

# **SOWBHAGYA MEDIA LIMITED**

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# SOWBHAGYA MEDIA LIMITED

## **DIRECTORS**

Sri K. Ramakrishna Prasad  
Sri M. Madhusudana Rao  
Sri V. Kishore  
Sri. E.V. Raja Reddy  
Sri. D.Surendranath Reddy

Managing Director  
Director  
Director  
Director  
Director

## **BANKERS**

Bank of India, Hyderabad.  
Corporation Bank –Nellore.

## **AUDITORS**

M/s. GANESHVENKAT & CO,  
CHARTERED ACCOUNTANTS  
402, Ram Kishan Residency,  
6-3-609/150, Anand Nagar Colony, Khairatabad.  
Hyderabad - 500004.

## **REGISTERED OFFICE**

8-3-677/14, SKD Nagar,  
Srinagar Colony,  
Hyderabad – 500073.

## **REGISTRARS**

XL Softtech Systems Limited  
Plot No. 3, Sagar Society,  
Road No. 2, Banjara Hills,  
Hyderabad – 34.

## **LISTING**

The Hyderabad Stock Exchange Ltd  
The Mumbai Stock Exchange Ltd  
The Madras Stock Exchange Ltd

## **SOWBHAGYA MEDIA LIMITED**

8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073.

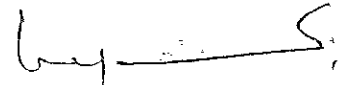
### **NOTICE TO MEMBERS**

NOTICE is hereby given that the 13<sup>th</sup> Annual General Meeting of SOWBHAGYA MEDIA LIMITED will be held at Plot No.236, Near Water Tank, Prashashan Nagar, Jubilee Hills, Hyderabad – 500034, on Tuesday, the 30<sup>th</sup> September, 2008 at 10.30 AM to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2008 and Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M. Madhusudana Rao who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sri D. Surendranath Reddy Who retires by rotation and being eligible offers himself for reappointment.
4. To appoint statutory Auditors and to fix their remuneration.

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



**(K. RAMAKRISHNA PRASAD)  
MANAGING DIRECTOR**

**Place: Hyderabad  
Date : 02.09.2008**

## 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 such proxy need not be a member of the Company. Proxy Forms to be valid shall be lodged at the Registered Office of the Company not less than 48 hours before the Meeting.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act in respect of Special Business of the notice is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain Closed from 27.09.2008 to 30.09.2008 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.
4. Members are requested to notify immediately changes if any, in their addresses to the company quoting their folio number.
5. Members / Proxies should bring the Attendance slip duly filled in for attending the meeting.
6. Shareholders seeking any information with regard to accounts are requested to write to the company at the earliest to keep the information ready.
7. Shareholders are requested to bring their copy of Annual Report to the meeting.
8. Under Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form no.2B in duplicate (which will be made available on request) to M/s XL Softech Systems Ltd. Registrars & Share Transfer Agents, Plot No. 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 34. Tel. No. 23545913, 14, Fax . 23553214

**Annexure to the Notice: (Item No. 2 & 3)**

**Reappointment of Directors:**

Information on Directors seeking appointment/re-appointment is furnished below in terms of Clause 49 of the Listing Agreement with the Stock Exchanges:

- a) Sri M. Madhusudana Rao, aged 47 years, is a Master's Degree Holder in Business Administration and has more than 12 Years of experience in dealing financial matters relating to the Industry. He was not holding directorship in any other company and / or committee of directors.

He is the member of Audit Committee and Shareholders Grievance Committee constituted under clause 49 of the Listing Agreement.

- b) Sri D. Surendranath Reddy aged 48 years, is a Commerce graduate and an Independent Director. He has more than 10 years rich experience in Business Administration He was holding directorship in other company.

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



**(K. RAMAKRISHNA PRASAD)  
MANAGING DIRECTOR**

**Place: Hyderabad  
Date : 02.09.2008**

## DIRECTOR'S REPORT

To  
The members of Sowbhagya Media Limited,  
Hyderabad.

We have pleasure in presenting the 13<sup>th</sup> Annual Report and the Audited Statement of accounts for the Financial Year ended 31.03.2008.

### FINANCIAL RESULTS :

Particulars	Current Year 2007 – 2008 (Rs. In Lakhs)	Previous Year 2006 – 2007 (Rs. In Lakhs)
Total Income	2299.83	296.94
Profit before Depreciation	447.02	79.37
Depreciation	11.78	11.61
Profit before Tax	435.24	67.76
Provision for Taxation	162.11	14.08
Deferred Tax Liability	(34.05)	10.38
Profit after Tax	307.18	43.29

### OPERATIONS:

The members may be aware that the Company's activities have been diversified into more profitable area of Entertainment, Media and Publishing activities during the year.

During the year, the Company has successfully completed two feature films namely, "Mysamma IPS" starring Mumaith Khan, Prabhakar directed by Bharath Parepally, and "Aadivishnu" starring Arun Kumar, Sneha and the Audio of this movie was released in the Name of Sowbhagya Music.

### DIVIDEND

To augment the Long term working Capital needs your Directors could not recommend Dividend.

### DIRECTORS:

Sri M. Madhusudana Rao and Sri D.Surendranath Reddy, Directors who retires by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

### **AUDITORS:**

M/s. Ganeshvenkat & Co, Chartered Accountants, Hyderabad, will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

### **DIRECTORS RESPONSIBILITY STATEMENT:**

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000, your directors confirm --

- i) that in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) that 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 the company at the end of the financial year and of the Profit and loss account for that period.
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

### **PARTICULARS OF EMPLOYEES:**

No employee was in receipt of remuneration exceeding the limits prescribed under section 217(2A) of the Companies Act, 1956 and the rules framed there under, as amended to date.

### **FIXED DEPOSITS:**

Your company has not accepted any deposits and as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

**Information under Section 217 (1) (e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988:**

#### **a) Conservation of Energy:**

The operations of the Company involve very low energy consumption. However adequate measures have been taken to conserve the more energy.

**b) Technology Absorption:**

The Company has not imported any Technology.

**c) Foreign Exchange Earnings & Outgo:**

Foreign Exchange Earnings : Nil  
Foreign Exchange Outgo : Nil

**CORPORATE GOVERNANCE**

Your company has taken necessary measures to comply with the provisions of Clause 49 of the listing agreement with the Stock Exchanges in respect of Corporate Governance.

A report on Corporate Governance along with a certificate of compliance from the Auditors and also the Management Discussion and Analysis report are annexed separately to this Annual report.

**GENERAL:**

The Company's shares are listed on Hyderabad, Mumbai and Chennai Stock Exchanges and the listing fee for the year 2007-2008 has been paid.

**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.

**Place : Hyderabad**

**Date : 02.09.2008**

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



**K.RAMAKRISHNA PRASAD**  
Managing Director



**M.Madhusudana Rao**  
Director



## **ANNEXURE TO THE DIRECTOR'S REPORT**

### **COMPLIANCE REPORT ON CORPORATE GOVERNANCE**

#### ***Company's philosophy on corporate governance***

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

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

#### ***Board of Directors***

##### ***Composition of the Board***

The Board of Directors of Sowbhagya consists of Five Directors out of which one is executive and Four are non-executive. The composition of the Board during the financial year under review is presented in detail in the table 1.

##### ***Number of Board Meetings***

During the financial year under review, the Board of Directors met 5 times on 30.04.2007, 23.07.2007, 27.08.2007, 29.10.2007 and 31.01.2008. As stipulated in Clause 49, the maximum time gap between any two meetings was not more than four months.

##### ***Directors' Attendance Record and Directorships***

**Details are given in Table 1.**

Table: 1 Details of the Board of Directors

Name of the Director	Executive / Non-Executive Director	No. of meetings Held during his Tenure	No. of meetings Attended	Whether Attended Last AGM	No. of Outside directorships
M. Ramakrishna Prasad	Executive - Promoter	5	5	Yes	2
E.V. Raja Reddy	Independent	5	5	Yes	1
M. Madhusudana Rao	Independent	5	5	Yes	--
V. Kishore	Independent	5	5	Yes	--
D. Surendranath Reddy	Independent	5	4	Yes	1

### ***Information Supplied to the Board***

Sowbhagya believes in providing the directors all relevant and required information to enable them make well informed decisions. The following information is regularly placed before the Board:

- Annual Budget
- Quarterly and Half yearly results of the Company
- Minutes of Audit Committee and other committee meetings
- Any material defaults in financial obligations to and by the company in any aspect.
- Disclosures by management on material transactions if any including potential conflict of interest.
- Strategic and operational plans for running the business.

The Board of Directors is presented with detailed notes with required annexure on the above heads. These are presented as a part of the agenda papers of the meeting or directly tabled at the Board meetings

### ***Remuneration of Directors***

Remuneration paid or payable to Directors for 2007-2008 (Rs.) – 3,00,000/-

No sitting fee is paid to the Directors for attending Board or Committee meetings. No commission or technical fee is paid to any director.

### ***Code of Business Conduct and Ethics***

The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges and has adopted Code of Business Ethics and Conduct applicable to the Directors and all the senior management personnel of the Company. It is responsibility of the Directors and all the senior management personnel to familiarize themselves with this Code and comply with its standards.

### ***Audit Committee.***

The Audit Committee of Sowbhagya Media is comprised of three members under the chairmanship of an independent and non Executive Director. The terms of reference of the Audit Committee covers the areas mentioned in Clause 49 of the listing agreement of the stock exchange and Section 292A of the Companies Act, 1956.

The Audit Committee reviews

- The company's financial reporting process.
- Disclosure norms
- Internal control systems
- Accounting Policies
- Reports of the companies internal auditors
- Quarterly, half yearly and yearly financial statements
- Financial and risk policies

The Audit Committee met four times during the period. The composition and attendance of the members of the Committee are given in table 2.

**Table: 2 Meetings and Attendance for Audit Committee Meetings**

Name of the Member	No. of meetings held during the tenure	No. of meetings attended
E.V. Raja Reddy	4	4
M. Madhusudana Rao	4	4
V. Kishore	4	4

Sri E.V. Raja Reddy, an independent Director, chairs the Committee and its members are Mr. M. Madhusudana Rao and Mr. Kishore, Independent directors.

**Shareholders / Investors Grievance Committee**

Terms of reference

The functions of shareholders grievance committee include redressal of shareholders and investor compliance regarding matter such as transfer of share.

The Committee consists of

K. Ramakrishna Prasad	-	Chairman
V. Kishore	-	Member
M. Madhusudana Rao	-	Member

The Committee met on 30.04.2007, 23.07.2007, 29.10.2007 and 31.01.2008 and all the members attended the meetings.

The company had no transfers pending at the end of the financial year.

**Name, designation and address of the Compliance Officer**

Mr. K. Ramakrishna Prasad  
Sowbhagaya Media Limited  
8-3-677/14, SKD Nagar, Srinagar Colony  
Hyderabad – 500 073.  
Phone: 91 40 2374 1199  
Fax: 91 40 2374 1199

## **Disclosures**

### **Related Party Transactions**

The transactions with the related parties have been adequately disclosed in the notes to accounts forming part of the balance sheet as on March 31<sup>st</sup>, 2008. There are no transactions that may have potential conflict with the interests of the Company during the year. All related party transactions are negotiated on arms length basis and are only intended to further the interests of the Company.

### **Non-compliance on matters relating to capital markets for the last three years.**

There has been no instance of non-compliance relating to the capital markets for the last three years.

### **Whistle Blower Mechanism**

The Company promotes ethical behavior in all its business activities and has put in place mechanism of reporting illegal or unethical behavior. Employees are free to report violations of laws, rules regulations or unethical conduct to their immediate supervisor/notified person. No employee of the Company has been denied access to the Audit Committee. The Directors and Senior Management are obligated to maintain confidentiality of such reporting's and ensure that the whistle blowers are not subjected to any discriminatory practices.

### **Details of compliance with mandatory requirements and adoption of the non-mandatory requirements**

Your Company has complied with all the mandatory requirements of the Clause 49 of the listing agreement. The details of these compliances have been given in relevant sections of this report. The status of compliance with the non-mandatory requirements is given at the end of this report.

### **Disclosure on Accounting Treatment**

In the preparation of financial statements for the financial year 2007-08 there is no treatment of any transaction different from that prescribed in Accounting Standards.

### **Management discussion and analysis**

This annual report has a detailed chapter on management discussion and analysis.

### **Information to shareholders**

#### **Information dissemination**

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Half yearly report sent to each of the shareholders  
Quarterly Results – Newspapers normally published in  
Website where quarterly results are displayed

No. But published in English and Regional Newspaper  
English – Business Standard  
Telugu – Andhra Bhoomi  
[www.sowbhagya.in](http://www.sowbhagya.in)

## Financial results On Company's website

The quarterly, half yearly and annual results of the Company are displayed on its website [www.sowbhagya.in](http://www.sowbhagya.in). Full annual report is also available on the website in a user friendly and downloadable form. All official news releases are posted on the Company's website. Apart from the above, the Company also regularly provides relevant information to the stock exchanges as per the requirements of the listing agreements.

All communications referred above are available on Company's website [www.sowbhagya.in](http://www.sowbhagya.in) for reference of the shareholders.

## Information on Directors seeking appointment/re-appointment as required under Clause 49VI(A) of the Listing Agreement with Stock Exchanges.

This information is provided in the notes appended to the explanatory statement under the heading "Additional information on Directors recommended for appointment/seeking re-election at the ensuing Annual General Meeting."

## ADDITIONAL SHAREHOLDERS INFORMATION

### Address for correspondence

#### Registered Office

Sowbhagya Media Limited,  
8-3-677/14, SKD Nagar,  
Srinagar Colony, Hyderabad – 73.  
Phone: 91 40 23741199  
Fax : 91 40 2374 1199  
E-mail: [krk@sowbhagya.in](mailto:krk@sowbhagya.in)  
Website: [www.sowbhagya.in](http://www.sowbhagya.in)

#### Registrars and Transfer Agents

XL Softech Systems Limited  
3, Sagar Society, Road No. 2,  
Banjara Hills, Hyderabad – 500 034.  
Phone: 91 40 23545913/14  
Fax: 91 40 23553214

### **General Body Meetings**

The details of the date, time and venue of the last three Annual General Meetings are as follows:

Year	Location	Date and Time
2004-2005	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2005 10.30 A.M
2005-2006	3-375, Lakshmipuram, Nellore – 524 002.	30.09.2006 10.30 A.M
2006-2007	8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad – 500073.	29.09.2007 10.30 A.M

No Postal Ballots were used for voting at above meetings. However, the Board in its meeting held on 23.07.2007 sought the approval of members by Postal Ballot for Alteration of Main Objects by deletion of Existing Clauses 1 to 5 and 5 (a), (b), (c) re numbered as New Clauses 1, 2 and 3 and Alteration of Other Objects by inserting new Clauses 10 to 14 after the existing clause (9).

### ***Disclosures***

- During the Financial year 2007-2008, the Company had no materially significant related party transactions, which may have potential conflict with the interest of the Company at large.
- There has neither been any noncompliance nor penalties, strictures imposed on the Company by the Stock Exchanges, SEBI, or any other statutory authority, on any matter relating to the capital markets, during the last three years.

### **General Shareholders Information:**

#### *Disclosures regarding re-appointment of Directors*

Sri M. Madhusudana Rao and Sri D. Surendranath Reddy are retiring by rotation, and being eligible, offer themselves for re-appointment.

- a) Sri M. Madhusudana Rao, aged 47 years, is a Master's Degree Holder in Business Administration and has more than 12 Years of experience in dealing financial matters relating to the Industry. He was not holding directorship in any other company and / or committee of directors.

He is the member of Audit Committee and Shareholders Grievance Committee constituted under clause 49 of the Listing Agreement.

- b) Sri D. Surendranath Reddy aged 48 years, is a Commerce graduate and an Independent Director. He has more than 10 years rich experience in Business Administration He was holding directorship in other company.

### ADDITIONAL SHAREHOLDER INFORMATION

1. Date, time and venue of Annual General Meeting : 30.09.2008 at 10.30 A.M. at Plot No.236, Near Water Tank, Prashashan Nagar, Jubilee Hills, Hyderabad – 500034.
2. Date of Book Closure : 27<sup>th</sup> September, 2008 to 30<sup>th</sup> September, 2008 (Both days inclusive)
3. Listing on Stock Exchanges : Hyderabad, Mumbai, Chennai
4. Stock Codes : SOWBHAGYA / 532025
5. Listing Fees : paid upto date i.e. 31.3.2008
6. Stock Data : BSE High : 172.00  
Low : 38.65  
Average: 109.32

### Monthly Highs, Lows and trading volume for equity shares:

	High	Low	Volume (No)
April	61.50	44.05	52684
May	63.30	38.65	24693
June	72.90	53.25	17015
July	68.90	50.60	3487
August	64.75	56.00	71305
September	79.15	45.70	132762
October	172.00	80.90	108032
November	171.95	105.80	122766
December	125.65	101.00	103608
January	140.80	85.00	71713
February	126.00	90.00	10698
March	86.50	63.90	22940

### SHARE HOLDING PATTERN

Tables 3 & 4 present the distribution of shareholdings of Sowbhagya by ownership/size class.

Table – 3 Shareholding Pattern by Ownership as on 31<sup>st</sup> March, 2008

S.No.	Category of Shareholding	No. of Shares	Percentage
1.	Promoters, Directors, Relatives And Associates (Indian)	32,59,700	62.45
2.	Foreign Promoters	--	--
3.	Banks/SFCs/SIDCs(APIDC)	--	--
4.	Foreign Institutional Investors	--	--
5.	Private Corporate Bodies	--	--
6.	Indian Public	19,60,300	37.55
7.	NRIs / OCBs	--	--
	Total	52,20,000	100.00

Table – 4 Shareholding Pattern by Size class as on 31<sup>st</sup> March, 2008

Shares Held	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
Up to 5000	466	82.04	168353	3.23
5001 - 10000	31	5.46	28236	0.54
10001 - 20000	20	3.52	32262	0.62
20001 - 30000	8	1.41	21353	0.41
30001 - 40000	6	1.06	22790	0.44
40001 - 50000	4	0.70	20000	0.38
50001 - 100000	10	1.76	76768	1.47
100000 and above	23	4.05	4850238	92.92
Total	568	100.00	52,20,000	100.00

### **Dematerialisation of Shares**

As on 31<sup>st</sup> March, 2008 47,06,100 shares were held in dematerialized form. ISIN for Sowbhagya Media is INE 826d01014.

### **Share Transfer System**

The Company's shares are traded in the Stock Exchanges in Dematerialized form. Shares in physical mode that are lodged with the Company and XL Softech Systems Ltd (Registrar and Transfer Agent) are registered within a period of 12 days if the documents are clear in all respects. The shares duly transferred are dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee, which meets as often as required.

### **Secretarial Audit**

Each of the quarter in the financial year 2007-08, a qualified practicing Company Secretary carried out secretarial audits to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) and total issued and listed capital. The audit reports confirm that the total issued/paid up capital is in agreement with the total number of shares



in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Financial Calendar (Tentative and subject to Change)

Financial reporting for the 2 <sup>nd</sup> quarter ending	30.09.2008	by 31.10.2008
Financial reporting for the 3 <sup>rd</sup> quarter ending	31.12.2009	by 31.01.2009
Financial reporting for the year ending	31.03.2009	by 30.04.2009
Annual General meeting for the year ending	31.03.2009	by 30.09.2009

*Registrar and Share Transfer Agents:*

Shareholders can contact the company's registrar and share transfer agent M/s XL Softech Systems Ltd. Registrars & Share Transfer Agents, Plot No. 3, Sagar Soceity, Road No. 2, Banjara Hills, Hyderabad - 34. Tel. No. 23545913, Fax. No. 23553214.

*Address for Investors Correspondence*

Shareholders correspondence should be addressed to the Company's Registrar and Share Transfer Agents at the address mentioned above.

Queries relating to the financial statements and complaints may be sent to Mr.K. Ramakrishna Prasad, Compliance Officer, M/s Sowbhagya Media Limited, D.No. 8-3-677/14, SKD Nagar, Srinagar Colony, Hyderabad - 500073.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Management Discussion and Analysis Report

Sowbhagya Media Limited has diversified into Media and Entertainment Sector. The management discussion and analysis given below discuss the key issues for each of these activities.

#### INDUSTRY OVERVIEW:

The Indian Entertainment Industry is one of the fastest growing sectors of the Indian economy riding on high economic growth and rising income levels that India has been experiencing in the past few years. The industry is expected to double in size in five years from 2009.

The largest contributor to this growth will be the television segment followed closely by the film segment. The Indian film industry is projected to grow to 143 billion rupees by 2010 from 59 billion rupees.

One of the major growth drivers in the film industry is the growing popularity of multiplex phenomenon. Over 45 multiplexes having a seating capacity of 150-160 seats are expected to come up in a few years. The advent of digital technology has also helped to enforce property rights and improve operations through economies of scale. Corporate tie-ups have helped to improve revenues. The factors hindering growth are mainly piracy, entertainment taxes, which continue to be one of the highest in the world, and the lack of adequate institutional funding.

## **PERFORMANCE**

In the year under review, the Company achieved a turnover of Rs. 2299.83 Lacs and a Net Profit of Rs. 307.18 Lacs. The Company's activities have been diversified into more profitable area of Entertainment, Media and Publishing activities during the year. The Directors are hopeful of a much more better performance in the coming financial year.

## **STRENGTH, WEAKNESS, OPPORTUNITIES AND THREATS:**

### **STRENGTHS**

Professional management and native knowledge of the Industry have been the strengths of your company. Over the years the company could establish better prospects.

### **WEAKNESS:**

The success of the industry is dependent on the cine goal which cannot be predicted.

### **OPPORTUNITIES**

Technology will drive the entertainment industry into the next decade. In the new converged paradigm, its boundaries will be merged with those of the Telecommunications & Information Technology segments. This will give rise to a host of value added features for the consumers and new revenue streams for the players in each segment. Mobile entertainment with its ability to dissect the boundaries of time and space will be the biggest growth driver.

### **THREATS:**

The company does not foresee any major threat in its business activities.

### **OUTLOOK:**

Digitalisation is the future of the Television Industry. It is only a matter of time before market forces propel the industry towards that. Resolution of current challenges of distribution and digitalisation, will also define the content formats and the viewership patterns of the consumers in future.

Digitalisation will also revolutionise the Film Industry by bringing out faster and cheaper modes of delivering films to the consumers. These will be in terms of digital distribution of films, emergence of the home video market entailing shorter release windows and new distribution formats like internet and mobile devices.

#### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The company has a proper and adequate of controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorised and they are record and reported correctly. Further, the internal control system is designed to ensure that the financial and other record is reliable for preparing financial statements and for maintaining accountability of the assets.

The audit committee reviewed their periodical reports and their suggestions are implemented to ensure the functioning of proper internal control systems.

#### **DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

The financial statements have been prepared in compliance with the requirement of the companies act, 1956 and generally accepted accounting principals (GAAP) in India.

In the year under consideration, the company earned a Net profit of Rs. 307.18 Lacs after making provision for Depreciation to the extent of Rs. 11.78 Lacs.

# **CORPORATE GOVERNANCE REPORT**

## **Certificate on Compliance of Corporate Governance**

**To**

**The Members of Sowbhagya Media Limited.**

We have examined the compliance of the conditions of Corporate Governance by Sowbhagya Media Limited for the year ending 31<sup>st</sup> March, 2008 as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. Our examination has been limited to a review of the procedures and implementation there of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and the management, we certify that the Company has complied with the conditions of corporations of corporate governance as stipulated in the above mentioned listing agreement.

As per records maintained by the Company, we state that no investor grievances are pending for a period exceeding one month against the Company.

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

**For GANESH VENKAT & CO,  
CHARTERED ACCOUNTANTS**

**Sd/-  
G.RAJA VENKAT,  
PARTNER  
M.NO.25014.**

Place: Hyderabad.  
Date: 01.09.2008

## **SCHEDULE-H**

### **STATEMENT OF SIGNIFICANT ACCOUNTING PPLICIES**

#### **1. Accounting Concepts:**

The financial statements have been prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP), as per the provisions of the Companies Act, 1956 as adopted consistently by the company and on the accounting principles of a going concern.

Accounting Policies are not specifically referred to otherwise are consistent and in consonance.

#### **2. Revenue Recognition:**

All revenue income and expenditure are recognized on accrual basis.

#### **3. Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets.

#### **4. Depreciation:**

Depreciation on Fixed Assets is computed on Straight Line Value Method at the rates provided under Schedule XIV of the Companies Act, 1956.

#### **5. Inventories:**

The company Business was Media Business, hence no stock of any item.

## NOTES ON ACCOUNTS

- a. Previous year figures have been regrouped/ re-arranged wherever necessary.
- b. Paise have been rounded off to nearest rupee.
- c. Particulars of employees in accordance with Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975- 15 Members.
- d. Balances of Debtors, loans & advances and creditors are subject to reconciliation / confirmation with the respective parties.
- e. There are no S S I Units whose dues are exceeding Rs.1 lakh or more for more than 30 days.
- f. Earnings per share:

	<b>2007-08</b>	<b>2006-07</b>
Net Profit for the Period attributable to equity share holders	30718325	4328949

Weighted average number of Equity Shares outstanding (Face Value of Rs.10/- each)	5220000	5220000
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Basic and diluted EPS	5.88	0.19
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- g. The Company has recognized Deferred Tax liabilities on following timing differences.

	<b>2007-08</b>	<b>2006-07</b>
Deferred Tax Liability in Depreciation On Fixed Assets	--	4443578

Deferred Tax Asset on Carry forward loss and Unabsorbed depreciation	--	1038542
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Net deferred Tax Liability	--	3405036
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- h. Segment Reporting:

During the period under review the company is engaged in one segment only i.e. Media & Entertainment sector. Hence segment reporting as per Accounting Standard is not applicable for the Period.

- i. Related party disclosure under Accounting Standard (AS:18)

Name of the Concern	:	M/s.Siri Media Private Limited
Nature of Transaction	:	Distribution of Films
Amount	:	80371903
Max Amount Outstanding	:	42151074
Outstanding as on 31-03-08	:	-3358405

- j. Managerial Remuneration paid or payable during the Period- YES 3,00,000/-  
k. Auditor's Remuneration includes:

<b>As Auditor</b>	<b>2007-08</b>	<b>2006-07</b>
Audit Fee & Tax Audit	112360	80000
Service Tax	11516	9890

- l. Foreign Exchange earnings and outgo- NIL  
m. CIF Value of Imports : NIL  
n. Pending capital commitments as on 31<sup>st</sup> March 2008 -NIL  
o. All the Raw Material and consumables Consumed are of Indigenous materials.  
p. Contingent Liabilities : NIL  
q. Information Pursuant to Provisions of Clause 4 ( c ) & (d) of Part II of Schedule VI Of the Companies Act, 1956 (as certified by the Management)

As per report of even date  
For **M/s.Ganeshvenkat & Co**  
Chartered Accountants

Sd/-

**G.Raja Venkat**  
Partner  
M.NO.25014

Place :Hyderabad  
Date : 02.09.2008

For and on behalf of the Board

  
**K.RAMAKRISHNA PRASAD**  
Managing Director

  
**M.Madhusudana Rao**  
Director

**BALANCE SHEET ABSTRACT  
AND  
COMPANY GENERAL BUSINESS PROFILE**

**AS PER SCHEDULE VI TO THE COMPANIES ACT 1956**

**REGISTRATION DETAILS**

Registration No.	:	01-18800
State Code	:	01
Balance Sheet Dated	:	31-03-2008

**CAPITAL RAISED DURING THE YEAR**

Public Issue	:	NIL
Right Issue	:	NIL
Bonus Issue	:	NIL
Private placements	:	NIL

**POSITION OF MOBILISATION AND  
DEPLOYMENT**

Total Liabilities	:	104978629
Total Assets	:	104978629

**SOURCES OF FUNDS**

Paid-up Capital	:	52200000
Reserves & Surpluses	:	29668185
Secured Loans	:	NIL
Unsecured Loans	:	NIL
Deferred Tax Liability	:	NIL

**APPLICATION OF FUNDS**

Net Fixed Assets	:	17852002
Investments	:	NIL
Net Current Assets	:	64016183
Misc. Expenditure	:	-
Accumulated Loss	:	-



**PERFORMANCE OF THE COMPANY**

Turnover	:	229983078
Total Expenditure	:	186458537
Profit Before Tax	:	43524541
Profit after Tax	:	30718325
Earning Per Share (Rs)	:	5.88

**GENERIC NAME OF PRINCIPAL PRODUCTS/  
SERVICES OF THE COMPANY**

(as per Monetary items)

Item Code No: 0904  
Production Description: Motion Picture Producers

Item Code No: 0902  
Production Description: Film Distribution

As per report of even date  
For **M/s.Ganeshvenkat & Co**  
Chartered Accountants

For and on behalf of the Board

Sd/-

**G.Raja Venkat**  
Partner  
M.NO.25014

Place :Hyderabad  
Date :02.09.2008.



**K.RAMAKRISHNA PRASAD**  
Managing Director



**M.Madhusudana Rao**  
Director