Comprehensive notes providing information on related subjects is circulated with agenda papers. Minutes of the meetings of the Board are circulated to all Directors and confirmed at the subsequent Board meeting. Copies of the minutes of the Committees of Directors are circulated at Board meetings.

Details of Board Meetings

Board meetings were held at least once in every quarter, and the time gap between two meetings was not more than four months. During the year, five Board meetings were held on 29th November, 2009, 5th January, 2010, 25th February, 2010, 20th May, 2010, and 28th August, 2010.

Brief Profiles, other Directorships and Committee Memberships etc. of Directors :-

Mr. Samadhan Ogale, Chairman & Whole-time Director :

Mr. Samadhan Ogale, is Dalit Political Leader, Social Worker and successful business man. Mr. Ogale has over 19 years of rich experience in the running and managing of manufacturing and trading business. Mr. Ogale is well contacted with the entertainment industry. Mr. Ogale has good hand on Tax and Corporate Law.

He is the member of the Audit Committee, Shareholders' / Investors' Grievances Committee and the Remuneration Committee.

Shri Samadhan Ogale does not hold any equity share in the Company.

Sl. No.	List of other Directorships	Chairman/Member of the Committees of the Board of the Companies in which he is a Director
1	Vatsa Music Limited	Audit Committee, Shareholders/ Investors' Grievances Committee and Remuneration Committee
2	Vatsa Education Limited	Audit Committee, Shareholders/ Investors' Grievances Committee and Remuneration Committee