



24TH ANNUAL REPORT
2010 - 2011

REGISTERED OFFICE

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

LEGAL ADVISORS

Law Firm 85

AUDITORS

S.M.BHAT & ASSOCIATES

Chartered Accountants

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NOTICE TO MEMBERS

NOTICE is hereby given that the 24th Annual General Meeting of Vatsa Corporations Limited will be held on Wednesday, 8th February, 2012, 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 2011, 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. Samadhan Ogale, 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, 2nd February, 2012 to Wednesday, 8th February, 2012 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, 2012

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



**EXPLANATORY STATEMENT PURSUANT TO SECTION
173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 2**

Mr. Samadhan Ogale, Whole-time Director, is being treated as a Director liable to retire by rotation. His retirement by rotation and simultaneous re-appointment shall not affect his holding and continuing to hold office of Whole-time Director. A brief profile of Mr. Ogale 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. Ogale does not hold any Equity Shares in the Company.

None of directors, except Mr. Ogale 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, 2012

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DIRECTORS' REPORT

To the Members,

Your Directors are presenting their 24th Annual Report on the business and operations of your Company for the year ended 31st October, 2011.

1. FINANCIAL RESULTS

	Year ended Oct. 31, 2011	Year ended July 31, 2010
Sales	16,200	15,800
Profit/Loss Before Tax	(8,10,395)	(8,14,122)
Add: Balance brought forward	(1,30,92,62,826)	(1,30,84,48,704)
Balance available for appropriation	(1,31,00,73,221)	(1,30,92,62,826)

2. PERFORMANCE REVIEW

During the year under review the sales of the Company increased at Rs.16,200/-. The profit before loss marginally decrease at Rs.8,10,395/- (Previous year: Rs.8,14,122/-).

A detailed review of the Company's operations has been provided in the Management Discussion and Analysis Report, which forms part of this document.

3. DIVIDEND

In view of business loss your Directors do not recommends any dividend.

4. CORPORATE GOVERNANCE

The Report on Corporate Governance as per the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Auditors, M/s. S. M. Bhat & Associates., confirming the compliance with the conditions of Corporate Governance as per the requirements of Clause 49 is annexed to this Report.

5. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of the provisions of Section 217(2AA) of the Act, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the loss of your Company for that year;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- iv) the Directors had prepared the annual accounts on a 'going concern' basis.

6. DIRECTORS

Mr. Samadhan Ogale retires by rotation and is eligible for re-appointment.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

(a) Although the operations of the Company are not energy intensive operations, it continues to adopt energy conservation measures at all operational levels. The requirements of disclosure of particulars in the prescribed format with respect to conservation of energy as prescribed in Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is not applicable to the Company and hence not provided.

(b) There is no foreign exchange earnings and outgo during the year under review.

8. FIXED DEPOSITS

The Company has not accepted fixed deposits.

9. AUDITORS

M/s. S. M. Bhat & Associates, Chartered Accountants, Statutory Auditors, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

10. PARTICULARS OF EMPLOYEES

During the year under review, none of the employees of the Company, whether employed for the whole year or part thereof, were in receipt of remuneration aggregating to or in excess of the limits specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, and hence, no particulars are required to be furnished in connection with the same.

11. ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation of the assistance and co-operation received from the banks, financial institutions, Government authorities, customers, vendors and investors during the year under review. Your Directors also wish to place on record their appreciation for the committed services of the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

Sd/-

Samadhan Ogale

Chairman & Whole-time Director

Mumbai, 5th January, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry structure and developments :

Worldwide, 2010 saw the global economy begin to recover from a steep decline in 2009. Improved economic conditions in 2010 played a major role in a rebound in consumer spend, advertising spend and most importantly in the E&M spend. While India and China were not critically impacted by the downturn in 2008 and 2009, they demonstrated one of the highest growth rates this year and continued to outperform their global peers.

Advertising, the most cyclically sensitive of the three E&M spending streams recorded the largest year-on-year swing, growing by 5.8% in 2010 from almost an 11% decline in 2009. Consumer spending grew 2.2% while E&M spending as a whole grew at 4.6% in 2010.

India recorded one of the highest growths in the world growing at 11.2% in 2010. The E&M industry in 2010 stood at INR 646.0 billion as compared to INR 580.8 billion in 2009. This was lower than our projected growth rate of 15.1% for last year. The reason for lower growth rate was the decline witnessed in the film segment. The other two key industry segments-- television (15.4% growth as compared to 15.6% projected) and print (10.7% as compared to 8.5% projected)--showed good growth.

The negative growth in the film segment for a second year in a row was largely due to the lack of quality content and the closing-down of single-screen theatres. The E&M industry continues to be dominated by TV, print and film. Significant revenues continue to be from the non-digital segment though there continues to be good growth in digital spending too. Infrastructure is the biggest challenge in the growth of digital spends.

Key Developments :

Television Industry :

Television (TV) plays a major role in the flow of information and is equipped with the power to influence people, their beliefs and their opinions. Being a visual medium, its impact transcends the social and educational background of its viewers; more so, in a diverse country like India, where TV dominates the Media & Entertainment landscape as the preferred choice of entertainment.

In 2010, subscription revenues contributed around 63% to the total television revenues and stood at US\$ 3.9 billion; while advertising constituted 33% at US\$ 2.1 billion. The television content constitutes approximately 4% to the total television market at US\$ 260 million. Despite one of the lowest average revenue per user (ARPU) for paid television in the world, TV distribution

dominated the total Television revenue pie and saw a strong growth of 15% in 2010, largely on the back of rapid DTH expansion. TV Advertising which has a high contribution towards broadcaster's revenue grew at 13% in 2010.

Despite being the third largest pay TV subscribers market, India, in terms of pay TV revenues is a distant ninth behind North American and Western European countries. Under reporting by LCOs and high competition between the DTH operators has ensured low ARPU in the country. Recognizing the limitations of the traditional cable, The Ministry of Information and Broadcasting has accepted the Telecom Regulatory Authority of India (TRAI)'s recommendation of 'sunset of analogue transmission on the cable' by December 2014. The TV distribution system would be digitalized in a phased manner. Digitalization is expected to bring addressability into the system, superior viewing experience and value added services (VAS) which in effect would have a positive effect on the ARPU.

Currently, India is the third largest digital market on basis of subscribers mainly due to increased DTH push.

However, in terms of overall digital penetration it remains extremely low. This presents a compelling case for digitalization.

Most channels produce their own television content. Given the increasing demand for differentiated content, a handful of quality content creators have emerged who sell television content to channels. This contributed about 4% of the overall television industry in 2010 at US\$ 260 million, a growth of 12% over 2009. Due to increased number of channels, there is a need for differentiated and niche content; TV content segment is expected to surge further. The last few years witnessed a near explosion of the number of television channels in India. From the black and white television broadcasting on a single national television channel (Doordarshan) in 1980s to almost 600 channels operating in India with almost 1/3rd channels operating in GEC (General Entertainment Channels) space - Indian television industry has truly come a long way.

Film Industry :

Indian film industry has come a long way - from the first motion pictures brought to India by Lumiere Brothers in the form of soundless short films in 1896, to India's first silent feature film King Harishchandra in 1913; to Indian filmmakers making films in English such as Delhi Belly. Rightly so, in 2013 Indian cinema completes 100 years! Film segment revenues in India comprise ticket collection at the box office (both domestic and overseas), home video



(CDs and DVDs sale and on rent) and ancillary revenues that includes broadcast syndication rights, mobile VAS and other film related sales through new media. The film industry stood at nearly US\$2.0 billion in 2007. It grew by ~12% to reach US\$2.2 billion in 2008 but has been registering negative growth over the last two consecutive years and stood at around US\$ 1.8 billion in 2010. The falling revenues of the film industry in 2009 and 2010 can be attributed to average performance of most films at the box office and closing down of single-screen theatres. In the first half of 2011, fewer films were released due to the World Cup and IPL 4; though light-hearted comedies like Tanu weds Manu¹² managed to do well at the box office. The industry is expected to grow by ~9% p.a. till 2015 and reach nearly US\$2.8 billion. This is expected to be fuelled by the multiplex chains' renewed focus on expansion, increase in average ticket price and expected higher quality content, as evident by the recent releases, namely 'Ready', 'Singham', 'Zindagi Naa Milegi Dobara', 'Delhi Belly' etc., (These movies have grossed > INR 80 Cr. as box office collections on an average)

India has the world's largest film industry in terms of number of films produced and the ticket size. In India, there is a huge viewership for films. In fact, Bollywood and cricket are considered to be two major religions for viewers in India. Over 1000 films are produced every year in more than 20 languages. Regional cinema - Tamil, Telugu, Malayalam and Kannada constitutes a large chunk of these. Fourteen million Indians go to the movies on a daily basis (about 1.4% of the population of 1 billion) and pay the equivalent to the average Indian's day's wages (US\$ 1-3) for watching a film. A key recent policy initiative by the government has been granting 'industry' status to the entertainment segment as a whole in 2001; allowing sector access to institutional finance for new projects. The technology of film-making in India is among the best in developing countries. Indian film industry provides employment to nearly 6 million people. The industry is witnessing considerable advancements in areas like technology, marketing, exhibition with rampant digitalization across the value chain, resulting in enhanced reach and access to high quality content. As the number of digital theatres are surging, the future of Indian cinema looks promising! Viewership of Indian cinema abroad has consistently been on an upswing, especially in countries such as Japan, Malaysia, Singapore and Middle East.

In fact concerted efforts have been seen to ensure presence of Indian films in global film festivals and markets.

Though the impact of digitalization can be seen across the film value chain, the level of impact varies at different stages of the value chain. Digital revolution is

visibly impacting the distribution and exhibition of films in India. Production and post-production can also leverage the digital wave by incorporating sophisticated tools and techniques right from the concept stage till the management of post-production pipeline.

Increasing disposable income, growing popularity of alternate delivery mediums, digitalization of film distribution and value added services like movie on demand through pay television are set to open up new revenue streams and business models for the film industry. Emergence of multiplexes has already improved revenue reportage and average ticket price. Digital print duplication costs about one-twelfth (nearly Rs. 5000) as compared to the celluloid prints at Rs. 60,000. In addition to providing enhanced reach, digital prints also help in curbing piracy. Going forward, digital cinema would enable worldwide release of films on the day one like television broadcast, and shorten the theatrical window.

From the demand side, increasing mobile and internet penetration is significantly changing the consumption pattern of viewers in India as well as Indian diaspora spread outside India. A blockbuster like 3 Idiots was legally available on Youtube within 12 weeks of its theatrical release as a move to curb piracy.

The main revenue stream for new films released in India is the box office collection, contributing about 80% of the revenues. Home video segment, with a low contribution to the overall revenues is getting further impacted by a combination of factors. Firstly, availability of pirated versions of music and films significantly impacts the CD / DVD sales. Secondly, most leading general entertainment broadcasters have started showing television premieres for most of the recent releases within 4-5 weeks of their release. Technological advancements such as digitalization, onset of the next-generation networks and availability of more sophisticated devices to access media, are contributing to a growing chunk of ancillary revenues that comprise around 15% of the total film revenues in India. This includes broadcast syndication, internet, mobile and other new media revenue streams.

The Music Industry:

The music industry in India is still searching for the right note. The year 2010 has been an indifferent year for the industry which remains plagued by piracy. However, as projected last year by PwC, digital sales have overtaken physical sales. While 3G has been good news for the music industry, monetisation of the digital revenue stream still remains a challenge.

The need of the hour for the industry is to build differentiated business models and find alternate revenue streams to sustain in this



competitive market. Social media, mobile music and radio are some of the key revenue streams with the industry looking for more niche mediums to monetise content.

The industry earns its revenue from five major streams viz. physical sales, mobile VAS, radio broadcast, online download and public performance royalty. A major portion of the music revenues in India comes from film music while the share of independent music albums is very small. The industry is currently estimated to be INR 9.5 billion in 2010 as compared to INR 7.5 billion in 2009 registering a growth of 25.7% on the back of strong performance by the mobile VAS segment.

Opportunities and Threats :

Opportunities :

Television:

- Advertising revenue growth propels the television industry.
- DTH leads growth in distribution segment.
- Regional channels are increasing their share in TV advertising.
- Broadcasters are rebranding themselves to establish greater connect with younger audiences.
- Regional players are increasingly focusing on the kids channel market.
- Sports channels boosted by IPL 3 and other cricketing events, are clocking good advertising revenue.

Threats :

- Completely addressable digitisation still a distant dream for stakeholders.
- High cost of content production.
- Low ARPU's to increase payback time.
- Need to improve measurement tools for measuring viewership.

Film Industry:

Opportunities:

- Multiplexes look at alternate sources of revenue.
- Single-screen theatres showed poor performance and many of them shut shop.
- Small-budget films with innovative content take on big-budget films.
- The pay-per-view market is set to grow.
- Social networks are becoming key to film marketing.
- The regional film industry produced the biggest hit of the year, Endhiran (Robot).

Threats :

- Shortage of infrastructure.
- Lack of quality content.

- Lack of new releases during the cricket season.
- Cannibalisation of theatrical revenues
- Piracy.

Music Industry :

Opportunities :

- Digital music on mobile continues to be the largest constituent of music industry revenue.
- Internet music segment is going nowhere.
- Mobile phones are becoming the primary means to access music.
- Players are exploring social media to promote music.

Threats :

- Monetisation of music rights in digital medium.
- Unresolved copyright issue between radio and music industry.
- Piracy.

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.

Outlook:

The Indian E&M industry is estimated to grow from INR 646.0 billion in 2010, at a CAGR of 13.2% for the next five years to reach INR 1198.9 billion in 2015. The television Industry is projected to continue to be the major contributor to the overall industry revenue pie and is estimated to grow at a healthy rate of 14.5% cumulatively over the next five years, from an estimated INR 306.5 billion in 2010 to reach INR 602.5 billion by 2015. In the television pie, television distribution is projected to garner a share of 62% in 2015 while television advertising is expected to have 33% share. The television content industry will have a five-per-cent share. Distribution share is expected to hold despite a robust growth in advertisement on the back of the hope that addressable digitisation will cover the entire country by 2015.

Of the advertising industry pie, the television advertising industry is projected to command a share of 42.5% in 2015, from a present share of 41.0%. The Indian film industry has had two consecutive bad years in 2009 and 2010 and has shown considerable decline. The industry depends heavily on big films and worthwhile content. With many big films slated to release in the next couple of years, we expect this industry to recover and grow at a CAGR of 9.3% over the next five years,



reaching to INR 136.5 billion in 2015 from the present INR 87.5 billion in 2010. However, the growth is subject to the quality of content. 3D films and increasing digital screens are expected to help the film industry garner greater revenue.

The Indian print media industry is projected to grow by 9.6% over the period 2010-15, reaching INR 282.0 billion in 2015 from the present INR 178.7 billion in 2010. Newspapers in India are still holding their own and digitisation across the world does not seem to affect them. With 2010 having been a good year for print and more newspapers looking to expand their market reach, the newspaper industry is expected to perform well for the next five years growing at a CAGR of 10.1%. Magazines did not have it so good in 2010, and with increasing competition and decreasing cover prices, magazines can expect tough times ahead. However, niche magazines seem to be doing quite well and can be expected to push the industry. The magazine industry is projected to show a growth of 4.8% over the next five years.

The Indian radio industry is projected to show healthy growth at a CAGR of 19.2% over 2010-15, reaching INR 26 billion in 2015 from the present INR 10.8 billion in 2010. The primary reason is the impending launch of Phase III radio licences in 2011. In terms of the share of the advertisement pie, it is projected that the radio advertising industry will be able to increase its share from 4.4% to 6.3% in the next five years.

The animation, gaming and VFX industry will continue to maintain its growth pace and is projected to grow at a CAGR of 21.4% from its current size of INR 31.3 billion to INR 82.6 billion in 2015. Growth in international animation films, especially the 3D productions, and subsequent work for Indian production houses will help in the growth of this segment. The Indian gaming industry is projected to grow from an estimated size of INR 8.3 billion in 2010 to an estimated INR 25.3 billion by 2015, translating to a cumulative growth of 24.9% over the next five years. Mobile gaming will dominate the segment with around 70% share, driven by growth in the high-end segment of mobile users, new content by mobile operators and the availability of higher bandwidth with the arrival of 3G. Reduced prices of handsets have increased the penetration of smartphones which can run high-end games.

Given the trends of increased internet usage, internet advertising is projected to grow by 25.5% over the next five years and reach an estimated INR 24 billion in 2015 from the present INR 7.7 billion in 2010. The share of online advertising too is projected to grow from 3.1% in 2009 to 5.1% in 2015 of the overall advertising pie. The estimated size of the OOH industry was INR 14 billion in 2010 and is projected to reach INR 24 billion

in 2015. Its share in the total ad pie is expected to remain the same as 5.1% by 2015. The industry which showed a dip in 2009 rebounded well in 2010 and is expected to continue on the growth path, going forward. Greater proliferation of digital screens and newer tools to reach the OOH audience will help the industry further.

Mobile VAS will continue to be the key driver of growth for the music industry. The arrival of 3G will further help the music industry by providing seamless music streaming and subsequent paid digital downloads. Digital sales will be expected to be a key driver for the music industry with physical sales expected to dwindle, going forward. The music industry is estimated to be INR 21.4 billion in 2015 from the current size of INR 9.5 billion in 2010. Phase III radio licensing may also further help in increasing music revenues from radio, but that will depend on the successful resolution of issues between the radio and music industries.

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 increased at Rs. 16,200/-. The profit before loss marginally decrease at Rs. 8,10,395/- (Previous year : Rs. 8,14,122/-).

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, 2012

