



Shemaroo Entertainment  
Limited  
Annual Report 2011-12



# 50 Years

**Entertainment Infinite.**

Shemaroo Entertainment Limited  
Annual Report 2011-12



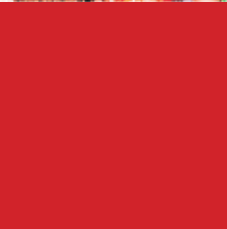
## 01 Board of Directors



## 02 Notice



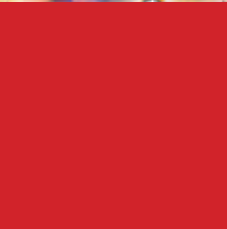
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**Board of Directors**

Shri Buddhichand H. Maroo	<i>Chairman</i>
Shri Raman H. Maroo	<i>Managing Director</i>
Shri Atul H. Maru	<i>Jt. Managing Director</i>
Shri Hiren U. Gada	<i>Whole Time Director</i>
Shri Jai B. Maroo	<i>Director</i>
Shri Gnanesh Gala	<i>Director</i>
Shri Kirit Gala	<i>Director</i>
Shri Jayesh Parekh	<i>Director</i>
Shri Shashidhar Sinha	<i>Director</i>
Shri VasANJI Mamania	<i>Director</i>

**Company Secretary**

Ankit Singh

**Auditors**

M. K. Dandekar & Co.

**Internal Auditors**

Mahajan & Aibara

**Bankers**

Bank of India  
Yes Bank Limited  
The Shamrao Vithal Co-Op. Bank Limited  
NKGSB Co-Op. Bank Limited  
Export Import Bank of India  
IDBI Bank Limited  
Deutsche Bank A.G.

**Registered Office**

Shemaroo House, Plot No. 18,  
Marol Co-Op Indl Estate,  
Off Andheri Kurla Road,  
Andheri (East), Mumbai - 400 059

# Notice

Notice is hereby given that the Seventh Annual General Meeting of the Members of Shemaroo Entertainment Limited, will be held on Friday, the 28<sup>th</sup> day of September, 2012 at 11:00 A.M at the Registered Office of the Company at Shemaroo House, Plot No. 18, Marol Co-Op. Industrial Estate, Off Andheri Kurla Road, Andheri (East) Mumbai-400 059 to transact the following Ordinary businesses:

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2012, the Statement of Profit and Loss for the year ended as on that date and the reports of the Board of Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Jai Maroo, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Buddhichand Maroo, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

**By order of the Board of Directors,**  
For Shemaroo Entertainment Limited

June 29, 2012  
Mumbai

**Ankit Singh**  
Company Secretary

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. IN ORDER TO BE EFFECTIVE THE PROXIES MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING.
2. Members/Proxies are requested to bring the Admission Slip along with their copies of Annual Report.
3. Proxy Form is annexed to this Notice.
4. Corporate members are requested to send in advance duly certified copy of the Board resolution / Power of Attorney authorizing their representative to attend and vote at the annual general meeting.
5. Section 109A of the Companies Act, 1956 permits nomination by shareholders of the Company in prescribed form 2B. The duly filled in form 2B duly signed should be sent to the Registered Office for registration.
6. There being no Special Business, Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956 is not annexed to this notice.
7. Brief details of the directors, who are being re-appointed are annexed hereto.



**ANNEXURE TO THE NOTICE****BRIEF RESUME OF DIRECTORS SEEKING REAPPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING:****Item No. 3 of the Notice:****Mr. Jai Maroo:**

Mr. Jai Maroo is the Non-executive Director of our Company. He holds a Masters Degree in computer science and engineering from Pennsylvania State University, U.S.A and a graduate degree in computer engineering from the University of Mumbai. Mr. Jai Maroo has 4 years of experience as a software engineer. He has worked with Citrix Systems Inc., U.S.A as a team leader. He is an NRI. Over the last few years, he has been active on the technology side. He has also been an investor in several technology ventures and other such ventures. He is guiding the Company on digital distribution activities mainly on mobile and internet amongst others. He has been a speaker on several national and international forums on technology and media-related topics. Mr. Jai Maroo is a member of Remuneration committee and IPO committee of the Company. He is holding 12,34,200 equity shares of ₹ 10/- each in the company.

Details of other directorships of Mr. Jai Maroo are as follows:

1. Shemaroo Holdings Private Limited
2. Think Walnut Digital Private Limited

**Foreign Companies:**

3. Dyxlar (Singapore) Pte Ltd.
4. Shemaroo Entertainment (UK) Private Limited
5. Shemaroo Entertainment Inc.
6. Technology and Media Group Pte. Ltd.

Mr. Jai Maroo is retiring by rotation and has offered himself

for reappointment at the ensuing Annual General Meeting. Accordingly, the Board has recommended his reappointment as a Non- Executive Director liable to retire by rotation.

**Item No. 4 of the Notice:****Mr. Buddhichand Maroo**

Mr. Buddhichand Maroo is the Chairman of our Company and co-founder of our Group. He has completed his Intermediate studies from Mumbai. Mr. Buddhichand Maroo has approximately 49 years of business experience, out of which, he has been associated with the media and entertainment industry for more than 30 years. He has been involved in the various aspects of the business over the last several years. Currently, he has retired from active business and has been involved in several non-profit and social activities, particularly in Kutch (Gujarat). He has received several awards for the work done in the social field. He is a member of IPO Committee and Executive committee of the Company. Mr. Buddhichand Maroo is holding 3575320 Equity Shares of Rs. 10/- each in the Company. Mr. Buddhichand Maroo also holds directorship in Shemaroo Holdings Private Limited.

Mr. Buddhichand Maroo is retiring by rotation and has offered himself for reappointment at the ensuing Annual General Meeting. Accordingly, the Board has recommended reappointment of Mr. Buddhichand Maroo as a Non – Executive Director liable to retire by rotation.

# Directors' Report

## Dear Members,

Your Directors present the 7th Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2012.

(₹ in Lakhs)

	Current year 2011-12	Previous year 2010-11
<b>Income:</b>		
Sales & Services	18,051	15,493
Other Income	510	203
<b>Total Income</b>	<b>18,562</b>	15,696
<b>Expenditure:</b>		
Direct Operational Expenses	14,889	10205
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	(4,379)	(169)
Employee benefit expense	1,434	991
Financial Costs	1,926	1,533
Depreciation and amortization expense	294	271
Other expenses	1,494	1,242
<b>Total expenditure</b>	<b>15,658</b>	<b>14,074</b>
<b>Profit Before Taxation</b>	<b>2,904</b>	<b>1,622</b>
<b>Tax Expenses</b>		
Current year	938	323
Less: MAT Credit	(199)	—
Previous year	26	(34)
Deferred Tax	37	33
<b>Profit After Taxation</b>	<b>2,102</b>	1,299
Balance brought forward from previous years	2,854	(443)
Transferred from Capital Reserve on Demerger	—	2,200
<b>Profit available for Appropriation</b>	<b>4,956</b>	3,055
Less: Appropriations		
General Reserve	(53)	(95)
Proposed Dividend	(99)	(91)
Dividend Distribution Tax	(16)	(15)
<b>Balance carried to the Balance Sheet</b>	<b>4,788</b>	<b>2,854</b>

## FINANCIAL RESULTS:

### STANDALONE FINANCIALS:

The Ministry of Corporate Affairs (MCA) vide notification no. S.O. 447 (E) dated 28<sup>th</sup> February, 2011 amended the existing Schedule VI to the Companies Act, 1956. The revised Schedule VI is applicable from financial year commencing from 1<sup>st</sup> April, 2011. The financial statements of your Company for the year ended 31<sup>st</sup> March, 2012 have been reclassified / regrouped to confirm to this year's classification.

During the year under review, the Sales & Other Income increased to ₹ 18,052 lacs as against ₹ 15,493 lacs in the previous year. The Company had a growth with a Net Profit after taxation of ₹ 2102 lacs as compared to the Net Profit after tax of ₹ 1299 Lacs in the previous financial year.

### DIVIDEND

The directors recommend for consideration of the shareholders at the ensuing annual general meeting, payment of a dividend of ₹ 0.5 per share (5 per cent) for the year ended March 31, 2012.

The amount of dividend recommended is ₹ 99.24 lacs.

### TRANSFER TO GENERAL RESERVE

Your Company proposes to transfer ₹ 216 lacs to the general reserve. An amount of ₹ 5517 lacs is proposed to be retained in the statement of profit and loss.

### DIRECTORS

Mr. Jayesh Parekh, Mr. Kirit Gala, Mr. Gnanesh Gala, Mr. Shashidhar Sinha and Mr. VasANJI Mamania were appointed as Additional Directors by the Board on August 29, 2011. Accordingly, vide resolution of the Board dated November 11, 2011, followed by the resolution of the members dated December 12, 2011, all the aforesaid additional directors were re-designated as Directors liable to retire by rotation.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Jai Maroo and Mr. Buddhichand Maroo, Directors of the Company retire by rotation and, being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

### PRIVATE PLACEMENT OF EQUITY SHARES:

In August 2011, your Company issued and allotted 405146 equity shares of face value of ₹ 10/- (Rupees ten each) at a premium of ₹ 385/- (Rupees three hundred and eighty five only) per share aggregating to ₹ 1,600.33 lacs to various shareholders on a private placement basis.

### ISSUE AND ALLOTMENT OF BONUS SHARES

In August 2011, the Company issued and allotted 14886678 equity shares of ₹ 10/- (Rupees Ten) each aggregating to ₹ 1488.67 lacs as bonus shares credited as fully paid up to all members of the Company holding equity shares of the company at the close of business hours on August 29, 2011, being the Record Date, in the ratio of three new fully paid-up equity shares of ₹ 10/- (Rupees Ten) each for One fully paid up equity shares of ₹ 10/- (Rupees Ten) each held.

### PROPOSED INITIAL PUBLIC OFFERING OF EQUITY SHARES BY THE COMPANY:

Your company is planning to unlock its enterprise value and share its growth plan with public by coming up with its Initial Public Offering (IPO) of Equity Shares.

The Company has filed a Draft Red Herring Prospectus (DRHP) with the Securities & Exchange Board of India (SEBI).

Your Directors believe that the proposed IPO shall be a milestone in the company's corporate history and shall ultimately help to enhance its all stakeholder's wealth.

## **PUBLIC DEPOSITS**

The Company has accepted deposits to the tune of ₹ 940 lacs during the financial year under review in accordance with section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

## **AUDITORS AND AUDITORS' REPORT**

**M/s. M K Dandeker & Co.**, Registration No. **000679S**, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them to examine and audit the accounts of the Company for the financial year 2012-2013. **M/s. M K Dandeker & Co.**, have under section 224 (1B) of the Companies Act, 1956, furnished a certificate of their eligibility for re-appointment that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

The observations and comments given by the auditors in their report read together with notes to accounts are self-explanatory and hence do not require any further comments under section 217 of the Companies Act, 1956.

## **SUBSIDIARY COMPANIES**

As on 31st March, 2011 the company have two subsidiary companies namely Shemaroo Entertainment INC (US) and Shemaroo Entertainment (UK) Private Limited.

Pursuant to the approval granted by the Ministry of Corporate Affairs vide Circular No. 02/2011 dated February 8, 2011, copies of the Balance Sheet, Profit and Loss Account, and Report of the Board of Directors and the Auditors of the Subsidiary Companies are not being attached to the Balance Sheet of the Company. The financial information of the subsidiary companies as required by the aforesaid circular is disclosed under the heading 'Financial Details of Subsidiary Companies' which forms part of the Annual Report.

The Company will make available hard copies of the Annual Accounts of the subsidiary companies and related detailed information to the members of the Company/Subsidiaries seeking the same.

## **CONSOLIDATED FINANCIALS**

Consolidated Financial Statements in accordance with Accounting Standard-21 issued by the Institute of Chartered Accountants of India have been provided in the Annual Report. These Consolidated Financial Statements provide financial information about your Company and its Subsidiaries as a single economic entity. The Consolidated Financial Statements form part of this Annual Report.

## **DIRECTORS RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, the Directors hereby confirm:

1. that in the preparation of the Annual Accounts for the year ended March 31, 2012, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
2. that the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a fair view of the state of affairs of the Company at the year ended March 31, 2012 and of the profit / loss of the Company for that period.
3. that the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.



4. that the Directors have prepared the Annual Accounts for the year ended March 31, 2012 on a going concern basis.

### **PARTICULARS OF EMPLOYEES**

No employee was paid remuneration more than the limit prescribed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011. Hence, no separate disclosure is made by the Company in this regard.

### **CORPORATE GOVERNANCE REPORT:**

The Company is committed to maintain the highest standards of Corporate Governance. The Company has implemented several corporate governance practices as prevalent globally. The Corporate Governance Report is appended as Annexure 'A' with this report.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS:**

The Management Discussion and Analysis Report is appended as Annexure 'B' with this report.

### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

The information under section 217 (i) (e) (read the Companies disclosure of particulars in the report of Board of Directors) Rule, 1988.

#### **1. CONSERVATION OF ENERGY**

The requirement for disclosure with respect to conservation of energy, under Form A, is not applicable to the Company for the year under review.

#### **2. TECHNOLOGY ABSORPTION**

The company is engaged in trading activities and does not

involve any specialized or innovative technology. As such there is nothing to report on Technology Absorption.

#### **3. FOREIGN EXCHANGE EARNINGS & OUTGO**

The information on foreign exchange earnings and outgo is given in the notes forming part of accounts at point No. 29, 30, 31.

### **HUMAN RESOURCES**

Your Company enjoys cordial relations with its employees. The key focus of your Company is to attract, retain and develop talent. The Board wishes to place on record its appreciation of the contributions made by all employees ensuring high levels of performance and growth during the year.

### **SOCIAL COMMITMENTS**

Your Company is aware of its social responsibility and has been from time to time contributing to social issues.

### **ACKNOWLEDGEMENT**

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from shareholders, bankers, employees, regulatory bodies and other Business constituents during the year under review.

For and on behalf of the Board of Directors

**Raman Maroo**      **Atul Maru**  
Managing Director    Jt. Managing Director

Mumbai  
June 29, 2012

# Report on Corporate Governance

## Annexure 'A'

### **1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Effective Corporate Governance practice is about commitment to values, ethical business conduct and constitutes strong fundamentals on which a successful commercial enterprise is built to last. The Corporate philosophy of the Company is to promote corporate fairness, transparency and accountability with the objective of maximizing long term value for all stakeholders. Corporate Governance norms are dynamic in nature and the Company constantly endeavors to improve on these aspects.

### **2. BOARD OF DIRECTORS:**

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Company has an appropriate mix of executive and independent directors to maintain the independence of the Board. The Board presently consists of Ten (10) Directors (Two (2) Managing Directors, One (1) Whole Time Director, Two (2) Non-Executive Directors, and Five (5) Non-executive Independent Directors). The Chairman of the Board is a Non-Executive Director of the Company.

#### **A. Board Procedure:**

A detailed Agenda along with comprehensive notes and background material are circulated well in advance before each meeting of the Board and Committee meetings. The Executive Whole Time Director briefs

the Board at every meeting on the overall performance of the Company. All statutory and significant material information are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the company as trustees of the shareholders. The proceedings of the meetings of the Board and the Committee are recorded in the form of minutes and the draft minutes are circulated to the Board for approval. The important decisions taken at the Board/Committee meetings are communicated to the concerned departments/divisions promptly.

#### **B. Attendance of the Directors at Meetings of the Board:**

During the year 2011-12, the Board met 8 times - on 27<sup>th</sup> April, 2011, 10<sup>th</sup> June, 2011, 26<sup>th</sup> July, 2011, 8<sup>th</sup> August, 2011, 29<sup>th</sup> August, 2011, 19<sup>th</sup> September, 2011, 11<sup>th</sup> November, 2011 and 3<sup>rd</sup> March 2012. The maximum time gap between any two meetings was not more than four calendar months.

None of the Directors on the Board are members of more than ten committees or chairman of more than five committees across all the public companies in which they are Directors.

The details of composition, nature of Directorship, the number of meetings attended and the directorships / memberships in other companies of the Directors are detailed below:

Name of the Director	Nature of Directorship	Relationship with each other	Attendance at the		Directorship in other Companies (#)		No. of Committee positions held in other Companies (@)	
			Board Meetings	AGM	Chairman	Member	Chairman	Member
Buddhichand Maroo	Non-Executive Director	Brother of Mr. Raman Maroo and Mr. Atul Maru	4	NO	NIL	NIL	NIL	NIL
Raman Maroo	Promoter Executive Director	Brother of Mr. Buddhichand Maroo and Mr. Atul Maru	8	YES	NIL	2	2	NIL
Atul Maru	Promoter Executive Director	Brother of Mr. Buddhichand Maroo and Mr. Raman Maroo	8	YES	NIL	NIL	NIL	1
Hiren Gada	Executive Director	Not a relative of any of the directors.	8	YES	NIL	NIL	NIL	1
Jai Maroo	Non-Executive Director	Son of Mr. Buddhichand Maroo	7	NO	NIL	NIL	NIL	NIL
Jayesh* Parekh	Independent, Non-Executive Director	**	2	NO	NIL	NIL	1	NIL
Kirit Gala*	Independent, Non-Executive Director	**	3	NO	NIL	NIL	NIL	1
Gnanesh Gala*	Independent, Non-Executive Director	**	3	NO	NIL	NIL	1	NIL
Vasanji Mamania*	Independent, Non-Executive Director	**	2	NO	NIL	NIL	NIL	NIL
Shashidhar Sinha*	Independent, Non-Executive Director	**	2	NO	NIL	1	NIL	1

\* Appointed as Additional Directors by the Board on August 29, 2011 and re-designated as Directors liable to retire by rotation vide resolution of the Board dated November 11, 2011, followed by the resolution of the members dated December 12, 2011.

# Excludes directorship in Shemaroo Entertainment Limited. Also excludes Alternate directorships, directorship in Private Limited Companies, Foreign Companies and Companies registered under Sec.25 of the Companies Act, 1956.

\*\* There is no relationship between any of the Independent Directors.

@ For the purpose of considering the limit of the Committee Memberships and Chairmanships of a Director, the Audit Committee and the Investor Grievance Committee of Public Limited Companies have been considered.

### **3. Profile of Directors retiring by rotation and seeking re-appointment**

#### **i) Mr. Jai Maroo**

Mr. Jai Maroo is the Non-executive Director of our Company. He holds a Masters Degree in computer science and engineering from Pennsylvania State University, U.S.A and a graduate degree in computer engineering from the University of Mumbai. Mr. Jai Maroo has 4 years of experience as a software engineer. He has worked with Citrix Systems Inc., U.S.A as a team leader. He is an NRI. Over the last few years, he has been active on the technology side. He has also been an investor in several technology ventures and other such ventures. He is guiding the Company on digital distribution activities mainly on mobile and internet amongst others. He has been a speaker on several national and international forums on technology and media-related topics. Mr. Jai Maroo is a member of Remuneration committee and IPO committee of the Company. He is holding 12,34,200 equity shares of Rs. 10/- each in the company.

Mr. Maroo is retiring by rotation and has offered himself for reappointment at the ensuing Annual General Meeting. Accordingly, the Board has recommended his reappointment as a Non- Executive Director liable to retire by rotation.

Details of other directorships of Mr. Jai Maroo are as follows:

1. Shemaroo Holdings Private Limited
2. Think Walnut Digital Private Limited

#### **Foreign Companies:**

3. Dyxlar (Singapore) Pte Ltd.
4. Shemaroo Entertainment (UK) Private Limited

5. Shemaroo Entertainment Inc.
6. Technology and Media Group Pte. Ltd.

#### **ii) Mr. Buddhichand Maroo**

Mr. Buddhichand Maroo is the Chairman of our Company and co-founder of our Group. He has completed his Intermediate studies from Mumbai. Mr. Buddhichand Maroo has approximately 49 years of business experience, out of which, he has been associated with the media and entertainment industry for more than 30 years. He has been involved in the various aspects of the business over the last several years. Currently, he has retired from active business and has been involved in several non-profit and social activities, particularly in Kutch (Gujarat). He has received several awards for the work done in the social field. He is a member of IPO Committee and Executive committee of the Company. Mr. Buddhichand Maroo is holding 3575320 Equity Shares of Rs. 10/- each in the Company.

Mr. Buddhichand Maroo is retiring by rotation and has offered himself for reappointment at the ensuing Annual General Meeting. Accordingly, the Board has recommended reappointment of Mr. Buddhichand Maroo as a Non – Executive Director liable to retire by rotation.

Mr. Buddhichand Maroo also holds directorship in Shemaroo Holdings Private Limited.

### **4. CODE OF CONDUCT**

The Board of Directors have adopted following code of conducts in its meeting dated August 29, 2011:

1. Model Code of Conduct for all the Directors and Senior Management of the Company.
2. Code of Internal procedures and Conduct for prevention of Insider trading.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

This annual report has a detailed section on Management Discussion and Analysis.

## 6. COMMITTEES

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope. The Committees operate as empowered agents of the Board as per their Charter/terms of reference. The minutes of the meetings of all Committees of the Board are placed before the Board for discussions/noting.

Presently your Company has constituted the following five committees:

- a) Audit Committee;
- b) Investors' Grievance Committee;
- c) Remuneration Committee;
- d) IPO Committee; and
- e) Executive Committee

### A. AUDIT COMMITTEE

The audit committee was constituted by our Directors at the Board meeting held on August 29, 2011. The Audit Committee comprises of the following members:

Sr.	Name of the Member	Designation	Nature of Directorship
1.	Mr. Gnanesh Gala	Chairman	Independent Director
2.	Mr. Kirit Gala	Member	Independent Director
3.	Mr. Hiren Gada	Member	Executive Director

#### Meetings and attendance during the year:

The details of the dates on which the meetings were held and attendance of the Committee member during the

financial year ended 31<sup>st</sup> March, 2012 are as follows:

Sr.	Date of Committee Meeting	Members present	Committee strength
1	11th November, 2011	Three	Three
2	3rd March, 2012	Three	Three

#### Scope and terms of reference:

The Audit Committee will perform the following functions with regard to accounts and financial management:

- overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- regular review of accounts, accounting policies, disclosures, etc;
- regular review of the major accounting entries based on exercise of judgment by management;
- qualifications in the draft audit report;
- establishing and reviewing, with the management, the scope of the statutory audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the director's responsibility statement to be included in the Board's report in terms of clause 2(AA) of section 217 of the Companies Act, 1956, changes in the accounting policies and practices and reasons for the same, major accounting entries involving estimates based on the exercise of judgment by management, significant adjustments made in the financial statements arising out of audit findings, compliance with listing and other legal requirements relating to financial statements, disclosure of any



related party transactions and qualifications in the draft audit report;

- reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussions to ascertain any area of concern;
- regular review, with the management, of the performance of statutory and internal auditors and adequacy of the internal control systems;
- discussion and follow up on any significant and/or important findings with the internal auditors. In case there is a suspected case of fraud or irregularity, review of the findings of any internal investigations by the internal auditors and reporting the matter to the Board;
- establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems including structure of the internal audit department, frequency of internal audit, staffing and seniority of the official heading the department;
- review the functioning of the whistle blower mechanism, in case the same is existing;
- to look into reasons for substantial defaults in

the payment to depositors, debenture holders, shareholders and creditors;

- to look into the matters pertaining to the director's responsibility statement with respect to compliance with applicable accounting standards and accounting policies;
- compliance with stock exchange legal requirements concerning financial statements, to the extent applicable;
- the committee shall look into any related party transactions i.e., transactions of the company of material nature and disclose such transactions, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large;
- recommending to the Board the appointment, re-appointment, and replacement or removal of the statutory auditor and the fixation of audit fee;
- approval of payments to the statutory auditors for any other services rendered by them;
- mandatory review of management discussion and analysis of financial condition and results of operations, statements of related party transactions submitted by management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the chief internal auditor;
- approval of appointment of chief financial officer (i.e., the whole-time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience

and background, etc. of the candidate;

- review the financial statements, in particular, the investments made by material unlisted subsidiaries;
- such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

## B. INVESTOR GRIEVANCE COMMITTEE

The Investor Grievance Committee was constituted by our Directors at the Board meeting held on August 29, 2011. The Investor Grievance Committee comprises of the following members:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Mr. Jayesh Parekh	Chairman	Independent Director
2.	Mr. Shashidhar Sinha	Member	Independent Director
3.	Mr. Atul Maru	Member	Executive Director

The Investor Grievance Committee did not meet any time during the year.

### **Scope and terms of reference:**

The Investor Grievance Committee has been constituted to do the following acts:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of declared dividends, interest, non-receipt of balance sheet, etc of the Company;
- Approve requests for share transfers and transmission and those pertaining to re-materialisation of shares/ sub-division/ consolidation/ issue of renewed and duplicate share certificates etc;

- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

## C. REMUNERATION COMMITTEE

The remuneration committee was constituted by our Directors at the Board meeting held on August 29, 2011. The Remuneration Committee comprises of the following members:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Mr. VasANJI MamanIA	Chairman	Independent Director
2.	Mr. Sashidhar Sinha	Member	Independent Director
3.	Mr. Jai Maroo	Member	Non-Executive Director

The Remuneration Committee did not meet any time during the year.

### **Scope and terms of reference:**

The Remuneration Committee exercises powers in relation to the matters listed below:

- Framing suitable policies and systems to ensure that there is no violation, by an Employee of the Company of any applicable laws in India or overseas, including:
- The Securities and Exchange Board of India (Insider Trading) Regulations, 1992; or
- The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities market) Regulations, 1995.
- Determine on behalf of the Board and the shareholders the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payments.

## Shemaroo Entertainment Ltd.

- Perform such functions as are required to be performed under Clause 5 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.
- The observations of the said committee be placed before the subsequent meeting of the Board for information and further necessary action.

### D. IPO COMMITTEE

The IPO committee was constituted by our Directors at the Board meeting held on August 29, 2011. The IPO Committee comprises of the following members:

Sr. No.	Name of the Member	Designation	Nature of Directorship
1.	Mr. Raman Maroo	Chairman	Executive Director
2.	Mr. Atul Maru	Member	Executive Director
3.	Mr. Hiren Gada	Member	Executive Director
4.	Mr. Jai Maroo	Member	Non-Executive Director

#### Meetings and attendance during the year:

The details of the dates on which the meetings were held and attendance of the Committee member during the financial year ended 31st March, 2012 are as follows:

Sr. No.	Date of Committee Meeting	Members present	Committee strength
1	19 <sup>th</sup> September, 2012	Four	Four
2	4 <sup>th</sup> November, 2011	Four	Four
3	26 <sup>th</sup> December, 2012	Four	Four
4	26 <sup>th</sup> March, 2012	Four	Four

### Scope and terms of reference:

The IPO Committee exercises powers in relation to the matters listed below:

- The IPO Committee has been constituted to decide the terms and conditions of the Issue, finalisation and filing of the Draft Red Herring Prospectus and the Red Herring Prospectus with SEBI, the Stock Exchanges and other regulatory bodies as may be required;
- Handle all matter relating to appointment of intermediaries and advisors in relation to the IPO;
- Deciding on allocation of the equity shares to specific categories of persons;
- Opening of bank accounts, securities account, escrow or custodian accounts, submitting applications and seeking listing of Equity Shares with the Stock Exchanges;
- Determining and finalising the price band, bid opening and closing date of this Issue, approving and finalising the 'Basis of Allocation';
- Determining the price at which the Equity Shares are to be offered to the investors;
- Settling difficulties and doubts arising in relation to the IPO;
- Empowering the authorized officers to enter into and execute any agreements or arrangements in relation to the IPO; and
- Carry out all acts and take all decisions as may be necessary for the purposes of the IPO and listing.

### E. EXECUTIVE COMMITTEE

The Executive committee was constituted by our Directors at the Board meeting held on August 29, 2011. The Executive

Committee comprises of the following members:

Sr. No.	Name of the Member	Designation	Nature of Directorship
1.	Mr. Raman Maroo	Chairman	Executive Director
2.	Mr. Atul Maru	Member	Executive Director
3.	Mr. Hiren Gada	Member	Executive Director

#### Meetings and attendance during the year:

The details of the dates on which the meetings were held and attendance of the Committee member during the financial year ended 31<sup>st</sup> March, 2012 are as follows:

Sr. No.	Date of Committee Meeting	Members present	Committee strength
1	23 <sup>rd</sup> September, 2011	Three	Three
2	21 <sup>st</sup> October, 2011	Three	Three
3	21 <sup>st</sup> December, 2011	Three	Three
4	13 <sup>th</sup> February, 2012	Three	Three
5	12 <sup>th</sup> March, 2012	Three	Three

#### Scope and terms of reference:

The Executive Committee exercises powers in relation to the matters listed below:

- To open and operate Bank Accounts.
- To authorize change in signatories.
- To give instructions relating to the transactions of the Company with the Banks.
- To give necessary instructions for closure of Bank Accounts.
- To issue / revalidate / cancel Powers of Attorney.
- To authorize persons to act on behalf of the Company

in relation to legal proceedings, appearing before any government authorities/agencies, dealing with the outside parties or in relation to any other matter where such authorization is required.

- To invest the funds of the Company upto a limit of ₹ 25,00,00,000 (Rupees Twenty Five crores only) in Shares, Debentures, Mutual Funds, FDRs and Bonds of Bodies Corporate and Government or Semi Government agencies.
- To avail loans, credit facilities, lease arrangements, inter corporate borrowings and other borrowing from Banks/ Financial Institutions upto a limit of ₹ 2,500,000,000 (Rupees Two hundred and fifty crores only).
- To accept the terms and conditions for availing the said financial assistance.
- To authorize execution of documents and affix the Common Seal of the Company, wherever necessary.
- To request Banks or Financial Institutions for disbursement of funds.
- To create security on the assets of the Company for availing of the above-mentioned facilities.
- To do all acts, deeds and things, as may be required or considered necessary or incidental thereto.
- Any other related matters.

## 7. REMUNERATION POLICY

The Remuneration of the Managing Directors and Whole Time Director is decided by the Board within the ceiling limit fixed by the Shareholders of the Company. The company pays remuneration by way of salary, perquisites and allowances. The Annual increments are effective from 1<sup>st</sup> April of every year within the limit as approved by the

## Shemaroo Entertainment Ltd.

Shareholders of the Company pursuant to the section 198, 309 and Schedule XIII of the Companies Act, 1956.

### A. Remuneration to Non-Executive Directors

Sitting Fees is paid to the Non Executive Directors of the company for each meeting of the Board or any Committee thereof attended by them as per the provisions of Articles of Association of the Company.

### B. Remuneration to Managing Director and Whole time Directors for the Financial Year 2011-12

Name and Designation	Salary Paid (In Rs. p.a)	Commission / Sitting Fees
Mr. Raman Maroo Managing Director	4,206,662	NIL
Mr. Atul Maru Jt. Managing Director	4,206,662	NIL
Mr. Hiren Gada Whole Time Director	3,206,680	NIL

## 8. GENERAL BODY MEETINGS

a) Location and time, where last three Annual General Meetings were held is given below:

Financial Year	Date	Location of the Meeting	Time	Particulars of the Special Resolution
2008-2009	September 30, 2009	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	2.30 PM	—
2009-2010	September 30, 2010	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	11.00 AM	Appointment of Ms. Nirvi Maru pursuant to section 314 of the Companies Act, 1956
2010-2011	July 11, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	4:00 PM	1. Increase of Authorised Share Capital. 2. Alteration of Memorandum of Associations thereof. 3. Preferential Issue of Shares.



b) Location and time, where Extraordinary General Meetings (EGM) were held for last three years is given below:

Financial Year	Date	Location of the Meeting	Time	Particulars of the Special Resolution
2009-2010	No EGM Was Held During The Year			
2010-2011	December 20, 2010	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	4.00 PM	<ol style="list-style-type: none"> <li>Increase of Authorised Share Capital</li> <li>Alteration of Memorandum of Association</li> <li>Alteration of Articles of Association</li> <li>Alteration of Articles of Association</li> <li>Reduction of Capital Reserves</li> </ol>
	January 24, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	11.00 AM	<ol style="list-style-type: none"> <li>Increase in Borrowing Powers of the Company U/s 293(1) (d) of the Companies Act, 1956</li> <li>Authorisation to Mortgage and Charge Properties of the Company U/s 293(1) (a) of the Companies Act, 1956</li> <li>Re-appointment of Mr. Raman Maroo as Managing Director</li> <li>Re-appointment of Mr. Atul Maroo as Jt. Managing Director</li> <li>Appointment of Mr. Hiren Gada as Whole Time Director</li> <li>Payment of Remuneration to directors other than MDs/WTD pursuant to section 309(4) of the Companies Act, 1956.</li> </ol>
	March 11, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	3.00 PM	<ol style="list-style-type: none"> <li>Alteration of Articles of Association pursuant to Shareholders' Agreement</li> <li>Revision of Salary of Ms. Mansi Maroo, holding office or place of profit u/s 314 of the Companies Act, 1956</li> <li>Revision of Salary of Ms. Smita Maroo, holding office or place of profit u/s 314 of the Companies Act, 1956</li> <li>Revision of Salary of Ms. Kranti Gada, holding office or place of profit u/s 314 of the Companies Act, 1956</li> <li>Revision of Salary of Ms. Madhuri Gada, holding office or place of profit u/s 314 of the Companies Act, 1956</li> </ol>
2011-2012	March 26, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	3.00 PM	<ol style="list-style-type: none"> <li>Conversion into Public Company</li> <li>Amendment of Articles of Association thereof</li> <li>Issue of Bonus Shares</li> </ol>
	August 29, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	3.00 PM	<ol style="list-style-type: none"> <li>Issue of Bonus Shares</li> <li>Further issue of shares by way of IPO</li> <li>Adoption of new set of Articles pursuant to termination of Shareholders' Agreement</li> </ol>

Financial Year	Date	Location of the Meeting	Time	Particulars of the Special Resolution
	December 9, 2011	Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059	11.00 AM	1. Appointment of Mr. Jayesh Parekh as Director 2. Appointment of Mr. Kirit Gala as Director 3. Appointment of Mr. Gnanesh Gala as Director 4. Appointment of Mr. Shashidhar Sinha as Director 5. Appointment of Mr. VasANJI MAMANIA as Director 6. Increasing the Limit of FIIs' holding of shares 7. Contract with Think Walnut Digital Private Ltd. pursuant to provisions of section 197 of the Companies Act, 1956

All the above resolutions which were put to vote by show of hands were passed unanimously.

No polling was used for voting at these meetings in respect of resolutions passed.

## 9. MEANS OF COMMUNICATION:

Audited yearly report sent to each shareholder	Yes
Whether Management discussion & Analysis: is a part of annual report or not	Yes

## 10. GENERAL SHAREHOLDER INFORMATION:

### (i) Annual General Meeting:

Date	: 28 <sup>th</sup> day of September, 2012
Time	: 11:00 AM
Venue	: Shemaroo House, Plot No. 18, Marol Co-op Indl. Estate, Andheri (E), Mumbai – 400059

### (ii) Share Transfer System

The Board of Directors registers the transfer of physical shares within 7-10 days of receipt of documents, if found in order. Share transfer documents found deficient in any form are returned within 7 days.

### (iii) Distribution of shareholding as on 31<sup>st</sup> March, 2012:

No. of Equity shares	No. of Shareholders	% of Shareholders	No. of Share held	% of Shareholding
1-10000	7		60,064	0.30
10001-50000	12		3,52,128	1.77
50001-100000	15		8,71,564	4.39
100001 and above	12		1,85,65,148	93.54
<b>Total</b>	<b>46</b>	<b>100</b>	<b>198,48,904</b>	<b>100</b>
Physical Mode	7		23,30,592	11.74
Electronic Mode	39		1,75,18,312	88.26

(iv) Shareholding Pattern as on 31<sup>st</sup> March, 2012:

Sr.	Category	No. of shares held	% to total capital
<b>A. Shareholding of Promoters and Promoter Group</b>			
1	Individuals/Hindu Undivided Family	1,48,34,880	74.74
2	Individuals (Non-Resident Individuals/Foreign Individuals)	12,34,200	6.22
3	Bodies Corporate (OCB)	18,22,840	9.18
<b>Total Shareholding of Promoters and Promoter Group [A]</b>		<b>1,78,91,920</b>	<b>90.14</b>
<b>B. Public shareholding</b>			
4	Bodies Corporate	5,96,648	3.01
5	Non Resident Indians	2,54,580	1.28
6	Trust	1,01,264	0.51
7	Individuals	9,28,492	4.68
8	LLP	76,000	0.38
<b>Total Public Shareholding [B]</b>		<b>19,56,984</b>	<b>9.86</b>
<b>TOTAL SHAREHOLDING [A]+[B]</b>		<b>1,98,48,904</b>	<b>100.00</b>

## (v) Shareholding Pattern of Directors as at 31st March, 2012:

Sr.	Name of the Shareholder	No. of Shares @ Re. 10/-each	% holding
1.	Raman Maroo	4,809,520	24.23
2.	Atul Maru	4,809,520	24.23
3.	Hiren Gada	1,640,520	8.27
4.	Buddhichand Maroo	3,575,320	18.01
5.	Jai Maroo	1,234,200	6.22
6.	Jayesh Parekh	153308	0.77
7.	Vasanji Mamania	50636	0.26
8.	Shashidhar Sinha	NIL	—
9.	Gnanesh Gala	NIL	—
10.	Kirit Gala	NIL	—
<b>Total</b>		<b>16273024</b>	<b>81.98</b>

## (vi) Address for Communication:

Shemaro House, Plot No. 18,  
Marol Co-Op. Industrial Estate,  
Marol, Andheri (E),  
Mumbai – 400059

**(vii) Company Secretary and Compliance Officer:**

Mr. Ankit Singh  
Shemaro House, Plot No. 18,  
Marol Co-Op. Industrial Estate,  
Marol, Andheri (E),  
Mumbai - 400059

**(viii) Corporate Identity Number (CIN)**

The Company's CIN allotted by the Ministry of Corporate Affairs is U67190MH2005PLC158288.

**(ix) Nomination Facility**

Section 109A of the Companies Act, 1956 facilitates shareholders to make nominations in respect of shares held by them. Shareholders holding shares in physical form who are desirous of making a nomination are requested to send their requests in Form No. 2B to the Company for registration of Nomination.

# Management's Discussion and Analysis

## Annexure 'B'

### Economic outlook of India

The Indian economy was not insulated 2011 by the global events like the sovereign debt crisis in Europe and other events occurred around the world. Indian economy is plagued by high inflation, weak Indian rupee and muted GDP growth. India's GDP grew at 6.5% vis-a-vis 8.6% in 2010-11. The IIP for the quarter ending March, 2012 fell by 3.5% as against the forecasted growth of 1.6%. Going forward corrective measures have to be taken by the government to put India back on the high growth track.

### Entertainment Industry overview

#### Structure of Indian entertainment industry

The Indian M&E industry in 2011 had mixed results across sectors with the traditional media businesses like TV and print experiencing a slowdown compared to last year. The new media segments like animation and VFX, online and gaming witnessed strong growth rates. The M&E industry in India is dominated by TV which stood at INR 329 bn. constituting to over 45% of the total industry size which was estimated to be INR 728 bn. in 2011. Print and film segments followed TV with INR 208.8 bn.

#### Overall industry size (INR billion)

Overall industry size (INR Billion)	2007	2008	2009	2010	2011	Growth in 2011 over 2010	2012P	2013P	2014P	2015P	2016P	CAGR (2011-16)
TV	211.0	241.0	257.0	297.0	329.0	10.8%	380.0	435.0	514.0	618.0	735.0	17%
Print	160.0	172.0	175.2	192.9	208.8	8.3%	226.0	246.8	270.0	294.9	323.4	9%
Film	92.7	104.4	89.3	83.3	92.9	11.5%	100.0	109.7	121.1	134.5	150.3	10%
Radio	7.4	8.4	8.3	10.0	11.5	15.0%	13.0	16.0	20.0	24.0	29.5	21%
Music	7.4	7.4	7.8	8.6	9.0	4.7%	10.0	11.3	13.1	15.4	18.2	15%
OOH	14.0	16.1	13.7	16.5	17.8	7.6%	19.5	21.5	23.6	26.0	29.0	10%
Animation and VFX	14.0	17.5	20.1	23.6	31.0	31.2%	36.3	43.0	51.1	61.0	69.0	17%
Gaming	4.0	7.0	8.0	10.0	13.0	30.0%	18.0	23.0	29.0	37.0	46.0	29%
Digital Advertising	4.0	6.0	8.0	10.0	15.4	54.0%	19.9	25.8	33.5	43.7	57.0	30%
<b>Total</b>	<b>514</b>	<b>580</b>	<b>587</b>	<b>652</b>	<b>728</b>	<b>11.7%</b>	<b>823</b>	<b>932</b>	<b>1076</b>	<b>1254</b>	<b>1457</b>	<b>14.9%</b>

and INR 92.9 bn. respectively.

Going forward positive developments are expected in the television distribution space, and in radio, as both industries undergo regulatory changes. Secondly, new media such as Animation / VFX, digital advertising, and gaming are expected to continue their growth momentum. The overall Indian M&E industry is expected to grow to INR 823 bn. in 2013 and further reach INR 1457 bn. in 2016 at a CAGR of 14.9%.

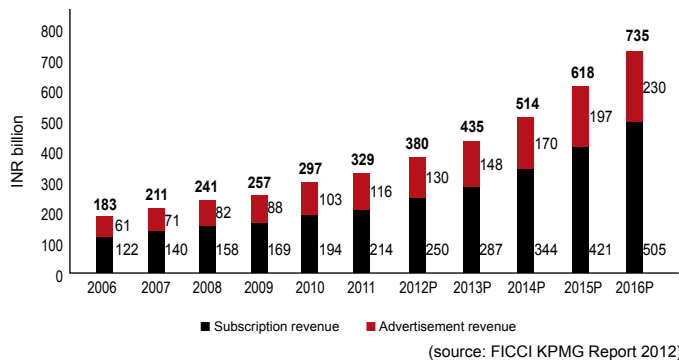
#### Indian TV industry

Television is the largest medium for media delivery in India. After USA and China, India is the third largest TV market with 146 mn. TV households and has further headroom to grow as television penetration in India is still at approximately 60% of total household. The TV industry is expected to grow to INR 380 bn. in 2012 and hit the INR 735 bn in 2016. The share of subscription to the total industry revenue is expected to increase from 65 percent in 2011 to 69 percent in 2016.

(source: FICCI KPMG Report 2012)



TV Industry size



### Indian TV broadcast industry

In 2011 the TV broadcasting industry saw a lower-than-expected advertising revenue growth but the long-term outlook is positive with Digitization of cable to significantly benefit the subscription revenue stream of the broadcasting community, while simultaneously rationalizing carriage.

### Growth drivers for broadcast industry

- **Digitization and its consequent impact on content acquisition cost**

Digitization of networks is not just about better quality of content as most people tend to believe, the more important aspect of digitization of cable networks is the addressability of individual homes. When each subscriber can be ‘addressed’, it is possible to deliver targeted content such as video on demand directly to the homes.

In the absence of digital addressability, the industry estimates that a cable operator declares only 15 to 20 percent of his actual subscriber base to the MSO. Subscriber declaration levels are expected to increase to 100 percent post digitization this in turn will increase the content acquisition budget of broadcasters leading to higher content realization for Shemaroo.

Stake-holder revenue share	Pre-digitization	Post 2016
Consumer ARPU	100%	100%
LCO	65-70%	35-50%
Distributor	5%	0-5%
MSO	15%-20%	25-30%
Broadcaster	10%-15%	30-35%

(source: FICCI KPMG Report 2012)

- **Demand supply mismatch**

The mismatch in demand and supply of content is leading to higher content price for Shemaroo. The demand for content is ever increasing with increase in viewership, increase in TV household in the country, increase in number of channels and movie slots and competition among broadcasters for quality content. The supply side is constrained by shortage of compelling content since in total only 200-250 new films are produced every year and there are very few organized aggregators like Shemaroo.

### Impact of the changes

- **Growing value of the library**

Digitization of cable television will help the broadcasters to identify the exact number of subscriber leading to more revenues as the existing leakage will become minimum. The increase in revenue for broadcasters will mean they will have an option to spend more on content acquisition leading to increase in the price of content which in turn will benefit Shemaroo as it has a large content library.

The demand supply mismatch is leading to increase in movie acquisition cost and is growing at rates of approximately 30-35 percent per annum over the last three years. This reflects both the shortening theatrical window and the growing demand for movies among broadcasters. Cost of renewal of movie broadcast rights has also been rising

strongly. The level of competition for bidding is reflected in the fact that broadcast rights renewal needs to be done 2 to 3 years before contract expiry else a competing channel may bid for and pick up the rights 1 to 2 years before the current contract expiry.

## Financial Highlights

(₹ in Lakhs)

Particulars	FOR THE YEAR ENDED MARCH 31,		
	2012	Percentage growth	2011
<b>Income</b>			
Revenue from operations	18,201.11	15.02%	15,824.39
<i>As a % of total income</i>	97.27%		98.73%
Other Income	510.54	150.94%	203.45
<i>As a % of total income</i>	2.73%		1.27%
<b>Total Income</b>	<b>18,711.65</b>	16.74%	<b>16,027.84</b>
<b>Total</b>	<b>18,711.65</b>	16.74%	<b>16,027.84</b>
<b>Expenditure</b>			
Direct Operating Expenses	10,549.18	3.47%	10,195.15
<i>As a % of total income</i>	56.38%		63.61%
Employee benefit expense	1,481.35	43.28%	1,033.87
<i>As a % of total income</i>	7.92%		6.45%
Other expenses	1,516.08	16.99%	1,295.95
<i>As a % of total income</i>	8.10%		8.09%
<b>Total</b>	<b>13,546.61</b>	8.16%	<b>12,524.97</b>
<i>As a % of total income</i>	72.40%		78.15%
<b>Earnings before Interest, Depreciation, Tax and Extraordinary Items (A-B)</b>	<b>5,165.04</b>	47.45%	<b>3,502.87</b>
<i>As a % of total income</i>	27.60%		21.85%
Financial Expenses	1,926.85	25.67%	1,533.25
<i>As a % of total income</i>	10.30%		9.57%
<b>Profit Before Depreciation &amp; Tax</b>	<b>3,238.19</b>	64.41%	<b>1,969.63</b>
<i>As a % of total income</i>	17.31%		12.29%
Depreciation	294.53	8.55%	271.34
<i>As a % of total income</i>	1.57%		1.69%
<b>Profit before Tax and Extraordinary Items</b>	<b>2,943.66</b>	73.33%	<b>1,698.29</b>
<i>As a % of total income</i>	15.73%		10.60%
Tax Expenses	802.20		322.90
<b>Net Profit after Tax but before Extraordinary Items</b>	<b>2,141.46</b>	55.70%	<b>1,375.39</b>
<i>As a % of total income</i>	11.44%		8.58%
Extraordinary Items			
<b>Net Profit after Extraordinary Items</b>	<b>2,141.46</b>	55.70%	<b>1,375.39</b>
<i>As a % of total income</i>	11.44%		8.58%

## **Income**

Our total income increased by 16.74% from ₹ 16,027.84 lakhs in Fiscal 2011 to ₹ 18,711.65 lakhs in Fiscal 2012 due to robust demand for films from television broadcasters and growth of new media platforms. In anticipation of these trends we had built a strong pipeline of content to service both the segments.

The Company has a robust and dynamic business model with a de-risking strategy of maximum monetization of content on various platforms.

## **EBDITA**

EBITDA increased by 47.45% from ₹ 3,502.87 lakhs in Fiscal 2011 to ₹ 5,165.04 lakhs in Fiscal 2012 due to combination of higher revenue and better operating efficiency leading to higher margins. Also, as our perpetual rights library grows, our direct cost reduces. EBITDA margin as a percentage of total income improved from 21.85% to 27.60% for the same period.

## **PAT**

Our PAT increased by ₹ 766.07 lakhs, from ₹ 1,375.39 lakhs in Fiscal 2011 to ₹ 2,141.46 lakhs in Fiscal 2012. PAT margin as a percentage of total income increased from 8.58% to 11.44% for the same period.

## **Significant Factors Affecting our Results of Operations**

Our financial condition and results of operations are affected by numerous factors, the following of which are of particular importance:

### **1. Challenging Economic Condition**

Occurrence of events like the recent global financial meltdown can have an adverse impact on our business and operations and the entertainment and media industry in general. Factors like liquidity crunch may affect the scale

and production of films. Slowdown in advertising budgets can impact the broadcast industry. Entertainment and Media spends are largely discretionary in nature, and in tough economic conditions, consumers may resort to cut in these spends.

While one cannot be totally insulated against challenging economic conditions, we believe that there will always be demand for compelling content, even in tough economic conditions. Only the flavor of content might change with times. Besides, most of the segments we operate in, like cable and satellite are a less expensive form of entertainment & leisure, and sometimes may benefit at the expense of other leisure activities.

### **2. Changes in Technology**

The landscape of the media industry continues to change in response to technological innovation and evolving consumer trends. New mediums and technology like 3G, iPad, IPTV, DTH are changing the very definition of media. If we are unable to respond to changes in technology and evolving industry trends, our businesses may not be able to compete effectively.

We have been a key player in the evolution of the media industry. We understand content and its delivery platform and over the years, have successfully adapted to changing technology by expanding our distribution platforms. Our recent foray includes capturing the new age media platform and we have invested significantly in providing content to Mobile Operators, IPTV operators, 3G operators and leading online entertainment portals.

### **3. Availability of film content**

Our Broadcast syndication business is driven primarily by availability of film content from producers or owners of the

film. There is a risk that during certain periods fewer or no major films will release. We also face a risk of availability of quality content.

It is a part of our wider business strategy to purchase rights of content which is compelling and which is not necessarily restricted to box-office success. Several factors like star cast and appeal, popularity of director, and channel positioning are taken into consideration before we purchase the rights. Besides, we have a library of over 640 titles where we have perpetual rights. We also actively pursue non-film rights like special interest content and regional content. All this helps us reduce our dependence on the availability of film content.

#### **4. Competition**

In all our operating activities, we face competition from individuals as well as large corporate. Besides, most players can easily enter a business like broadcast syndication with a limited amount of investment. Any major change in strategy by competition or entry of a new player could have an adverse effect on our operations and impact our financial condition.

We have evolved into one of India's largest content owner, aggregator and distributor of film-based copyrights and other entertainment rights. In broadcast syndication, our strong negotiating position due to our reputation and brand helps us acquire quality content and distribute at favourable terms. Our large library of perpetual rights makes us the partner of choice for most of the distribution platform owners. Besides, the market we operate in is structurally changing, and hence there are always opportunities for us to maximize/reinforce our leading market position. We believe our ability to vet the title rights and support technical quality of deliverables on a large scale and leadership position enables us to compete successfully.

#### **5. Counterparty relationships**

We may face material counterparty risk in relation to our clients, content owners, telecom operators and broadcasters.

We have various systems and processes in place which ensures minimal damage and counterparty risk. We have a robust legal due diligence process, having been refined over 25 years of experience. Our experienced management team has strong understanding and knowledge to assess the commercial viability of content deals and products. We also have technical due diligence in place which evaluates the quality of source material and ensure technical superiority of the content.

#### **6. Changes in Regulations**

Changes in laws and regulations governing the entertainment and media industry may have an adverse effect on our business. Compliance with and the effects of existing and future regulations could have a material adverse impact on us.

The government, regulatory bodies and members of the industry are actively working together towards reforms that aid the development of Indian media companies. In fact, the impending changes in regulations can only act as a catalyst to the growth of the sector. The roll out of 3G is one such example.

#### **Human resources**

The company's employees form the backbone of our organization. A remuneration policy, which rewards achievement and is in line with the best industry practices, is consistently followed. Training to improve on the job skills is an integral part of our human resource policy and is practiced across \ all functions within the organization. Industrial relations have

## **Shemaroo Entertainment Ltd.**

remained harmonious throughout the year.

### **Internal control and its adequacy**

The Company's internal control system commensurate with its size and operations and is adequate. Internal controls have been instituted and are regularly upgraded in line with the changes in the regulatory and control requirements. The internal audit is conducted regularly by the external professionals. The observations of the auditors are reviewed periodically by the audit committee and the appropriate actions are taken by the Management.

### **Risk Management**

The company has effective risk management in place to meet the

risks and uncertainties that the company foresees. The company takes full cognisance of the fact that effective risk management is important in delivering sustained returns to its shareholders.

### **Cautionary Statement**

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risk inherent in the company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.



# Auditors' Report

To the Members of

## SHEMAROO ENTERTAINMENT LIMITED

1. We have audited the attached Balance Sheet of **SHEMAROO ENTERTAINMENT LTD.** (the Company) as at March 31, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such verification of the books and records as considered appropriate and available and according to the information and explanations given to us, we enclose in the Annexure statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books;
  - iii. The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.
  - iv. In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub – section (1) of Section 274 of The Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and the notes thereon give the information

**Shemaroo Entertainment Ltd.**

required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
- b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **M. K. Dandekar & Co.**  
Chartered Accountants  
ICAI FRN: 000679S

**K. J. Dandekar**  
Partner  
Membership No. 018533  
Mumbai  
Dated: June 29, 2012

## Annexure to Auditors' Report

(Referred to in paragraph 3 of our Audit Report of even date)

1. In respect of fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
  - b. The Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such physical verifications.
  - c. In our opinion, the Company has not disposed off any substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of Inventories:
  - a. As explained to us, inventories have been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of such verification is reasonable.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on such physical verification as compared to the book records.
3. In respect of the loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
  - a. The Company has taken unsecured loans from ten firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956. The total amount taken during the year was ₹ 424.00 lacs. The maximum amount involved during the year was ₹ 948.25 lacs and the year-end balance of loans taken from such parties is ₹ 624.30 lacs.
  - b. In our opinion and according to information and explanations given to us, the rate of interest and other terms and conditions of the loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the Company.
  - c. The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchases of inventory, fixed assets and for the sale of goods & services. During the course of our audit, we have not observed any continuous failure to correct major weakness in the internal control system.
5. In our opinion and according to the information and

explanations given to us,

- a. The particulars of all contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - b. The transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which appear reasonable as per the information available with the Company.
- 6.** According to information & explanations given to us, the Company has accepted deposits from the public. The provisions of Section 58A of the Act and the rules framed there under, where applicable, have been complied with by the Company.
- 7.** In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8.** According to information and explanations given to us, the Company has made and maintained the cost accounting records, as prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 read with The Companies (Cost Accounting Records) Rules, 2011.
- 9.** Statutory Dues
- a. According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues

applicable to it with the appropriate authorities.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax and customs duty were in arrears, as at March 31, 2012 for a period of more than six months from the date they became payable.
- 10.** The Company does not have accumulated losses at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- 11.** Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of any dues to banks or a financial institution.
- 12.** In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- 13.** In our opinion, the Company is not a chit fund or a nidhi, mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14.** In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.
- 15.** According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore,

provisions of Clause (xv) of paragraph 4 of the Companies (Auditor's report) Order, 2003 are not applicable to the Company.

16. According to the information and explanations given to us on an overall basis, the term loans have been applied for the purposes for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short term basis during the year have not been used for long term investments.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has not issued any debentures during the year and therefore, Clause (xix) of the paragraph 4 of the Companies (Auditor's report) Order, 2003 is not applicable to the Company.

20. The Company is a public limited company. However, being a non-listed public limited company, Clause (xx) of paragraph 4 of the Companies (Auditor's report) Order, 2003 relating to the disclosure on the end use of money raised by public issues are not applicable to the Company.
21. In our opinion and according to the information and explanations given to us, no material fraud on or by the Company, noticed or reported during the year.

For **M. K. Dandekar & Co.**

Chartered Accountants

ICAI FRN: 000679S

**K. J. Dandekar**

Partner

Membership No. 018533

Mumbai

Dated: June 29, 2012

# Balance Sheet as at 31st March, 2012

(₹ in Lacs)

Particulars	Note No.	As at March 31, 2012	For the year March 31, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share capital	1	1,984.89	455.71
(b) Reserves and surplus	2	10,740.07	8,682.51
		<b>12,724.96</b>	<b>9,138.22</b>
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	513.66	1,322.85
(b) Deferred tax liability (Net)	4	486.34	449.46
(c) Long term provisions	5	48.11	37.01
		<b>1,048.11</b>	<b>1,809.31</b>
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	6	8,768.36	8,289.82
(b) Trade payables	7	2,216.55	1,119.35
(c) Other current liabilities	8	2,391.76	2,188.53
(d) Short-term provisions	9	118.91	168.06
		<b>13,495.58</b>	<b>11,765.76</b>
<b>Total</b>		<b>27,268.65</b>	<b>22,713.29</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets	10		
(i) Tangible assets		3,523.80	3,414.71
(ii) Intangible assets		89.27	82.24
(ii) Intangible assets under development		6.74	5.35
(b) Non-current investments	11	1,099.35	650.15
(c) Long term loans and advances	12	385.04	1,066.27
(d) Trade Receivables	13	345.54	1,764.02
(e) Other non-current assets	14	4.50	148.30
		<b>5,454.24</b>	<b>7,131.04</b>
<b>(2) Current assets</b>			
(a) Inventories	15	9,691.84	5,313.06
(b) Trade receivables	16	8,950.59	6,544.12
(c) Cash and cash equivalents	17	645.18	632.87
(d) Short-term loans and advances	18	2,401.44	3,092.21
(e) Other current assets	19	125.36	—
		<b>21,814.41</b>	<b>15,582.25</b>
<b>Total</b>		<b>27,268.65</b>	<b>22,713.29</b>
<b>Significant Accounting Policies</b>	1 to 37		
<b>Notes to the Financial Statements</b>			

As per our report of even date.

For **M. K. Dandekar & Co.**

Chartered Accountants

ICAI FRN: 000679S

**K. J. Dandekar**

Partner

Membership No.: 18533

Place : Mumbai

Date : 29th June, 2012

For and on behalf of the Board

**Raman Maroo**

Managing Director

**Ankit Singh**

Company Secretary

Place : Mumbai

Date : 29th June, 2012

**Atul Maru**

Jt. Managing Director

**Hiren Gada**

Whole Time Director (Finance)

# Statement of Profit and Loss for the year ended 31st March, 2012

(₹ in Lacs)

Particulars	Note No.	For the year March 31, 2012	For the year March 31, 2011
<b>INCOME</b>			
Revenue from operations	20	18,051.78	15,492.60
Other Income	21	510.53	203.44
<b>I. Total Revenue</b>		<b>18,562.31</b>	<b>15,696.04</b>
<b>EXPENDITURE</b>			
Direct Operational Expenses	22	14,888.95	10,205.22
Changes in inventories	23	(4,378.78)	(169.05)
Employee benefit expense	24	1,434.02	991.48
Financial costs	25	1,926.25	1,532.77
Depreciation and amortization expense	10	294.44	271.21
Other expenses	26	1,493.47	1,242.34
<b>II. Total Expenses</b>		<b>15,658.35</b>	<b>14,073.97</b>
<b>Profit before tax</b>	<b>(I - II)</b>	<b>2,903.96</b>	<b>1,622.08</b>
<b>Tax expense:</b>			
(1) Current tax		938.32	323.11
Less:- MAT Credit		(199.34)	—
(2) Deferred tax	4	36.88	33.43
(3) Tax in respect of earlier years		26.35	(33.64)
<b>Profit for the year</b>		<b>2,101.76</b>	<b>1,299.17</b>
<b>Earnings per equity share (Nominal value of Rs.10 each) :</b>			
Basic and Diluted (in ₹)	1	10.66	6.68
<b>Significant Accounting Policies</b>	1 to 37		
<b>Notes to the Financial Statements</b>			

As per our report of even date.  
For **M. K. Dandekar & Co.**  
Chartered Accountants  
ICAI FRN: 000679S

**K. J. Dandekar**  
Partner  
Membership No.: 18533  
Place : Mumbai  
Date : 29th June, 2012

For and on behalf of the Board  
**Raman Maroo**  
Managing Director

**Ankit Singh**  
Company Secretary

Place : Mumbai  
Date : 29th June, 2012

**Atul Maru**  
Jt. Managing Director  
**Hiren Gada**  
Whole Time Director (Finance)



# Cash Flow statement for the year ended 31st March 2012

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax	2,903.96	1,622.08
<b>Adjustments to reconcile profit before tax to cash provided by operating activities:</b>		
Depreciation & Amortisation expense	294.44	271.21
Financial Expenses	1,926.25	1,532.77
Interest Income	(111.99)	(172.69)
Dividend Income	(0.90)	(0.90)
(Profit) / Loss on sale of Tangible Fixed Assets	2.49	(25.20)
Unrealised Foreign Exchange (Gain)/Loss	(65.21)	73.76
Provision for Leave Encashment	11.25	38.99
Provision for Gratuity	—	59.14
Liabilities no longer required written back	11.41	3
Bad Debts written off	0.06	32.20
<b>Operating Profit Before Working Capital Changes</b>	<b>4,971.76</b>	<b>3,434.80</b>
<b>Adjustments for changes in Working Capital</b>		
Trade & Other Receivables	(137.86)	(2,374.30)
Inventories	(4,378.78)	(169.05)
Trade & Other Payables	1,225.27	1,021.03
<b>Cash Generated from Operations</b>	<b>1,680.39</b>	<b>1,912.47</b>
Taxes (Paid) / Refund (Net)	(183.45)	205.10
<b>Cash Flow from Operating Activities</b>	<b>1,496.94</b>	<b>2,117.58</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of fixed assets	1.32	63.91
<b>Purchase of Fixed assets including Capital WIP and Intangible assets under development</b>	<b>(415.76)</b>	<b>(182.26)</b>
(Increase) / Decrease of fixed deposits	143.80	(143.80)
Dividend Income	0.90	0.90
Interest Income	111.99	172.69
Investments made in Associate Company	(449.20)	(612.19)
Loans given to subsidiaries	—	(82.08)
<b>Cash flow from Investing Activities</b>	<b>(606.94)</b>	<b>(782.84)</b>

# Cash Flow statement for the year ended 31st March 2012

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Shares for cash	40.51	—
Premium collected in cash on issue of of Share Capital	1,559.81	—
Increase / (Decrease) of Long term Borrowings	(809.19)	(1,206.36)
Increase / (Decrease) of Short term Borrowings	478.54	<b>193.66</b>
Dividend Paid	(91.14)	—
Tax on Dividend Paid	(15.14)	—
Financial Expenses	(1,926.25)	(1,532.77)
Unamortised Expenses paid towards Fund Raising	(125.36)	—
<b>Cash flow from Financing activities</b>	<b>(888.20)</b>	<b>(2,545.47)</b>
<b>D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1.80</b>	<b>(1,210.73)</b>
<b>Effect of Exchange Differences on cash &amp; cash equivalents held in foreign currency</b>	<b>10.51</b>	<b>(3.86)</b>
<b>Cash &amp; Cash Equivalents at the beginning (Refer Note 17)</b>	<b>632.87</b>	<b>1,847.47</b>
<b>Cash &amp; Cash Equivalents at the End (Refer Note 17)</b>	<b>645.18</b>	<b>632.87</b>

As per our report of even date.

For **M. K. Dandekar & Co.**  
Chartered Accountants  
ICAI FRN: 000679S

**K. J. Dandekar**  
Partner  
Membership No.: 18533  
Place : Mumbai  
Date : 29th June, 2012

For and on behalf of the Board

**Raman Maroo**  
Managing Director

**Ankit Singh**  
Company Secretary

Place : Mumbai  
Date : 29th June, 2012

**Atul Maru**  
Jt. Managing Director

**Hiren Gada**  
Whole Time Director (Finance)

# Notes

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Note 1 : SHARE CAPITAL</b>		
Authorised Share Capital:		
Equity shares, ₹ 10/- par value		
3,00,00,000 (Previous Year 1,00,00,000) Equity Shares	3,000.00	1,000.00
<b>Issued, Subscribed and Paid-up</b>		
Equity shares, ₹ 10/- par value		
1,98,48,904 (Previous Year 45,57,080) Equity Shares fully paid-up.	1,984.89	455.71
Total	<b>1,984.89</b>	<b>455.71</b>

The Company has only one class of shares referred to as equity shares having a par value of ₹10 per share. Each shareholder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of shareholders, except in case of interim dividend. In the event of liquidation, the share holders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

## A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Equity Shares			
	As at 31 March, 2012		As at 31 March, 2011	
	Number	(₹ in lacs)	Number	(₹ in lacs)
<b>Shares outstanding at the beginning of the year</b>	4,557,080	455.71	455,708	45.57
<b>Shares Issued during the year</b>				
For Cash	405,146	40.51	—	—
Bonus	14,886,678	1,488.67	4,101,372	410.14
<b>Shares outstanding at the end of the year</b>	<b>19,848,904</b>	<b>1,984.89</b>	<b>4,557,080</b>	<b>455.71</b>

## Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of Shareholder	Equity Shares			
	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mr. Raman Maroo	4,809,520	24.23	1,202,380	26.38
Mr. Atul Maru	4,809,520	24.23	1,202,380	26.38
Mr. Buddhichand Maroo	3,575,320	18.01	893,830	19.61
Technology and Media Group Pte Ltd.	1,822,840	9.18	455,710	10.00
Mr. Hiren Gada	1,640,520	8.27	410,130	9.00
Mr. Jai Maroo	1,234,200	6.22	308,550	6.77
<b>Total Shareholding</b>	<b>17,891,920</b>	<b>90.14</b>	<b>4,472,980</b>	<b>98.15</b>

Particulars	Aggregate No. of Shares (for last 5 Financial Years)
<b>Equity Shares :</b>	
Scheme of arrangement without payment being received in cash	350,714
Fully paid up by way of bonus shares	18,988,050
Shares bought back	—

## Earnings Per Share (EPS)

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders	2,101.76	1,299.17
Weighted Average number of equity shares used as denominator for calculating EPS	19,713,855	19,443,758
Basic and Diluted Earnings per share (Previous Year Restated)	10.66	6.68
Face Value per equity share	10.00	10.00

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Note 2 : RESERVES &amp; SURPLUS</b>		
<b>a. Capital Reserves on Demerger</b>		
As per last Balance Sheet	1,081.32	5,282.04
Less: Utilised / transferred during the year		
a) Transfer to Profit & Loss Account	—	(2,199.63)
b) Transfer to General Reserve	—	(1,590.94)
c) Issue of Bonus Shares	(1,081.32)	(410.14)
	<b>—</b>	<b>1,081.32</b>
<b>b. Securities Premium Account</b>		
As per last Balance Sheet	3,061.03	3,061.03
Add : Securities premium credited on Share issue	1,559.81	—
Less : Premium Utilised for Bonus Issue	(407.34)	—
	<b>4,213.50</b>	<b>3,061.03</b>
<b>c. General Reserve</b>		
As per last Balance Sheet	1,685.86	—
Add: Transferred from Capital Reserve on Demerger	—	1,590.94
Add: Transferred from surplus in Statement of Profit and Loss	52.54	94.92
	<b>1,738.40</b>	<b>1,685.86</b>
<b>d. Surplus</b>		
As per last Balance Sheet	2,854.30	(443.31)
(+) Profit for the year	2,101.76	1,299.17
(+) Transfer from Capital Reserve on Demerger	—	2,199.63
Amount available for Appropriation	4,956.06	3,055.49
<b>Appropriations:</b>		
(-) Transfer to General reserve	(52.54)	(94.92)
(-) Proposed Dividends*	(99.24)	(91.14)
(-) Dividend Tax	(16.10)	(15.14)
	4,788.17	2,854.30
<b>Total</b>	<b>10,740.07</b>	<b>8,682.51</b>

\* Dividend proposed to be distributed to equity shareholders is ₹ 0.50 (Previous year ₹ 2.00 ) per equity share

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 3 : Long-term borrowings</b>		
<b>(a) Term loans</b>		
From banks		
Secured	513.66	22.85
	513.66	22.85
<b>(b) Line of Credit</b>		
Secured	—	1,300.00
(Secured by hypothecation of film negatives)		
<b>Total</b>	<b>513.66</b>	<b>1,322.85</b>

**Nature of Security and terms of repayment for Long Term secured borrowings:**

Nature of Security	Terms of Repayment
i) Term loans from bank amounting to ₹ 13.66 lacs (March 31, 2011: ₹ 22.85 lacs) is secured by first charge on movable assets by hypothecation of the motor vehicles	Repayable in equal monthly installments commencing as per repayment schedules refer from the banks.
ii) Term loan from bank amounting to ₹ 500 lacs (March 31, 2011: ₹ NIL) is secured by first charge on all tangible and intangible assets at present and future, all revenues and receivables of the specified film negatives and personal guarantee of two promoter directors.	Repayment to be made on or before the release of the specified film, but not later than 18 months from the date of first advance.
iii) Line of Credit from bank amounting to ₹ NIL (March 31, 2011: ₹ 1,300 lacs) is secured by first charge on specified negative prints and Intellectual property Rights along with personal guarantee of directors.	Repayable by March, 2013.

Installments falling due in respect of all the above Loans upto 31.03.2013 have been grouped under "Current maturities of long-term debt" (refer note 8)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 4 : Deferred tax Liability (Net)</b>		
<b>Deferred Tax Liability</b>		
Related to Fixed Assets	489.99	449.46
<b>Deferred Tax Assets</b>		
Disallowances under the Income Tax Act, 1961	(3.65)	—
<b>Total</b>	<b>486.34</b>	<b>449.46</b>
<b>Note 5 : Long term provisions</b>		
<b>Provision for Employee Benefits</b>		
Provision for leave Encashment	48.11	37.01
<b>Total</b>	<b>48.11</b>	<b>37.01</b>
<b>Note 6 : Short term borrowings</b>		
<b>(a) Working Capital Loans from Banks (Secured)</b>	<b>7,232.25</b>	5,543.66
[Secured by hypothecation of stock, book debts and collaterally secured by mortgage of property owned by the company and personal guarantee of some of the directors of the company]		
<b>(b) Bank Overdraft (Unsecured)</b>	<b>579.81</b>	517.65
<b>(c) Loans and Advances from (Unsecured)</b>		
– Directors	374.30	453.50
– Inter Corporate Deposits	12.00	1,500.00
– Related Parties	250.00	275.00
– Others	320.00	—
	956.30	2,228.50
<b>Total</b>	<b>8,768.36</b>	8,289.82
<b>Note 7 : Trade payables - Current</b>		
<b>Trade Payables</b>	<b>2,216.55</b>	1,119.35
(refer note no 33 with respect to dues to micro and small enterprises)		
<b>Total</b>	<b>2,216.55</b>	1,119.35



(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 8 : Other current liabilities</b>		
<b>(a) Current Maturities of Long-Term debt (Secured)</b>		
Term Loan from Banks	23.12	31.78
(Term loans secured by hypothecation of the motor vehicles)		
<b>(b) Line of Credit</b>		
Secured	1,700.00	1,200.00
(Secured by hypothecation of specified negative prints and intellectual property rights, book debts / film negatives, personal guarantee of Directors)		
<b>(c) Creditors for Capital Expenditure</b>	<b>42.68</b>	<b>2.44</b>
<b>(d) Interest Accrued and due</b>	<b>77.18</b>	<b>—</b>
<b>(e) Others*</b>	<b>548.78</b>	<b>954.32</b>
*(includes Advance from customers, creditors for expenditure, deposit received, withholding and other taxes payables and other payables)		
<b>Total</b>	<b>2,391.76</b>	<b>2,188.53</b>

**Nature of Security and terms of repayment for Long Term secured borrowings:**

Nature of Security	Terms of Repayment
i) Term loans from bank amounting to ₹ 23.12 lacs (March 31, 2011: ₹ 31.78 lacs) is secured by first charge on movable assets by hypothecation of the motor vehicles.	Repayable in equal monthly installments commencing as per repayment schedules refer from the banks.
ii) Line of Credit from bank amounting to ₹ 1,200 lacs (March 31, 2011: ₹ 1,200 lacs) is secured by first charge on specified negative prints and Intellectual property Rights along with personal guarantee of directors.	Repayable by March, 2013.
iii) Short Term Loan from bank amounting to ₹ 500 lacs (March 31, 2011: ₹ NIL) is secured by first charge on specified Intellectual property Rights along with personal guarantee of directors.	Repayable by April, 2012.

Installments falling due in respect of all the above Loans after 31.03.2013 have been grouped under "Long Term Borrowings" (refer note 3)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 9 : Short-term provisions</b>		
<b>(a) Provision for Employee Benefits</b>		
Provision for Group Gratuity	—	59.14
Provision for leave Encashment	2.13	1.99
	<b>2.13</b>	<b>61.12</b>
<b>(b) Other Provisions</b>		
Proposed Equity Dividend	99.24	91.14
Provision for Tax on Proposed Equity Dividend	16.10	15.14
Provision for Wealth Tax	1.44	0.66
	<b>116.78</b>	<b>106.94</b>
<b>Total</b>	<b>118.91</b>	<b>168.06</b>

**Note 10 : Fixed Assets**

(₹ in Lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	As on 01.04.2011	For the year	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011
<b>Tangible Assets</b>										
Office Building*	934.67	32.84	—	967.50	110.66	15.64	—	126.30	841.20	824.00
Plant & Machinery	3,503.75	298.87	—	3,802.62	1,295.44	208.14	—	1,503.59	2,299.04	2,208.31
Furniture & Fixtures	380.09	34.58	—	414.67	154.14	25.86	—	179.99	234.68	225.95
Motor Vehicle	232.54	18.14	15.01	235.68	76.10	21.90	11.19	86.80	148.88	156.44
<b>Total Tangible Assets (A)</b>	<b>5,051.05</b>	<b>384.44</b>	<b>15.01</b>	<b>5,420.48</b>	<b>1,636.34</b>	<b>271.53</b>	<b>11.19</b>	<b>1,896.68</b>	<b>3,523.80</b>	<b>3,414.71</b>
<b>Intangible Assets</b>										
Software	140.03	29.94	—	169.96	57.78	22.91	—	80.69	89.27	82.24
<b>Total In-Tangible Assets (B)</b>	<b>140.03</b>	<b>29.94</b>	<b>—</b>	<b>169.96</b>	<b>57.78</b>	<b>22.91</b>	<b>—</b>	<b>80.69</b>	<b>89.27</b>	<b>82.24</b>
<b>Total Assets (A) + (B)</b>	<b>5,191.07</b>	<b>414.37</b>	<b>15.01</b>	<b>5,590.44</b>	<b>1,694.12</b>	<b>294.44</b>	<b>11.19</b>	<b>1,977.37</b>	<b>3,613.07</b>	<b>3,496.95</b>
<b>Previous Year</b>	<b>5,435.61</b>	<b>182.48</b>	<b>427.02</b>	<b>5,191.07</b>	<b>1,811.22</b>	<b>271.21</b>	<b>388.31</b>	<b>1,694.12</b>	<b>3,496.95</b>	
<b>Intangible assets under development</b>									<b>6.74</b>	<b>5.35</b>

\*Office Building Inculde ₹ 98,000 (Previous Year ₹ 98,000) in shares of Co-operative Housing Societies with right to hold and use certain area of Buildings.

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 11 : Non-current investments</b>		
<b>Long Term Investments</b>		
<b>(a) Trade Investments (valued at cost)</b>		
<b>Unquoted equity instruments</b>		
<b>– Investment in Subsidiary Companies*</b>		
i) Shemaroo Entertainment INC, USA	4.08	4.08
200 (Previous Year: 200) Equity shares of no par value		
ii) Shemaroo Entertainment (UK) Private Ltd.	26.88	26.88
3600 (Previous Year: 3600) Equity shares of GBP 10/- each fully paid-up		
*(refer note no 27)		
<b>– Investment in Associate Company*</b>		
Vistaas Digital Media Private Limited	1,061.39	612.19
5000 (Previous Year: 5000) Equity shares of ₹ 10/- each fully paid-up		
40000 (Previous Year: 40000) Equity shares of ₹ 10/- each, ₹ 10/- fully paid-up (Previous Year: ₹ 7/- paid up)		
*( refer note no 27)		
	<b>1,092.35</b>	<b>643.15</b>
<b>(b) Other Investments (valued at cost)</b>		
i) 20,000 (Previous Year 20,000) Equity shares of ₹ 10/- each fully paid-up of The N.K.G.S.B. Co-op. Bank Ltd.	2.00	2.00
ii) 20,000 (Previous Year 20,000) Equity shares of ₹ 25/- each fully paid-up of The Shamrao Vithal Co-op. Bank Ltd.	5.00	5.00
	<b>7.00</b>	<b>7.00</b>
<b>Total</b>	<b>1,099.35</b>	650.15
<b>Aggregate amount of unquoted investments</b>	<b>1,099.35</b>	<b>650.15</b>

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 12 : Long term loans and advances</b>		
<b>(a) Security Deposit</b>		
Unsecured Considered Good	60.62	31.62
	<b>60.62</b>	<b>31.62</b>
<b>(b) Other loans and advances</b>		
Advance Income Tax (Net off Provisions for Taxation)	285.39	1,002.37
Loans to employees	33.60	19.80
Prepaid Expenses	5.43	12.49
	324.42	1,034.66
<b>Total</b>	<b>385.04</b>	<b>1,066.27</b>
<b>Note 13 : Trade receivables - Non Current</b>		
<b>Unsecured, Considered good</b>		
Over six months	345.54	1,764.02
<b>Total</b>	<b>345.54</b>	<b>1,764.02</b>
<b>Note 14 : Other non-current assets</b>		
<b>Non-Current bank balances</b>		
Non-current Bank Balances-In Deposits Accounts - with Original Maturity more than 12 months	4.50	148.30
<b>Total</b>	<b>4.50</b>	<b>148.30</b>
<b>Note 15 : Inventories</b>		
(a) Copyrights	9,491.27	4,964.51
(b) Movies under Production	58.84	202.57
(c) DVDs, VCDs & ACDs	141.73	145.98
<b>Total</b>	<b>9,691.84</b>	<b>5,313.06</b>
<b>Note 16 : Trade receivables - Current</b>		
<b>Unsecured, Considered good unless stated otherwise</b>		
(a) Over Six months	949.20	988
(b) Other receivables	8,001.39	5,555.78
<b>Total</b>	<b>8,950.59</b>	<b>6,544.12</b>

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 17 : Cash and cash equivalents</b>		
<b>Cash and cash equivalents</b>		
<b>(a) Balances with Bank</b>		
On Current Accounts	193.48	329.59
Deposit with original maturity of less than three months	—	200.00
<b>(b) Cash on Hand</b>	<b>15.21</b>	<b>17.83</b>
<b>(c) Other Balances with Bank</b>		
Deposit with original maturity of Less than 12 months but more than 3 months	145.94	15.43
Deposit with original maturity of more than 12 months	290.55	70.02
<b>Total</b>	<b>645.18</b>	<b>632.87</b>
<b>Note 18 : Short-term loans and advances</b>		
<b>(a) Security Deposit</b>		
Unsecured Considered Good	—	1.00
	—	1.00
<b>(b) Loans and advances to related parties</b>		
Unsecured Considered Good (refer note no. 27)	117.79	103.58
	117.79	103.58
<b>(c) Advance recoverable in cash or kind</b>		
Unsecured Considered Good	6.15	6.15
	6.15	6.15
<b>(d) Other loans and advances</b>		
Withholding and Other Taxes Receivable	76.93	76.93
Advances paid for Supply of Goods and Rendering of Services	1,915.52	2,611.84
Balance with Customs, Central Excise Authorities	109.69	109.69
Advances paid to Others	11.50	0.54
Prepaid Expenses	87.70	98.82
Loans to employees	4.94	13.92
Loans to Others	71.21	69.73
	2,277.50	2,981.47
<b>Total</b>	<b>2,401.44</b>	<b>3,092.21</b>

(₹ in Lacs)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 19 : Other current assets</b>		
Unamortised Expenses - Proposed Share Issue Expenses	125.36	—
<b>Total</b>	<b>125.36</b>	<b>—</b>

(₹ in Lacs)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 20 : Revenue from operations</b>		
(a) Sale of Rights	15,874.33	13,311.43
(b) Sale of Products	1,609.30	1,575.43
(c) Income from Services	530.32	540.11
(d) Other Operating Revenue	37.83	65.63
<b>Total</b>	<b>18,051.78</b>	<b>15,492.60</b>

**Note 21 : Other Income**

(a) <b>Interest Received</b> [TDS ₹ 3,43,238/- (Previous Year ₹ 4,37,806/-)]	111.99	172.69
(b) <b>Dividend Received</b> Others (Non-Trade Investments) Long Term Investments	0.90	0.90
(c) <b>Profit on Sale of Fixed Assets</b>	—	25.20
(d) <b>Surrender of Keyman Insurance</b>	296.26	—
(e) <b>Foreign Exchange Fluctuation Gain (net)</b>	88.64	—
(f) <b>Others</b>	12.73	4.65
<b>Total</b>	<b>510.53</b>	<b>203.44</b>

**Note 22 : Direct Operational Expenses**

(a) Purchases	14,212.77	9,600.66
(b) Works Cost	676.18	604.56
<b>Total</b>	<b>14,888.95</b>	<b>10,205.22</b>

**Note 23 : Changes in inventories**

(a) Inventories (at close)	9,691.84	5,313.06
(b) Inventories (at commencement)	5,313.06	5,144.00
<b>Total</b>	<b>(4,378.78)</b>	<b>(169.05)</b>

**Note 24 : Employee benefit expense**

Salaries, Bonus and Allowances	1,307.95	880.61
Contribution to Provident & Other funds	93.19	85.57
Staff Welfare Expenses	32.87	25.31
<b>Total</b>	<b>1,434.02</b>	<b>991.48</b>

(₹ in Lacs)

Particulars	Year ended 31 March, 2012	As at 31 March 2011
<b>Note 25 : Financial costs</b>		
<b>Interest expense</b>		
Borrowings	1,808.76	1,447.43
<b>Other Borrowing Costs</b>		
Bank & Other Finance Charges	44.04	48.01
Bill Discounting Charges	73.45	37.33
<b>Total</b>	<b>1,926.25</b>	<b>1,532.77</b>
<b>Note 26 : Other expenses</b>		
Bad debts written off	0.06	32.20
Business Development Expenses	43.92	43.57
Communication Expenses	36.43	24.67
Directors Fees	4.60	—
Donations	17.30	59.24
Electricity Expenses	87.89	76.80
Foreign Exchange Fluctuation Loss (net)	—	60.34
Interest on Government Dues	23.07	22.11
General Expenses	274.91	170.56
Insurance Charges	40.86	75.07
Legal, Professional and Consultancy Fees	236.83	159.40
Auditors Remuneration	5.13	3.57
Rents, Rates and Taxes	38.23	16.18
<b>Repairs and Maintenance</b>		
Repairs and maintenance - Buildings	31.86	0.57
Repairs and maintenance - Machinery	57.29	29.84
Repairs and maintenance - Others	108.35	56.25
Security Charges	25.59	21.10
Selling Expenses	345.54	308.47
Travelling & Conveyance	113.15	82.44
Loss on Sale of Fixed Assets	2.49	—
<b>Total</b>	<b>1,493.47</b>	<b>1,242.34</b>



**I. Significant Accounting Policies**

**a. Basis of preparation**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

**b. Presentation and disclosure of financial statements**

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements.

**c. Use of estimates**

The preparation and presentation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised prospectively in the period in which results are known or materialised.

**d. Tangible fixed assets**

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost including related internal costs of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Adjustments arising from exchange rate variations attributable to the fixed assets are capitalised.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**e. Depreciation on tangible fixed assets**

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives

estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. Fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of acquisition. The company has used the following rates to provide depreciation on its fixed assets:

Particulars	Rates (SLM)
Office Buildings	1.63%
Plant and Equipments [Telecine Equipments]	7.07%
Plant and Equipments [Data Processing Equip.]	16.21%
Plant and Equipments [Others]	4.75%
Furniture and Fixtures	6.33%
Motor Vehicles	9.50%

**f. Intangible assets**

Intangible Assets are recorded at acquisition cost and in case of assets acquired on merger at their carrying values. Websites/Brands are recognised as Intangible Asset if it is expected that such assets will generate future economic benefits and amortised over their useful life not exceeding four/ten years or estimated useful life whichever is lower.

Particulars	Rates (SLM)
Computer Software	16.21%

**g. Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur except Bill Discounting charges which are being carried forward on time proportion basis.

**h. Impairment of assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**i. Investments**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such

investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at cost. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**j. Inventories**

Projects in progress and movies under production are stated at cost. Cost comprises the cost of materials, the cost of services, labour and other expenses.

Raw Stock, Digital Video Discs/Compact Discs stock are stated at lower of cost or net realisable value.

The copyrights are valued at a certain percentage of cost based on the nature of rights. The Company evaluates the realisable value and/or revenue potential of inventory based on management estimate of market conditions and future demand and appropriate write down is made in cases where accelerated write down is warranted.

The borrowing costs directly attributable to a movie/game is capitalised as part of the cost.

**k. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

**Sale of goods**

Revenue from sale of goods (ACDs/VCDs/DVDs/ACS/BRDs) is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods; net of returns, trade discounts and rebates. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue.

**Sale of rights**

Sale of rights are recognised on the date of entering into agreement for the sale of the same, provided the Censor Certificate is in existence.

**Income from services**

Revenues from services are recognized when contractual commitments are delivered in full net of returns, trade discounts

and rebates. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

#### **Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

#### **Dividends**

Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

#### **Others**

Revenues relating to complete Feature Films are recognised in the year of release of feature films.

The cost of drama covering the cost of purchase of copyrights and shooting expenses is expensed out as a certain percentage of total cost.

Revenue pertaining to release of music of film is recognized on the date of its release.

#### **i. Purchase of rights**

In respect of satellite rights, as per the terms and conditions of the agreement with producer / seller, with respect to the date of agreement of purchase and the existence of Censor Certificate.

In respect of other rights like Video and other rights on the date of the agreement of purchase with producer /seller, provided the Censor Certificate is in existence.

#### **m. Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

#### **n. Foreign currency translation**

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency as at balance sheet date are converted at the exchange rate prevailing on such date. Exchange differences arising from such translation are recognized in the Profit and Loss A/c.

#### **o. Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the Employees provident fund and Employees pension fund are charged to the statement of profit and loss for the year when the contributions are due. The company has no obligation, other than the contribution payable to the provident fund.

Gratuity has been accounted on the basis of actuarial valuation and the contribution thereof paid / payable is charged to the Profit & Loss Account each year.

Leave encashment benefits have been accounted on the basis of actuarial valuation done. The Projected Unit Credit Method as stipulated by AS-15 has been used to determine liability as on 31st March 2012.

**p. Income taxes**

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

**q. Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**r. Provisions**

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

**s. Contingent Liabilities and Contingent Assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never realise.

**27 : Related party disclosures****a. Names of related parties and description of relationship**

Subsidiaries:	Shemaroo Entertainment INC, USA Shemaroo Entertainment (UK) Private Ltd.
Key Management Personnel:	Mr. Buddhichand Maroo Mr. Raman Maroo Mr. Atul Maru Mr. Jai Maroo Mr. Hiren Gada Mr. Vinod Karani Mr. Hemant Karani Mr. Bipin Dharod Mr. Ketan Maru Mr. Harakhchand Gada Mrs. Kranti Gada Mrs. Smita Maroo Ms. Mansi Maroo

## Shemaroo Entertainment Ltd.

Relatives of Key Management Personnel: Mrs. Leelaben Maroo (wife of Mr. Buddhichand Maroo)  
 Mrs. Kastur Maroo (wife of Mr. Raman Maroo)  
 Mrs. Sangeeta Maroo (wife of Mr. Atul Maru)  
 Mrs. Radhika Maroo (daughter of Mr. Raman Maroo)  
 Ms. Nirvi Maroo (daughter of Mr. Atul Maru)  
 Ms. Urvi Maroo (daughter of Mr. Atul Maru)  
 Mrs. Madhuri Gada (wife of Mr. Hiren Gada)  
 Mrs. Varsha Karani (wife of Mr. Vinod Karani)

Entities having Common Control: Atul H. Maru (HUF)  
 Buddhichand H. Maroo (HUF)  
 Raman H. Maroo (HUF)  
 Shemaroo Corporation  
 Sneha Arts  
 Shemaroo Holdings Private Limited  
 Think Walnut Digital Private Limited  
 Technology and Media Group PTE. Ltd.

Associate Company: Vistaas Digital Media Private Limited

### Note B : The Nature of significant related party transactions and the amounts involved are as follows: -

Particulars	Subsidiaries as on		Key Management Personnel as on		Relatives of Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
<b>Purchase of Goods &amp; Services</b>	—	—	—	—	—	—	72.24	0.01	19.50	—	91.74	0.01
Shemaroo Corporation	—	—	—	—	—	—	—	0.01	—	—	—	0.01
Sneha Arts	—	—	—	—	—	—	38.32	—	—	—	38.32	—
Think Walnut Digital Private Limited	—	—	—	—	—	—	33.92	—	—	—	33.92	—
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—	19.50	—	19.50	—
<b>Sale of Goods &amp; Services</b>	9.16	—	—	—	—	—	—	4.32	1.00	—	10.16	4.32
Shemaroo Entertainment (UK) Pvt. Ltd.	9.16	—	—	—	—	—	—	—	—	—	9.16	—
Shemaroo Corporation	—	—	—	—	—	—	—	4.32	—	—	—	4.32
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—	1.00	—	1.00	—
<b>Purchase of Fixed Assets</b>	—	—	—	—	—	—	—	0.31	—	—	—	0.31
<b>Shemaroo Corporation</b>	—	—	—	—	—	—	—	0.31	—	—	—	0.31
<b>Dividend</b>	—	—	91.14	—	—	—	—	—	—	—	91.14	—
Buddhichand Maroo	—	—	17.88	—	—	—	—	—	—	—	17.88	—
Raman Maroo	—	—	24.05	—	—	—	—	—	—	—	24.05	—



Particulars	Subsidiaries as on		Key Management Personnel as on		Relatives of Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Atul Maru	—	—	24.05	—	—	—	—	—	—	—	24.05	—
Jai Maroo	—	—	6.17	—	—	—	—	—	—	—	6.17	—
Hiren Gada	—	—	8.20	—	—	—	—	—	—	—	8.20	—
Vinod Karani	—	—	0.57	—	—	—	—	—	—	—	0.57	—
Hemant Karani	—	—	0.33	—	—	—	—	—	—	—	0.33	—
Bipin Dharod	—	—	0.21	—	—	—	—	—	—	—	0.21	—
Ketan Maru	—	—	0.41	—	—	—	—	—	—	—	0.41	—
Harakhchand Gada	—	—	0.16	—	—	—	—	—	—	—	0.16	—
Technology and Media Group PTE. Ltd.	—	—	9.11	—	—	—	—	—	—	—	9.11	—
<b>Salaries</b>	<b>—</b>	<b>—</b>	<b>156.39</b>	<b>100.89</b>	<b>10.45</b>	<b>3.74</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>166.85</b>	<b>104.63</b>
Bipin Dharod	—	—	18.09	13.96	—	—	—	—	—	—	18.09	13.96
Hemant Karani	—	—	23.98	18.48	—	—	—	—	—	—	23.98	18.48
Ketan Maroo	—	—	22.02	16.98	—	—	—	—	—	—	22.02	16.98
Harakhchand Gada	—	—	11.24	11.03	—	—	—	—	—	—	11.24	11.03
Vinod Karani	—	—	29.88	23.00	—	—	—	—	—	—	29.88	23.00
Smita Maroo	—	—	29.40	4.90	—	—	—	—	—	—	29.40	4.90
Mansi Maroo	—	—	4.47	4.56	—	—	—	—	—	—	4.47	4.56
Madhuri Gada	—	—	—	—	9.50	3.01	—	—	—	—	9.50	3.01
Nirvi Maru	—	—	—	—	0.95	0.72	—	—	—	—	0.95	0.72
Kranti Gada	—	—	17.32	7.97	—	—	—	—	—	—	17.32	7.97
<b>Directors Sitting Fees</b>	<b>—</b>	<b>—</b>	<b>1.40</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.40</b>	<b>—</b>
Jai Maroo	—	—	0.80	—	—	—	—	—	—	—	0.80	—
Buddhichand Maroo	—	—	0.60	—	—	—	—	—	—	—	0.60	—
<b>Remuneration to Directors</b>	<b>—</b>	<b>—</b>	<b>116.20</b>	<b>101.10</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>116.20</b>	<b>101.10</b>
Raman Maroo	—	—	42.07	36.40	—	—	—	—	—	—	42.07	36.40
Atul Maru	—	—	42.07	32.40	—	—	—	—	—	—	42.07	32.40
Buddhichand Maroo	—	—	—	20.00	—	—	—	—	—	—	—	20.00
Hiren Gada	—	—	32.07	12.30	—	—	—	—	—	—	32.07	12.30
<b>Interest Paid (on Loans)</b>	<b>—</b>	<b>—</b>	<b>54.42</b>	<b>207.13</b>	<b>1.97</b>	<b>6.01</b>	<b>32.65</b>	<b>46.05</b>	<b>—</b>	<b>—</b>	<b>89.04</b>	<b>259.18</b>
Raman Maroo	—	—	3.47	106.76	—	—	—	—	—	—	3.47	106.76
Atul Maru	—	—	21.47	59.71	—	—	—	—	—	—	21.47	59.71
Hiren Gada	—	—	2.38	3.59	—	—	—	—	—	—	2.38	3.59
Buddhichand Maroo	—	—	15.84	21.09	—	—	—	—	—	—	15.84	21.09
Jai Maroo	—	—	11.26	15.97	—	—	—	—	—	—	11.26	15.97
Sangeeta Maru	—	—	—	—	—	3.51	—	—	—	—	—	3.51
Smita Maroo	—	—	—	—	1.97	2.50	—	—	—	—	1.97	2.50
Atul H. Maru (HUF)	—	—	—	—	—	—	4.64	6.35	—	—	4.64	6.35
Buddhichand H. Maroo (HUF)	—	—	—	—	—	—	11.53	16.01	—	—	11.53	16.01

## Shemaroo Entertainment Ltd.

Particulars	Subsidiaries as on		Key Management Personnel as on		Relatives of Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Raman H. Maroo (HUF)	—	—	—	—	—	—	16.48	23.68	—	—	16.48	23.68
<b>Loans Given during the year</b>	<b>—</b>	<b>79.65</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>79.65</b>
Shemaroo Entertainment (UK) Pvt. Ltd.	—	79.65	—	—	—	—	—	—	—	—	—	79.65
<b>Loans Taken during the year</b>	<b>—</b>	<b>—</b>	<b>404.00</b>	<b>544.00</b>	<b>20.00</b>	<b>34.00</b>	<b>—</b>	<b>37.00</b>	<b>—</b>	<b>—</b>	<b>424.00</b>	<b>615.00</b>
Atul Maru	—	—	204.00	265.00	—	—	—	—	—	—	204.00	265.00
Buddhichand Maroo	—	—	40.00	20.00	—	—	—	—	—	—	40.00	20.00
Jai Maroo	—	—	10.00	4.00	—	—	—	—	—	—	10.00	4.00
Raman Maroo	—	—	150.00	255.00	—	—	—	—	—	—	150.00	255.00
Smita Jai Maroo	—	—	—	—	20.00	14.00	—	—	—	—	20.00	14.00
Sangeeta Atul Maroo	—	—	—	—	—	20.00	—	—	—	—	—	20.00
Atul H. Maru (HUF)	—	—	—	—	—	—	—	5.00	—	—	—	5.00
Buddhichand H. Maroo (HUF)	—	—	—	—	—	—	—	17.00	—	—	—	17.00
Raman H. Maroo (HUF)	—	—	—	—	—	—	—	15.00	—	—	—	15.00
<b>Investments done during the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>449.20</b>	<b>612.19</b>	<b>449.20</b>	<b>612.19</b>
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—	449.20	612.19	449.20	612.19
<b>Other Income</b>	<b>—</b>	<b>—</b>	<b>296.26</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.32</b>	<b>1.20</b>	<b>—</b>	<b>—</b>	<b>297.58</b>	<b>1.20</b>
Atul Maru	—	—	148.13	—	—	—	—	—	—	—	148.13	—
Raman Maroo	—	—	148.13	—	—	—	—	—	—	—	148.13	—
Shemaroo Corporation	—	—	—	—	—	—	1.32	1.20	—	—	1.32	1.20
<b>Dues from Related Parties</b>	<b>253.82</b>	<b>223.01</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.03</b>	<b>—</b>	<b>254.85</b>	<b>223.01</b>
Shemaroo Entertainment INC, USA	126.21	110.16	—	—	—	—	—	—	—	—	126.21	110.16
Shemaroo Entertainment (UK) Pvt. Ltd.	127.61	112.85	—	—	—	—	—	—	—	—	127.61	112.85
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—	1.03	—	1.03	—
<b>Dues to Related Parties</b>	<b>—</b>	<b>—</b>	<b>420.16</b>	<b>453.50</b>	<b>35.77</b>	<b>14.00</b>	<b>290.07</b>	<b>261.00</b>	<b>—</b>	<b>—</b>	<b>746.00</b>	<b>728.50</b>
Atul Maru	—	—	126.62	183.25	—	—	—	—	—	—	126.62	183.25
Buddhichand Maroo	—	—	177.26	123.00	—	—	—	—	—	—	177.26	123.00
Hiren Gada	—	—	7.15	20.00	—	—	—	—	—	—	7.15	20.00
Jai Maroo	—	—	109.14	89.00	—	—	—	—	—	—	—	89.00
Raman Maroo	—	—	—	38.25	—	—	—	—	—	—	—	38.25
Atul H. Maru (HUF)	—	—	—	—	—	—	41.17	37.00	—	—	41.17	37.00
Smita Jai Maroo (Loan)	—	—	—	—	35.77	14.00	—	—	—	—	35.77	14.00
Buddhichand H. Maroo (HUF)	—	—	—	—	—	—	102.38	92.00	—	—	102.38	92.00
Raman H. Maroo (HUF)	—	—	—	—	—	—	101.84	132.00	—	—	101.84	132.00
Sneha Arts	—	—	—	—	—	—	38.25	—	—	—	38.25	—
Think Walnut Digital Private Limited	—	—	—	—	—	—	6.43	—	—	—	6.43	—
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—	—	—	—	—
<b>Personal Guarantees Taken against Bank Loans</b>	<b>—</b>	<b>—</b>	<b>82,760.00</b>	<b>50,620.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>82,760.00</b>	<b>50,620.00</b>

Particulars	Subsidiaries as on		Key Management Personnel as on		Relatives of Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Atul Maru	—	—	21,440.00	13,530.00	—	—	—	—	—	—	21,440.00	13,530.00
Buddhichand Maroo	—	—	8,500.00	6,800.00	—	—	—	—	—	—	8,500.00	6,800.00
Jai Maroo	—	—	17,440.00	11,030.00	—	—	—	—	—	—	17,440.00	11,030.00
Raman Maroo	—	—	21,440.00	13,530.00	—	—	—	—	—	—	21,440.00	13,530.00
Hiren Gada	—	—	13,940.00	5,730.00	—	—	—	—	—	—	13,940.00	5,730.00
<b>Others</b>	—	—	—	—	—	—	—	—	—	—	—	—

## 28 Value of imports calculated on CIF basis in respect of

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Components and spare parts	9.17	43.29
Capital goods	40.75	—
Purchase of Goods	—	9.90
<b>Total</b>	<b>49.92</b>	<b>53.19</b>

## 29 Expenditure in foreign currency

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Professional fees	2.19	0.07
Royalty	20.68	28.25
Purchase of content	6.26	—
Dividend	9.11	—
Directors Sitting Fees	0.40	—
Others	89.33	79.36
<b>Total</b>	<b>127.97</b>	<b>107.68</b>

## 30 Net dividend remitted in foreign exchange

(₹ in lacs)

Year of remittance (ending on)	31-Mar-12	31-Mar-11
Period to which it relates	2010-11	NIL
Number of non-resident shareholders	5	2
Number of equity shares held on which dividend was due	3,311,620	764,260
Amount remitted	9.11	NIL

**31 Earnings in foreign currency**

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Exports at F.O.B. Value	1,022.12	310.24
<b>Total</b>	<b>1,022.12</b>	<b>310.24</b>

**32 Payment to auditor**

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
<b>As Auditor:</b>		
Audit fee	4.00	2.00
Tax audit fee	1.00	1.00
<b>In other capacity:</b>		
Management services	7.50	—
Other services (certification fees)	0.13	0.57
Reimbursement of expenses	0.35	—
<b>Total</b>	<b>12.98</b>	<b>3.57</b>

**33 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006**

The Company has not received any information from the “suppliers” regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 & hence, they have been included under Trade Payables.

**34** Custom duty and interest thereon aggregating ₹1,04,24,082/-, is paid under protest in the Financial Year Ended 31.03.2008. The same is included in Short Term Loans & Advances.

**35 Gratuity Benefits as per AS 15 (Revised)**

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
<b>I. Assumptions as at</b>		
Mortality	LIC (1994-96) Ult.	LIC (1994-96) Ult.
Interest/ Discount rate	8%	8%
Rate of increase in compensation	9%	5%
Rate of return (expected) on plan assets	9.15%	9.15%
Employee Attrition Rate(Past Service (PS))	PS: 0 to 42 : 3%	PS: 0 to 42 : 3%

Particulars	31-Mar-12	31-Mar-11
Expected average remaining service	17.76	17.62
<b>II. Changes in present value of obligations</b>		
PVO (Plan Liability) at beginning of period	85.85	55.00
Interest cost	6.97	4.40
Current Service Cost	33.33	19.19
Past Service Cost - (non vested benefits)	—	—
Past Service Cost - (vested benefits)	—	—
Benefits paid	2.55	—
Actuarial (Gain)/ Loss on Obligation	7.36	7.26
PVO at end of period	136.05	85.85
<b>III. Changes in Fair Value of Plan Assets</b>		
Fair Value of Plan assets at Beginning of Period	45.98	50.61
Expected return on plan assets	9.22	4.13
Contributions	106.94	—
Benefit paid	2.55	—
Actuarial gain /(Loss) on plan assets	(14.32)	(3.23)
Fair value of plan assets at end of the Period	150.36	45.98
<b>IV. Fair Value of Plan Assets</b>		
Fair Value of Plan assets at Beginning of Period	45.98	50.61
Actual Return on Plan Assets	-	0.89
Contributions	106.94	—
Benefit paid	2.55	—
Fair value of plan assets at end of the Period	155.47	45.98
Funded Status <i>(including unrecognised past service cost)</i>	19.42	(39.87)
Excess of actual over estimated return on Plan Assets	9.22	(3.23)
<b>V. Experience History</b>		
(Gain)/Loss on obligation due to change in Assumption	14.72	24.94
Experience (Gain)/ Loss on obligation	(7.37)	(17.68)
Actuarial Gain/(Loss) on plan assets	(14.32)	(3.23)

Particulars	31-Mar-12	31-Mar-11
<b>VI. Actuarial Gain/(Loss) Recognized</b>		
Actuarial Gain/(Loss) for the period (Obligation)	(7.36)	(7.26)
Actuarial Gain/(Loss) for the period (Plan Assets)	(14.32)	(3.23)
Total Gain/(Loss) for the period	(21.68)	(10.49)
Actuarial Gain/(Loss) recognized for the period	(21.68)	(10.49)
Unrecognized Actuarial Gain/(Loss) at end of period	—	—
<b>VII. Past Service Cost Recognised</b>		
Past Service Cost- (non vested benefits)	—	—
Past Service Cost -(vested benefits)	—	—
Average remaining future service till vesting of the benefit	—	—
Recognised Past service Cost- non vested benefits	—	—
Recognised Past service Cost- vested benefits	—	—
Unrecognised Past service Cost- non vested benefits	—	—
<b>VIII. Amount to be recognized in the Balance Sheet and Statement of Profit &amp; Loss Account</b>		
PVO at end of period	136.05	85.85
Fair value of plan assets at end of the Period	155.47	45.98
Funded Status	19.42	(39.87)
Unrecognized Actuarial Gain/(Loss)	—	—
Unrecognised Past service Cost- non vested benefits	—	—
Net Asset/(Liability) recognized in the balance sheet	19.42	(39.87)
<b>IX. Expense recognized in the statement of P &amp; L A/C</b>		
Current Service Cost	33.33	19.19
Interest cost	6.97	4.40
Past Service Cost - (non vested benefits)	—	—
Past Service Cost - (vested benefits)	—	—
Unrecognised Past service Cost- non vested benefits	—	—
Expected return on plan assets	(9.22)	(4.13)
Net Actuarial (Gain)/Loss recognized for the period	21.68	10.49
Expense recognized in the statement of P & L A/C	52.76	29.95

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
<b>I. Movements in the Liability recognized in Balance Sheet</b>		
Opening Net Liability	39.87	4.39
Expenses as above	52.76	29.95
Contribution paid	(106.94)	—
Closing Net Liability	(14.31)	39.87
<b>II. Revised Schedule VI</b>		
Current Liability	(14.31)	39.87
Non-Current Liability	150.36	45.98

Contribution to Defined Contribution Plans, recognised as expense for the year is as under:

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Employer's Contribution to Provident Fund	34.39	23.13
<b>Total</b>	<b>34.39</b>	<b>23.13</b>

### 36. Contingent Liabilities

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Estimated amount of contracts remaining to be executed on capital account	5.00	1.25
Bank Guarantee	5.00	—
Legal Cases against the company	180.51	180.51
Disputed Custom Duty	56.40	—
Uncalled liability on Partly Paid Shares	—	343.20
Bills of exchange discounted with Bank	4,332.19	1,980.00
<b>Total</b>	<b>4,579.10</b>	<b>2,504.96</b>

### 36. Contingent Liabilities

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our report of even date.

For **M. K. Dandekar & Co.**  
Chartered Accountants  
ICAI FRN: 000679S

**K. J. Dandekar**  
Partner  
Membership No.: 18533  
Place : Mumbai  
Date : 29th June, 2012

For and on behalf of the Board  
**Raman Maroo**  
Managing Director

**Ankit Singh**  
Company Secretary

Place : Mumbai  
Date : 29th June, 2012

**Atul Maru**  
Jt. Managing Director

**Hiren Gada**  
Whole Time Director (Finance)

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CONSOLIDATED  
FINANCIAL

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# Auditors' Report

## On the Consolidated Financial Statements of Shemaroo Entertainment Limited

### To the Board of Directors of Shemaroo Entertainment Limited

1. We have audited the attached consolidated Balance Sheet of Shemaroo Entertainment Limited (the "Company") and its subsidiaries and its jointly controlled associate company; hereinafter referred to as the "Group" (refer Note 1(i) "Background") to the attached consolidated financial statement) as at 31<sup>st</sup> March 2012, the related consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibilities of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of one subsidiary included in the consolidated financial statements, which constitute total assets of ₹ 148.05 lacs and negative assets of ₹ 7.45 lacs as at 31<sup>st</sup> March 2012, total revenue of ₹ 132.54 lacs, net profit of ₹ 15.66 lacs and net cash outflows amounting to ₹ 52.28 lacs for the year ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21- Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements, notified under sub-section 3C of section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2012;
  - (b) in the case of the consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
  - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For M. K. DANDEKER & CO.**

Chartered Accountants  
ICAI FRN.: 000679S

**K. J. Dandeker**

Partner  
Membership No. 18533

Mumbai.

Dated: 29<sup>th</sup> June, 2012

# Consolidated Balance Sheet as at 31st March, 2012

(₹ in Lacs)

Particulars	Note No.	As at March 31, 2012	As at March 31, 2012
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' funds</b>			
(a) Share Capital	1	1,984.89	455.71
(b) Reserves and Surplus	2	10,624.77	8,604.91
		<b>12,609.66</b>	<b>9,060.61</b>
<b>(2) Non-Current Liabilities</b>			
(a) Long-term borrowings	3	513.66	1,322.85
(b) Deferred tax liability (Net)	4	486.34	449.46
(c) Long term provisions	5	48.11	37.01
		<b>1,048.11</b>	<b>1,809.31</b>
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	6	8,768.36	8,289.82
(b) Trade payables	7	2,284.16	1,248.73
(c) Other current liabilities	8	2,415.74	2,204.85
(d) Short-term provisions	9	118.91	168.06
		<b>13,587.18</b>	<b>11,911.46</b>
<b>Total</b>		<b>27,244.94</b>	<b>22,781.38</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed assets	10		
(i) Tangible assets		3,524.00	3,414.97
(ii) Intangible assets		89.27	82.24
(iii) Intangible assets under development		6.74	5.35
(b) Non-current investments	11	990.27	615.17
(c) Long term loans and advances	12	397.83	1,066.67
(d) Trade Receivables	13	345.54	1,764.02
(e) Other non-current assets	14	4.50	148.30
		<b>5,358.15</b>	<b>7,096.72</b>
<b>(2) Current assets</b>			
(a) Inventories	15	9,691.84	5,313.06
(b) Trade receivables	16	9,125.95	6,680.59
(c) Cash and cash equivalents	17	654.23	694.51
(d) Short-term loans and advances	18	2,289.40	2,996.50
(e) Other current assets	19	125.36	-
		<b>21,886.79</b>	<b>15,684.67</b>
<b>Total</b>		<b>27,244.94</b>	<b>22,781.38</b>
<b>Significant Accounting Policies</b>	1 to 32		
<b>Notes to the Financial Statements</b>			

As per our report of even date.

For **M. K. Dandekar & Co.**

Chartered Accountants

ICAI FRN: 000679S

**K. J. Dandekar**

Partner

Membership No.: 18533

Place : Mumbai

Date : 29th June, 2012

For and on behalf of the Board

**Raman Maroo**

Managing Director

**Ankit Singh**

Company Secretary

Place : Mumbai

Date : 29th June, 2012

**Atul Maru**

Jt. Managing Director

**Hiren Gada**

Whole Time Director (Finance)

# Consolidated Statement of Profit and Loss

for the year ended 31st March, 2012

(₹ in Lacs)

Particulars	Note No.	For the year March 31, 2012	For the year March 31, 2012
<b>INCOME</b>			
Revenue from operations	20	18,201.11	15,824.39
Other Income	21	510.54	203.45
<b>I. Total Revenue</b>		<b>18,711.65</b>	<b>16,027.84</b>
<b>EXPENDITURE</b>			
Direct Operational Expenses	22	14,927.96	10,364.20
Changes in inventories	23	(4,378.78)	(169.05)
Employee benefit expense	24	1,481.35	1,033.87
Financial costs	25	1,926.85	1,533.25
Depreciation	10	294.53	271.34
Other expenses	26	1,516.08	1,295.95
<b>II. Total Expenses</b>		<b>15,767.99</b>	<b>14,329.55</b>
<b>Profit before tax</b>	<b>(I - II)</b>	<b>2,943.66</b>	<b>1,698.29</b>
<b>Tax expense:</b>			
(1) Current tax		938.32	323.11
Less: MAT Credit		(199.34)	—
(2) Deferred tax	4	36.88	33.43
(3) Tax in respect of earlier years		26.35	(33.64)
<b>Profit for the year</b>		<b>2,141.46</b>	<b>1,375.39</b>
Share in Reserves of Associate Company		(78)	(4)
<b>Profit for the year after adjusting reserves of Associate</b>		<b>2,063.34</b>	<b>1,371.37</b>
<b>Earnings per equity share :</b>			
(1) Basic	1	10.86	7.07
(2) Diluted	1	10.86	7.07
<b>Significant Accounting Policies</b>	1 to 32		
<b>Notes to the Financial Statements</b>			

As per our report of even date.  
For **M. K. Dandekar & Co.**  
Chartered Accountants  
ICAI FRN: 000679S

**K. J. Dandekar**  
Partner  
Membership No.: 18533  
Place : Mumbai  
Date : 29th June, 2012

For and on behalf of the Board  
**Raman Maroo**  
Managing Director

**Ankit Singh**  
Company Secretary

Place : Mumbai  
Date : 29th June, 2012

**Atul Maru**  
Jt. Managing Director  
**Hiren Gada**  
Whole Time Director (Finance)

# Consolidated Cash Flow statement for the year ended 31st March 2012

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax	2,943.66	1,698.29
<b>Adjustments to reconcile profit before tax to cash provided by operating activities:</b>		
Depreciation & Amortisation expense	294.53	271.34
Financial Expenses	1,926.85	1,533.25
Interest Income	(112.00)	(172.69)
Dividend Income	(0.90)	(0.90)
(Profit) / Loss on sale of Tangible Fixed Assets	2.49	(25.20)
Unrealised Foreign Exchange (Gain)/Loss	(54.32)	71.26
Provision for Leave Encashment	11.25	38.99
Provision for Gratuity	—	59.14
Liabilities no longer required written back	11.41	3.45
Bad Debts written off	0.06	46.09
Non Cash Expenses	—	21.62
<b>Operating Profit Before Working Capital Changes</b>	<b>5,023.03</b>	<b>3,544.63</b>
<b>Adjustments for changes in Working Capital</b>		
Trade & Other Receivables	(203.58)	(2,619.38)
Inventories	(4,378.78)	(169.05)
Trade & Other Payables	1,187.72	1,104.42
<b>Cash Generated from Operations</b>	<b>1,628.39</b>	<b>1,860.61</b>
Taxes (Paid) / Refund (Net)	(183.45)	205.10
<b>Cash Flow from Operating Activities</b>	<b>1,444.94</b>	<b>2,065.71</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of fixed assets	1.32	63.91
Purchase of Fixed assets including Capital WIP and Intangible assets under development	(415.76)	(182.26)
(Increase) / Decrease of fixed deposits	143.80	(143.80)
Dividend Income	0.90	0.90
Interest Income	112.00	172.69
Investments made in Associate Company	(449.20)	(612.19)
Loans given to subsidiaries	—	(82.08)
<b>Cash flow from Investing Activities</b>	<b>(606.93)</b>	<b>(782.83)</b>

# Consolidated Cash Flow statement for the year ended 31st March 2012

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Issue of Shares for cash	40.51	—
Premium collected in cash on issue of Share Capital	1,559.81	—
Increase / (Decrease) of Long term Borrowings	(809.19)	(1,206.36)
Increase / (Decrease) of Short term Borrowings	478.54	297.24
Dividend Paid	(91.14)	—
Tax on Dividend Paid	(15.14)	—
Financial Expenses	(1,926.85)	(1,533.25)
Unamortised Expenses paid towards Fund Raising	(125.36)	—
<b>Cash flow from Financing activities</b>	<b>(888.20)</b>	<b>(2,442.37)</b>
<b>D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(50.79)</b>	<b>(1,159.48)</b>
<b>Effect of Exchange Differences on cash &amp; cash equivalents held in foreign currency</b>	<b>10.51</b>	<b>(3.86)</b>
<b>Cash &amp; Cash Equivalents at the beginning (Refer Note 17)</b>	<b>694.51</b>	<b>1,857.86</b>
<b>Cash &amp; Cash Equivalents at the End (Refer Note 17)</b>	<b>654.23</b>	<b>694.51</b>

As per our report of even date.

For **M. K. Dandeker & Co.**

Chartered Accountants

ICAI FRN: 000679S

**K. J. Dandeker**

Partner

Membership No.: 18533

Place : Mumbai

Date : 29th June, 2012

For and on behalf of the Board

**Raman Maroo**

Managing Director

**Ankit Singh**

Company Secretary

Place : Mumbai

Date : 29th June, 2012

**Atul Maru**

Jt. Managing Director

**Hiren Gada**

Whole Time Director (Finance)

# Consolidated Notes

(₹ in Lacs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Note 1 : SHARE CAPITAL</b>		
<b><u>Authorised Share Capital:</u></b>		
Equity shares, ₹ 10/- par value		
3,00,00,000 (Previous Year 1,00,00,000) Equity Shares	3,000.00	1,000.00
<b><u>Issued, Subscribed and Paid-up</u></b>		
Equity shares, ₹ 10/- par value		
1,98,48,904 (Previous Year 45,57,080) Equity Shares fully paid up.	1,984.89	455.71
<b>Total</b>	<b>1,984.89</b>	<b>455.71</b>

The Company has only one class of shares referred to as equity shares having a par value of Rs.10 per share. Each shareholder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to approval of shareholders, except in case of interim dividend. In the event of liquidation, the share holders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

## A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	Equity Shares			
	As at 31 March, 2012		As at 31 March, 2011	
	Number	(₹ in lacs)	Number	(₹ in lacs)
<b>Shares outstanding at the beginning of the year</b>	4,557,080	455.71	455,708	45.57
<b>Shares Issued during the year</b>				
For Cash	405,146	40.51	—	—
Bonus	14,886,678	1,488.67	4,101,372	410.14
<b>Shares outstanding at the end of the year</b>	<b>19,848,904</b>	<b>1,984.89</b>	<b>4,557,080</b>	<b>455.71</b>

## Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

Name of Shareholders	Equity Shares			
	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Mr. Raman Maroo	4,809,520	24.23	1,202,380	26.38
Mr. Atul Maru	4,809,520	24.23	1,202,380	26.38
Mr. Buddhichand Maroo	3,575,320	18.01	893,830	19.61
Technology and Media Group Pte Ltd.	1,822,840	9.18	455,710	10.00
Mr. Hiren Gada	1,640,520	8.27	410,130	9.00
Mr. Jai Maroo	1,234,200	6.22	308,550	6.77
<b>Total Shareholding</b>	<b>17,891,920</b>	<b>90.14</b>	<b>4,472,980</b>	<b>98.15</b>

Particulars	Aggregate No. of Shares (for last 5 Financial Years)
<b>Equity Shares :</b>	
Scheme of arrangement without payment being received in cash	350,714
Fully paid up by way of bonus shares	18,988,050
Shares bought back	—

## Earnings Per Share (EPS)

Particulars	As at 31 March 2012 ₹	As at 31 March 2011 ₹
Net Profit after tax as per Statement of Profit and Loss attributable to Equity Shareholders	2,141.46	1,375.39
Weighted Average number of equity shares used as denominator for calculating EPS	19,713,855	19,443,758
Basic and Diluted Earnings per share (Previous Year Restated)	10.86	7.07
Face Value per equity share	10.00	10.00

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Note 2 : RESERVES &amp; SURPLUS</b>		
<b>a. Capital Reserves on Demerger</b>		
As per last Balance Sheet	1,081.32	5,282.04
Less: Utilised / transferred during the year		
a) Transfer to Profit & Loss Account	—	(2,199.63)
b) Transfer to General Reserve	—	(1,590.94)
c) Issue of Bonus Shares	(1,081.32)	(410.14)
	<b>—</b>	<b>1,081.32</b>
<b>b. Securities Premium Account</b>		
As per last Balance Sheet	3,061.03	3,061.03
Add : Securities premium credited on Share issue	1,559.81	—
Less : Premium Utilised for Bonus Issue	(407.34)	—
	<b>4,213.50</b>	<b>3,061.03</b>
<b>c. General Reserve</b>		
As per last Balance Sheet	1,685.86	—
Add: Transferred from Capital Reserve on Demerger	—	1,590.94
Add: Transferred from surplus in Statement of Profit and Loss	52.54	94.92
	<b>1,738.40</b>	<b>1,685.86</b>
<b>d. Foreign Currency Translation reserve (loss)</b>	<b>0.83</b>	<b>4.13</b>
<b>e. Surplus</b>		
As per last Balance Sheet	2,776.58	(597.24)
(+) Profit for the year	2,063.34	1,371.37
(+) Transfer from Capital Reserve on Demerger	—	2,199.63
Amount available for Appropriation	4,839.93	2,973.76
<b>Appropriations:</b>		
(-) Transfer to General reserve	(52.54)	(94.92)
(-) Proposed Dividends*	(99.24)	(91.14)
(-) Dividend Tax	(16.10)	(15.14)
	4,672.04	2,772.56
<b>Total</b>	<b>10,624.77</b>	8,604.91

\*Dividend proposed to be distributed to equity shareholders is ₹ 0.50 (Previous year ₹ 2.00 ) per equity share



(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 3 : Long-term borrowings</b>		
<b>(a) Term loans</b>		
From banks		
Secured	513.66	22.85
	513.66	22.85
<b>(b) Line of Credit</b>		
Secured	—	1,300.00
(Secured by hypothecation of film negatives)		
	—	1,300.00
<b>Total</b>	<b>513.66</b>	<b>1,322.85</b>

**Nature of Security and terms of repayment for Long Term secured borrowings:**

Nature of Security	Terms of Repayment
i) Term loans from bank amounting to ₹ 13.66 lacs (March 31, 2011: ₹ 22.85 lacs) is secured by first charge on movable assets by hypothecation of the motor vehicles	Repayable in equal monthly installments commencing as per repayment schedules refer from the banks.
ii) Term loan from bank amounting to ₹ 500 lacs (March 31, 2011: ₹ NIL ) is secured by first charge on all tangible and intangible assets at present and future, all revenues and receivables of the specified film negatives and personal guarantee of two promoter directors.	Repayment to be made on or before the release of the specified film, but not later than 18 months from the date of first advance.
iii) Line of Credit from bank amounting to ₹ NIL (March 31, 2011: ₹ 1,300 lacs ) is secured by first charge on specified negative prints and Intellectual property Rights along with personal guarantee of directors.	Repayable by March, 2013.

Installments falling due in respect of all the above Loans upto 31.03.2013 have been grouped under "Current maturities of long-term debt" (refer note 8)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 4 : Deferred Tax Liability (Net)</b>		
<b>Deferred Tax Liability</b>		
Related to Fixed Assets	489.99	449.46
<b>Deferred Tax Assets</b>		
Disallowances under the Income Tax Act, 1961	(3.65)	—
<b>Total</b>	<b>486.34</b>	<b>449.46</b>
<b>Note 5 : Long term provisions</b>		
<b>Provision for Employee Benefits</b>		
Provision for leave Encashment	48.11	37.01
<b>Total</b>	<b>48.11</b>	<b>37.01</b>
<b>Note 6 : Short-term borrowings</b>		
<b>(a) Working Capital Loans from Banks (Secured)</b>	<b>7,232.25</b>	<b>5,543.66</b>
[Secured by hypothecation of stock, book debts and collaterally secured by mortgage of property owned by the company and personal guarantee of some of the directors of the company]		
<b>(b) Bank Overdraft (Unsecured)</b>	<b>579.81</b>	<b>517.65</b>
<b>(c) Loans and Advances from (UnSecured)</b>		
– Directors	374.30	453.50
– Inter Corporate Deposits	12.00	1,500.00
– Related Parties	250.00	275.00
– Others	320.00	—
	956.30	2,228.50
<b>Total</b>	<b>8,768.36</b>	<b>8,289.82</b>
<b>Note 7 : Trade payables - Current</b>		
<b>Trade Payables</b>	<b>2,284.16</b>	<b>1,248.73</b>
<b>Total</b>	<b>2,284.16</b>	<b>1,248.73</b>

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 8 : Other current liabilities</b>		
<b>(a) Current Maturities of Long-Term debt (Secured)</b>		
Term Loan from Banks (Term loans secured by hypothecation of the motor vehicles)	23.12	31.78
<b>(b) Line of Credit</b>		
Secured (Secured by hypothecation of specified negative prints and intellectual property rights, book debts / film negatives, personal guarantee of Directors)	1,700.00	1,200.00
<b>(c) Creditors for Capital Expenditure</b>	42.68	2.44
<b>(d) Interest Accrued and due</b>	77.18	—
<b>(e) Others*</b>	572.77	970.64
*(includes Advance from customers, creditors for expenditure, deposit received, withholding and other taxes payables and other payables)		
<b>Total</b>	<b>2,415.74</b>	<b>2,204.85</b>

**Nature of Security and terms of repayment for Long Term secured borrowings:**

Nature of Security	Terms of Repayment
i) Term loans from bank amounting to ₹ 23.12 lacs (March 31, 2011 : ₹ 31.78 lacs ) is secured by first charge on movable assets by hypothecation of the motor vehicles.	Repayable in equal monthly installments commencing as per repayment schedules refer from the banks.
ii) Line of Credit from bank amounting to ₹ 1,200 lacs (March 31, 2011 : ₹ 1,200 lacs ) is secured by first charge on specified negative prints and Intellectual property Rights along with personal guarantee of directors.	Repayable by March, 2013.
iii) Short Term Loan from bank amounting to ₹ 500 lacs (March 31, 2011: ₹ NIL) is secured by first charge on specified Intellectual property Rights along with personal guarantee of directors.	Repayable by April, 2012.

Installments falling due in respect of all the above Loans after 31.03.2013 have been grouped under "Long Term Borrowings" (refer note 3)

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 9 : Short-term provisions</b>		
<b>(a) Provision for Employee Benefits</b>		
Provision for Group Gratuity	—	59.14
Provision for leave Encashment	2.13	1.99
	<b>2.13</b>	<b>61.12</b>
<b>(b) Other Provisions</b>		
Proposed Equity Dividend	99.24	91.14
Provision for Tax on Proposed Equity Dividend	16.10	15.14
Provision for Wealth Tax	1.44	0.66
	116.78	106.94
<b>Total</b>	<b>118.91</b>	<b>168.06</b>

**Note 10 : Fixed Assets**

(₹ in Lacs)

Particulars	Gross Block				Depreciation				Net Block	
	As on 01.04.2011	Additions	Deductions	As on 31.03.2012	As on 01.04.2011	For the year	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011
<b>Tangible Assets</b>										
Office Building*	934.67	32.84	—	967.50	110.66	15.64	—	126.30	841.20	824.00
Plant & Machinery	3,504.14	298.87	—	3,803.07	1,295.57	208.24	—	1,503.83	2,299.24	2,208.57
Furniture & Fixtures	380.09	34.58	—	414.67	154.14	25.86	—	179.99	234.68	225.95
Motor Vehicle	232.54	18.14	15.01	235.68	76.10	21.90	11.19	86.80	148.88	156.44
<b>Total Tangible Assets (A)</b>	<b>5,051.44</b>	<b>384.44</b>	<b>15.01</b>	<b>5,420.92</b>	<b>1,636.47</b>	<b>271.63</b>	<b>11.19</b>	<b>1,896.93</b>	<b>3,524.00</b>	<b>3,414.97</b>
<b>Intangible Assets</b>										
Software	140.03	29.94	—	169.96	57.78	22.91	—	80.69	89.27	82.24
<b>Total In-Tangible Assets (B)</b>	<b>140.03</b>	<b>29.94</b>	<b>—</b>	<b>169.96</b>	<b>57.78</b>	<b>22.91</b>	<b>—</b>	<b>80.69</b>	<b>89.27</b>	<b>82.24</b>
<b>Total Assets (A) + (B)</b>	<b>5,191.47</b>	<b>414.37</b>	<b>15.01</b>	<b>5,590.89</b>	<b>1,694.25</b>	<b>294.53</b>	<b>11.19</b>	<b>1,977.62</b>	<b>3,613.27</b>	<b>3,497.21</b>
<b>Previous Year</b>	<b>5,435.98</b>	<b>182.50</b>	<b>427.02</b>	<b>5,191.47</b>	<b>1,811.22</b>	<b>271.34</b>	<b>388.31</b>	<b>1,694.25</b>	<b>3,497.21</b>	
<b>Intangible assets under development</b>									<b>6.74</b>	<b>5.35</b>

\*Office Building Include ₹ 98,000 (Previous Year ₹ 98,000) in shares of Co-operative Housing Societies with right to hold and use certain area of Buildings.

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 11 : Non-current Investments</b>		
<b>Long Term Investments</b>		
<b>(a) Trade Investments (valued at cost)</b>		
<b>Unquoted equity instruments</b>		
<b>– Investment in Associate Company</b>		
Vistaas Digital Media Private Limited		
5000 (Previous Year: 5000) Equity shares of ₹ 10/- each fully paid-up		
40000 (Previous Year: 40000) Equity shares of ₹ 10/- each, ₹ 10/- fully paid-up (Previous Year: ₹ 7/- paid up)		
Proportion of Net Assets as on the Date of Acquisition	(12.92)	(2.13)
Add:- Goodwill	1,074.31	614.31
<b>Cost of Acquisition</b>	<b>1,061.39</b>	<b>612.19</b>
Add:- Share in Post Profits/ Loss	(78.12)	(4.02)
<b>Closing Balance as at year end</b>	<b>983</b>	<b>608</b>
<b>(b) Other Investments (valued at cost)</b>		
i) 20,000 (Previous Year 20,000) Equity shares of ₹ 10/- each fully paid-up of The N.K.G.S.B. Co-op. Bank Ltd.	2.00	2.00
ii) 20,000 (Previous Year 20,000) Equity shares of ₹ 25/- each fully paid-up of The Shamrao Vithal Co-op. Bank Ltd.	5.00	5.00
	<b>7.00</b>	<b>7.00</b>
<b>Total</b>	<b>990.27</b>	615.17
<b>Aggregate amount of unquoted investments</b>	<b>990.27</b>	<b>615.17</b>

Particulars	As at 31 March, 2012	As at 31 March, 2011
<b>Note 12 : Long term loans and advances</b>		
<b>(a) Security Deposit</b>		
Unsecured Considered Good	60.62	31.62
	<b>60.62</b>	<b>31.62</b>
<b>(b) Other loans and advances</b>		
Advance Income Tax (Net off Provisions for Taxation)	285.39	1,002.37
Loans to employees	46.39	20.19
Prepaid Expenses	5.43	12.49
	337.22	1,035.05
<b>Total</b>	<b>397.83</b>	<b>1,066.67</b>
<b>Note 13 : Trade receivables - Non Current</b>		
<b>Unsecured, Considered good</b>		
Over six months	345.54	1,764.02
<b>Total</b>	<b>345.54</b>	<b>1,764.02</b>
<b>Note 14 : Other non-current assets</b>		
<b>Non-Current bank balances</b>		
Non-current Bank Balances- In Deposits Accounts - with Original Maturity more than 12 months	4.50	148.30
<b>Total</b>	<b>4.50</b>	<b>148.30</b>
<b>Note 15 : Inventories</b>		
(a) Copyrights	9,491.27	4,964.51
(b) Movies under Production	58.84	202.57
(c) DVDs, VCDs & ACDs	141.73	145.98
<b>Total</b>	<b>9,691.84</b>	<b>5,313.06</b>
<b>Note 16 : Trade receivables - Current</b>		
<b>Unsecured, Considered good unless stated otherwise</b>		
(a) Over Six months	976.90	988.34
(b) Other receivables	8,149.05	5,692.26
<b>Total</b>	<b>9,125.95</b>	<b>6,680.59</b>

(₹ in Lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
<b>Note 17 : Cash and cash equivalents</b>		
<b>Cash and cash equivalents</b>		
<b>(a) Balances with Bank</b>		
On Current Accounts	200.05	391.21
Deposit with original maturity of less than three months	2.49	200.02
<b>(b) Cash on Hand</b>	15.21	17.83
<b>(c) Other Balances with Bank</b>		
Deposit with original maturity of Less than 12 months but more than 3 months	145.94	15.43
Deposit with original maturity of more than 12 months	290.55	70.02
<b>Total</b>	<b>654.23</b>	<b>694.51</b>
<b>Note 18 : Short-term loans and advances</b>		
<b>(a) Security Deposit</b>		
Unsecured Considered Good	—	1.00
	—	1.00
<b>(b) Advance recoverable in cash or kind</b>		
Unsecured Considered Good	6.15	6.15
	6.15	6.15
<b>(c) Other loans and advances</b>		
Withholding and Other Taxes Receivable	82.68	76.93
Advances paid for Supply of Goods and Rendering of Services	1,915.52	2,611.84
Balance with Customs, Central Excise Authorities	109.69	109.69
Advances paid to Others	11.50	0.54
Prepaid Expenses	87.70	102.20
Loans to employees	4.94	18.42
Loans to Others	71.21	69.73
	2,283.25	2,989.35
<b>Total</b>	<b>2,289.40</b>	<b>2,996.50</b>
<b>Note 19 : Other current assets</b>		
Unamortised Expenses - Proposed Share Issue Expenses	125.36	—
<b>Total</b>	<b>125.36</b>	<b>—</b>

Particulars	Year ended 31 March, 2012	Year ended 31 March, 2011
<b>Note 20 : Revenue from operations</b>		
(a) Sale of Rights	15,874.33	13,311.43
(b) Sale of Products	1,758.63	1,907.22
(c) Income from Services	530.32	540.11
(d) Other Operating Revenue	37.83	65.63
<b>Total</b>	<b>18,201.11</b>	<b>15,824.39</b>
<b>Note 21 : Other Income</b>		
(a) <b>Interest Received</b> [TDS ₹ 3,43,238/- (Previous Year ₹ 4,37,806/-)]	112.00	172.69
(b) <b>Dividend Received</b> Others (Non-Trade Investments)		
Long Term Investments	0.90	0.90
	0.90	0.90
(c) <b>Profit on Sale of Fixed Assets</b>	—	25.20
(d) <b>Surrender of Keyman Insurance</b>	296.26	—
(e) <b>Foreign Exchange Fluctuation Gain (net)</b>	88.64	—
(f) <b>Others</b>	12.73	4.65
<b>Total</b>	<b>510.54</b>	<b>203.45</b>
<b>Note 22 : Direct Operational Expenses</b>		
(a) Purchases	14,251.78	9,759.64
(b) Works Cost	676.18	604.56
<b>Total</b>	<b>14,927.96</b>	<b>10,364.20</b>
<b>Note 23 : Changes in inventories of finished goods, work-in-progress and Stock-in-Trade</b>		
(a) Inventories (at close)	9,691.84	5,313.06
(b) Inventories (at commencement)	5,313.06	5,144.00
<b>Total</b>	<b>(4,378.78)</b>	<b>(169.05)</b>
<b>Note 24 : Employee benefit expense</b>		
Salaries, Bonus and Allowances	1,349.20	919.18
Contribution to Provident & Other funds	98.14	88.99
Staff Welfare Expenses	34.01	25.70
<b>Total</b>	<b>1,481.35</b>	<b>1,033.87</b>



(₹ in Lacs)

Particulars	Year ended 31 March, 2012	As at 31 March 2011
<b>Note 25 : Financial costs</b>		
<b>Interest expense</b>		
Borrowings	1,808.76	1,447.43
<b>Other Borrowing Costs</b>		
Bank & Other Finance Charges	44.64	48.49
Bill Discounting Charges	73.45	37.33
<b>Total</b>	<b>1,926.85</b>	<b>1,533.25</b>
<b>Note 26 : Other expenses</b>		
Bad debts written off	0.06	46.09
Business Development Expenses	43.92	43.57
Communication Expenses	38.09	26.59
Directors Fees	4.60	—
Donations	17.30	59.24
Electricity Expenses	87.89	76.80
Foreign Exchange Fluctuation Loss (net)	—	60.34
Interest on Government Dues	23.07	22.11
General Expenses	276.84	194.22
Insurance Charges	40.86	75.07
Legal, Professional and Consultancy Fees	249.20	165.10
Auditors Remuneration	12.76	5.34
Rents, Rates and Taxes	38.23	16.18
<b>Repairs and Maintenance</b>		
Repairs and maintenance - Buildings	31.86	0.57
Repairs and maintenance - Machinery	57.29	29.84
Repairs and maintenance - Others	108.35	56.25
Security Charges	25.59	21.10
Selling Expenses	343.51	314.85
Travelling & Conveyance	114.17	82.71
Loss on Sale of Fixed Assets	2.49	—
<b>Total</b>	<b>1,516.08</b>	<b>1,295.95</b>

## 1 Background

Shemaroo Entertainment Limited was incorporated under the laws of India on December 23, 2005.

i) The Company has the following subsidiaries/associate concern:

Subsidiary/Associate concern	Date of Incorporation	Place of Incorporation	Proportion of effective ownership as on March, 31	
			2012	2011
Shemaroo Entertainment Inc. Wholly owned Subsidiary	15th March, 2007	United States of America	100%	100%
Shemaroo Entertainment (UK) Pvt. Ltd Wholly owned Subsidiary	8th July, 2009	United Kingdom	100%	100%
Vistaas Digital Media Private Limited Associate Company	17th September, 2009	India	50%	50%*

\*During the year, the Company has acquired 50% stake in Vistaas Digital Media Pvt. Ltd. by purchasing 45000 equity shares.

## I Significant Accounting Policies

### a. Basis of preparation of Consolidated Financial Statements:

The consolidated financial statement have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

The Consolidated Financial statements relate to Shemaroo Entertainment Limited ('the Company'), its subsidiary companies and Associate Companies (together referred to as 'the Group') and have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements.

The Consolidated Financial Statements have been prepared on the following basis:

- i) In respect of subsidiary companies, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like item of assets, liabilities, incomes and expenses, after fully eliminating intra-group balances and unrealised profits/losses on intra-group transactions as per Accounting Standard 21 — "Consolidated Financial Statements". In accordance with the Standard, the losses applicable to the minority, to the extent, if it exceeds, the minority's interest in the Equity of the subsidiary, has been adjusted against the majority interest.
- ii) In respect of associate companies, the financial statements have been consolidated as per Accounting Standard 23 – "Accounting for Investments in Associates in Consolidated Financial Statements" following the Equity Method for Consolidation of Associates.

- iii) The excess of cost to the Company of its investment in the subsidiary company over the Company's share of net assets of the subsidiary company is recognised in the financial statements as goodwill, which is tested for impairment at each balance sheet date. The excess of Company's share of net assets of the subsidiary company over the cost of acquisition is treated as capital reserve.
- iv) The results of operations of a subsidiary are included in the Consolidated Financial Statements from the date on which the parent-subsidiary relationship comes into existence. The results of operation of a subsidiary with which the parent-subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship. The difference between the proceeds from the disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as on the date of disposal are recognised as profit or loss on disposal of investment in the subsidiary.
- v) The translations of financial statements into Indian Rupees relating to non-integral foreign operations have been carried out using the following procedures:- assets and liabilities have been translated at closing exchange rates at the year end; and – income and expenses have been translated at an average of monthly exchange rates.

The resultant translation exchange gain/(loss) has been disclosed as Foreign Currency Translation Reserve under Reserves and Surplus.

- vi) The Notes and Significant Accounting Policies to the Consolidated Financial Statements are intended to serve as a guide for better understanding of the Group's position. In this respect, the Group has disclosed such notes and policies, which represent the requisite disclosure.

#### **b. Presentation and disclosure of financial statements**

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements.

#### **c. Use of estimates**

The preparation and presentation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised prospectively in the period in which results are known or materialised.

#### **d. Tangible fixed assets**

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost including related internal costs of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are

deducted in arriving at the purchase price. Adjustments arising from exchange rate variations attributable to the fixed assets are capitalised.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day—to—day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**e. Depreciation on tangible fixed assets**

Depreciation on fixed assets is calculated on a straight—line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. However, it was not practicable to use uniform accounting policies for depreciation in the case of following subsidiaries:

Asset Head	Depreciation Rates
	Shemaroo Entertainment (UK) Pvt. Ltd
Plant & Machinery	33.33%

**f. Intangible assets**

Intangible Assets are recorded at acquisition cost and in case of assets acquired on merger at their carrying values. Websites/Brands are recognised as Intangible Asset if it is expected that such assets will generate future economic benefits and amortised over their useful life not exceeding four/ten years or estimated useful life whichever is lower.

**g. Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur except Bill Discounting charges which are being carried forward on time proportion basis.

**h. Impairment of assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the

carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

**i. Investments**

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long—term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at cost. Long—term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

**j. Inventories**

Projects in progress and movies under production are stated at cost. Cost comprises the cost of materials, the cost of services, labour and other expenses.

Raw Stock, Digital Video Discs/Compact Discs stock are stated at lower of cost or net realisable value.

The copyrights are valued at a certain percentage of cost based on the nature of rights. The Company evaluates the realisable value and/or revenue potential of inventory based on management estimate of market conditions and future demand and appropriate write down is made in cases where accelerated write down is warranted.

The borrowing costs directly attributable to a movie/game is capitalised as part of the cost.

**k. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

**Sale of goods**

Revenue from sale of goods (ACDs/VCDs/DVDs/ACS/BRDs) is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods; net of returns, trade discounts and rebates. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these

are not economic benefits flowing to the company. Hence, they are excluded from revenue.

### **Sale of rights**

Sale of rights are recognised on the date of entering into agreement for the sale of the same, provided the Censor Certificate is in existence.

### **Income from services**

Revenues from services are recognized when contractual commitments are delivered in full net of returns, trade discounts and rebates. The company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the company. Hence, it is excluded from revenue.

### **Interest**

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head “other income” in the statement of profit and loss.

### **Dividends**

Dividend income is recognized when the company’s right to receive dividend is established by the reporting date.

### **Others**

Revenues relating to complete Feature Films are recognised in the year of release of feature films.

The cost of drama covering the cost of purchase of copyrights and shooting expenses is expensed out as a certain percentage of total cost.

Revenue pertaining to release of music of film is recognized on the date of its release.

## **I. Purchase of rights**

In respect of satellite rights, as per the terms and conditions of the agreement with producer / seller, with respect to the date of agreement of purchase and the existence of Censor Certificate.

In respect of other rights like Video and other rights on the date of the agreement of purchase with producer /seller, provided the Censor Certificate is in existence.

## **m. Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short—term investments with an original maturity of three months or less.

## **n. Foreign currency translation**

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency as at balance sheet date are converted at the exchange

rate prevailing on such date. Exchange differences arising from such translation are recognized in the Profit and Loss A/c.

**o. Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the Employees provident fund and Employees pension fund are charged to the statement of profit and loss for the year when the contributions are due. The company has no obligation, other than the contribution payable to the provident fund.

Gratuity has been accounted on the basis of actuarial valuation and the contribution thereof paid / payable is charged to the Profit & Loss Account each year.

Leave encashment benefits have been accounted on the basis of actuarial valuation done. The Projected Unit Credit Method as stipulated by AS—15 has been used to determine liability as on 31st March 2012.

Except of the Associate Vistaas Digital Media Private Limited all policies are conformity with that of the Group Policy.

**p. Income taxes**

Tax expense comprises current and deferred tax. Current income—tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income—tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the company re—assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each reporting date. The company writes—down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write—down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

## Shemaroo Entertainment Ltd.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set—off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

### q. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### r. Provisions

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

### s. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non—occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent Assets are not recognised in the financial statements since this may result in the recognition of income that may never realise.

## 27 Related party disclosures

### a Names of related parties and description of relationship

Key Management Personnel:	Mr. Buddhichand Maroo
	Mr. Raman Maroo
	Mr. Atul Maru
	Mr. Jai Maroo
	Mr. Hiren Gada
	Mr. Vinod Karani
	Mr. Hemant Karani



Mr. Bipin Dharod  
 Mr. Ketan Maru  
 Mr. Harakhchand Gada  
 Mrs. Kranti Gada  
 Mrs. Smita Maroo  
 Ms. Mansi Maroo

Entities having Common Control:

Atul H. Maru (HUF)  
 Buddhichand H. Maroo (HUF)  
 Raman H. Maroo (HUF)  
 Shemaroo Corporation  
 Sneha Arts  
 Shemaroo Holdings Private Limited  
 Think Walnut Digital Private Limited  
 Technology and Media Group PTE. Ltd.

Associate Company:

Vistaas Digital Media Private Limited

**b. The Nature of significant related party transactions and the amounts involved are as follows:**

Particulars	Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
<b>Purchase of Goods &amp; Services</b>	—	—	<b>72.24</b>	<b>0.01</b>	<b>19.50</b>	—	<b>91.74</b>	<b>0.01</b>
Shemaroo Corporation	—	—	—	0.01	—	—	—	0.01
Sneha Arts	—	—	38.32	—	—	—	38.32	—
Think Walnut Digital Private Limited	—	—	33.92	—	—	—	33.92	—
Vistaas Digital Media Private Limited	—	—	—	—	19.50	—	19.50	—
<b>Sale of Goods &amp; Services</b>	—	—	—	<b>4.32</b>	<b>1.00</b>	—	<b>1.00</b>	<b>4.32</b>
Shemaroo Corporation	—	—	—	4.32	—	—	—	4.32
Vistaas Digital Media Private Limited	—	—	—	—	1.00	—	1.00	—
<b>Purchase of Fixed Assets</b>	—	—	—	<b>0.31</b>	—	—	—	<b>0.31</b>
Shemaroo Corporation	—	—	—	0.31	—	—	—	0.31
<b>Remuneration to Directors</b>	<b>116.20</b>	<b>101.10</b>	—	—	—	—	<b>116.20</b>	<b>101.10</b>
Raman Maroo	42.07	36.40	—	—	—	—	42.07	36.40
Atul Maru	42.07	32.40	—	—	—	—	42.07	32.40
Buddhichand Maroo	—	20.00	—	—	—	—	—	20.00
Hiren Gada	32.07	12.30	—	—	—	—	32.07	12.30

## Shemaroo Entertainment Ltd.

Particulars	Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
<b>Salaries</b>	<b>156.39</b>	<b>100.89</b>	—	—	—	—	<b>156.39</b>	<b>100.89</b>
Bipin Dharod	18.09	13.96	—	—	—	—	18.09	13.96
Hemant Karani	23.98	18.48	—	—	—	—	23.98	18.48
Ketan Maroo	22.02	16.98	—	—	—	—	22.02	16.98
Harakhchand Gada	11.24	11.03	—	—	—	—	11.24	11.03
Vinod Karani	29.88	23.00	—	—	—	—	29.88	23.00
Kranti Gada	29.40	4.90	—	—	—	—	29.40	4.90
Smita Maroo	4.47	4.56	—	—	—	—	4.47	4.56
Mansi Maroo	17.32	7.97	—	—	—	—	17.32	7.97
<b>Salaries</b>	<b>1.40</b>	—	—	—	—	—	<b>1.40</b>	—
Buddhichand Maroo	0.60	—	—	—	—	—	0.60	—
Jai Maroo	0.80	—	—	—	—	—	0.80	—
<b>Interest Paid (on Loans)</b>	<b>54.42</b>	<b>207.13</b>	<b>32.65</b>	<b>46.05</b>	—	—	<b>87.08</b>	<b>253.17</b>
Raman Maroo	3.47	106.76	—	—	—	—	3.47	106.76
Atul Maru	21.47	59.71	—	—	—	—	21.47	59.71
Hiren Gada	2.38	3.59	—	—	—	—	2.38	3.59
Buddhichand Maroo	15.84	21.09	—	—	—	—	15.84	21.09
Jai Maroo	11.26	15.97	—	—	—	—	11.26	15.97
Atul H. Maru (HUF)	—	—	4.64	6.35	—	—	4.64	6.35
Buddhichand H. Maroo (HUF)	—	—	11.53	16.01	—	—	11.53	16.01
Raman H. Maroo (HUF)	—	—	16.48	23.68	—	—	16.48	23.68
<b>Dividend</b>	<b>91.14</b>	—	—	—	—	—	<b>91.14</b>	—
Mr. Buddhichand Maroo	17.88	—	—	—	—	—	17.88	—
Mr. Raman Maroo	24.05	—	—	—	—	—	24.05	—
Mr. Atul Maru	24.05	—	—	—	—	—	24.05	—
Mr. Jai Maroo	6.17	—	—	—	—	—	6.17	—
Mr. Hireen Gada	8.20	—	—	—	—	—	8.20	—
Mr. Vinod Karani	0.57	—	—	—	—	—	0.57	—
Mr. Hemant Karani	0.33	—	—	—	—	—	0.33	—
Mr. Bipin Dharod	0.21	—	—	—	—	—	0.21	—
Mr. Ketan Maru	0.41	—	—	—	—	—	0.41	—
Mr. Harakhchand Gada	0.16	—	—	—	—	—	0.16	—
Technology and Media Group PTE. Ltd.	9.11	—	—	—	—	—	9.11	—
<b>Loans Taken during the year</b>	<b>404.00</b>	<b>544.00</b>	—	<b>37.00</b>	—	—	<b>404.00</b>	<b>581.00</b>

Particulars	Key Management Personnel as on		Entities having common control as on		Associate Company as on		Total as on	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Atul Maru	204.00	265.00	—	—	—	—	204.00	265.00
Buddhichand Maroo	40.00	20.00	—	—	—	—	40.00	20.00
Jai Maroo	10.00	4.00	—	—	—	—	10.00	4.00
Raman Maroo	150.00	255.00	—	—	—	—	150.00	255.00
Atul H. Maru (HUF)	—	—	—	5.00	—	—	—	5.00
Buddhichand H. Maroo (HUF)	—	—	—	17.00	—	—	—	17.00
Raman H. Maroo (HUF)	—	—	—	15.00	—	—	—	15.00
<b>Investments done during the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>449.20</b>	<b>612.19</b>	<b>449.20</b>	<b>612.19</b>
Vistaas Digital Media Private Limited	—	—	—	—	449.20	612.19	449.20	612.19
<b>Other Income</b>	<b>296.26</b>	<b>—</b>	<b>1.32</b>	<b>1.20</b>	<b>—</b>	<b>—</b>	<b>297.58</b>	<b>1.20</b>
Atul Maru	148.13	—	—	—	—	—	148.13	—
Raman Maroo	148.13	—	—	—	—	—	148.13	—
Shemaroo Corporation	—	—	1.32	1.20	—	—	1.32	1.20
<b>Dues from Related Parties</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1.03</b>	<b>—</b>	<b>1.03</b>	<b>—</b>
Vistaas Digital Media Private Limited	—	—	—	—	1.03	—	1.03	—
<b>Dues to Related Parties</b>	<b>420.16</b>	<b>453.50</b>	<b>290.07</b>	<b>261.00</b>	<b>—</b>	<b>—</b>	<b>710.23</b>	<b>714.50</b>
Atul Maru	126.62	183.25	—	—	—	—	126.62	183.25
Buddhichand Maroo	177.26	123.00	—	—	—	—	177.26	123.00
Hiren Gada	7.15	20.00	—	—	—	—	7.15	20.00
Jai Maroo	109.14	89.00	—	—	—	—	109.14	89.00
Raman Maroo	—	38.25	—	—	—	—	—	38.25
Atul H. Maru (HUF)	—	—	41.17	37.00	—	—	41.17	37.00
Buddhichand H. Maroo (HUF)	—	—	102.38	92.00	—	—	102.38	92.00
Raman H. Maroo (HUF)	—	—	101.84	132.00	—	—	101.84	132.00
Sneha Arts	—	—	38.25	—	—	—	38.25	—
Think Walnut Digital Private Limited	—	—	6.43	—	—	—	6.43	—
Vistaas Digital Media Private Limited	—	—	—	—	—	—	—	—
<b>Personal Guarantees Taken against Bank Loans</b>	<b>82,760.00</b>	<b>50,620.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>82,760.00</b>	<b>50,620.00</b>
Atul Maru	21,440.00	13,530.00	—	—	—	—	21,440.00	13,530.00
Buddhichand Maroo	8,500.00	6,800.00	—	—	—	—	8,500.00	6,800.00
Jai Maroo	17,440.00	11,030.00	—	—	—	—	17,440.00	11,030.00
Raman Maroo	21,440.00	13,530.00	—	—	—	—	21,440.00	13,530.00
Hiren Gada	13,940.00	5,730.00	—	—	—	—	13,940.00	5,730.00
Others	—	—	—	—	—	—	—	—

## 28 Gratuity Benefits as per AS 15 (Revised)

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
<b>I. Assumptions as at</b>		
Mortality	LIC (1994-96) Ult.	LIC (1994-96) Ult.
Interest / Discount rate	8%	8%
Rate of increase in compensation	9%	5%
Rate of return (expected) on plan assets	9.15%	9.15%
Employee Attrition Rate (Past Service (PS))	PS: 0 to 42 : 3%	PS: 0 to 42 : 3%
Expected average remaining service	17.76	17.76
<b>II. Changes in present value of obligations</b>		
PVO (Plan Liability) at beginning of period	85.85	55.00
Interest cost	6.97	4.40
Current Service Cost	33.33	19.19
Past Service Cost - (non vested benefits)	—	—
Past Service Cost - (vested benefits)	—	—
Benefits paid	2.55	—
Actuarial (Gain)/ Loss on Obligation	7.36	7.26
PVO at end of period	136.05	85.85
<b>III. Changes in Fair Value of Plan Assets</b>		
Fair Value of Plan assets at Beginning of Period	45.98	50.61
Expected return on plan assets	9.22	4.13
Contributions	106.94	—
Benefit paid	2.55	—
Actuarial gain /(Loss) on plan assets	(14.32)	(3.23)
Fair value of plan assets at end of the Period	150.36	45.98
<b>IV. Fair Value of Plan Assets</b>		
Fair Value of Plan assets at Beginning of Period	45.98	50.61
Actual Return on Plan Assets	—	0.89
Contributions	106.94	—
Benefit paid	2.55	—
Fair value of plan assets at end of the Period	155.47	45.98
Funded Status (including unrecognised past service cost)	19.42	(39.87)
Excess of actual over estimated return on Plan Assets	9.22	(3.23)
<b>V. Experience History</b>		
(Gain)/Loss on obligation due to change in Assumption	14.72	24.94
Experience (Gain)/ Loss on obligation	(7.37)	(17.68)
Actuarial Gain/(Loss) on plan assets	(14.32)	(3.23)
<b>VI. Actuarial Gain/(Loss) Recognized</b>		
Actuarial Gain/(Loss) for the period (Obligation)	(7.36)	(7.26)

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Actuarial Gain/(Loss) for the period (Plan Assets)	(14.32)	(3.23)
Total Gain/(Loss) for the period	(21.68)	(10.49)
Actuarial Gain/(Loss) recognized for the period	(21.68)	(10.49)
Unrecognized Actuarial Gain/(Loss) at end of period	—	—
<b>VII. Past Service Cost Recognised</b>		
Past Service Cost - (non vested benefits)	—	—
Past Service Cost - (vested benefits)	—	—
Average remaining future service till vesting of the benefit	—	—
Recognised Past service Cost - non vested benefits	—	—
Recognised Past service Cost - vested benefits	—	—
Unrecognised Past service Cost - non vested benefits	—	—
<b>VIII. Amount to be recognized in the Balance Sheet and Statement of Profit &amp; Loss Account</b>		
PVO at end of period	136.05	85.85
Fair value of plan assets at end of the Period	155.47	45.98
Funded Status	19.42	(39.87)
Unrecognized Actuarial Gain/(Loss)	—	—
Unrecognised Past service Cost- non vested benefits	—	—
Net Asset/(Liability) recognized in the balance sheet	19.42	(39.87)
<b>IX. Expense recognized in the statement of P &amp; L A/C</b>		
Current Service Cost	33.33	19.19
Interest cost	6.97	4.40
Past Service Cost - (non vested benefits)	—	—
Past Service Cost - (vested benefits)	—	—
Unrecognised Past service Cost- non vested benefits	—	—
Expected return on plan assets	(9.22)	(4.13)
Net Actuarial (Gain)/Loss recognized for the period	21.68	10.49
Expense recognized in the statement of P & L A/C	52.76	29.95
<b>X. Movements in the Liability recognized in Balance Sheet</b>		
Opening Net Liability	39.87	4.39
Expenses as above	52.76	29.95
Contribution paid	(106.94)	—
Closing Net Liability	(14.31)	39.87
<b>XI. Revised Schedule VI</b>		
Current Liability	(14.31)	39.87
Non-Current Liability	150.36	45.98

## Shemaroo Entertainment Ltd.

Contribution to Defined Contribution Plans, recognised as expense for the year is as under:

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Employer's Contribution to Provident Fund	34.39	23.13
	<b>34.39</b>	<b>23.13</b>

29 The Company has identified "Entertainment" as the only primary reportable business segment. The Company has no geographical segment other than India.

30 Financial Details of Subsidiaries as required by the approval granted under section 212(8) of the Companies Act, 1956 pursuant to General Circular no. 2/2011 dated February 8th, 2011 issued by the Ministry of Corporate Affairs

S. No.	Name of Subsidiary	Reporting Currency	Exchange Rate (in ₹)	Capital	Reserves	Total Assets	Total Liabilities	Investments included in Total Assets	Turnover	Profit / (Loss) before Tax	Provision for Tax	Profit / (Loss) after Tax	Proposed Dividend
1	SHEMAROO ENTERTAINMENT INC. (USA)	USD	51.16	5.12	(3.89)	191.14	191.14	—	25.95	24.04	—	24.04	NIL
2	SHEMAROO ENTERTAINMENT (UK) PRIVATE LIMITED	GBP	81.80	29.45	(36.90)	148.05	148.05	—	132.54	15.66	—	15.66	NIL

## 31 Contingent Liabilities

(₹ in lacs)

Particulars	31-Mar-12	31-Mar-11
Estimated amount of contracts remaining to be executed on capital account	5.00	1.25
Bank Guarantee	5.00	—
Legal Cases against the company	180.51	180.51
Disputed Custom Duty	56.40	—
Uncalled liability on Partly Paid Shares	—	343.20
Bills of exchange discounted with Bank	4,332.19	1,980.00
Amount remitted	<b>4,579.10</b>	<b>2,504.96</b>

## 32 Previous year figures

Till the year ended 31 March 2011, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

In terms of our report attached.

For **M. K. Dandekar & Co.**

Chartered Accountants

ICAI FRN: 000679S

**K. J. Dandekar**

Partner

Membership No.: 18533

Place : Mumbai

Date : 29th June, 2012

For and on behalf of the Board

**Raman Maroo**

Managing Director

**Ankit Singh**

Company Secretary

Place : Mumbai

Date : 29th June, 2012

**Atul Maru**

Jt. Managing Director

**Hiren Gada**

Whole Time Director (Finance)

## Disclaimer

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.



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