

18Th
ANNUAL REPORT
2008- 09



Padmalaya
TELEFILMS LIMITED

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Corporate Information

Board of Directors

Bijay Kumar Khemka	-	Chairman
G.V. Narasimha Rao	-	Executive Director
S. Srinivasa Rao	-	Director - Works
Dr. D.V.N. Raju	-	Director
V. Srihari	-	Director
Bipin Damji Shah	-	Director

Regd. & Administrative Office

Plot No.138, H.No. 8-3-222/1/23,
Madhura Nagar, Yusuf Guda, Hyderabad - 38

Auditors

M/s P. Murali & Co.,
6-3-655/2/3,
Somajiguda
Hyderabad - 500 082

Bankers

HDFC
Allahabad Bank
Corporation Bank

Registrars & Share Transfer Agents

Karvy Computer Share Private Limited
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034

Listing

The Hyderabad Stock Exchange Limited
The Stock Exchange, Mumbai
The National Stock Exchange of India Limited, Mumbai



NOTICE

Notice is hereby given that the 18th Annual General Meeting of M/s. Padmalaya Telefilms Limited will be held on Wednesday, the 30th day of September 2009 at 9.30 AM at the State Gallery of Fine Arts, Road No.1, Kavuri Hills, Madhapur, Hyderabad-500 033 to transact the following business:

ORDINARY BUSINESS

1. To Receive, Consider and Adopt the Audited Balance Sheet as at 31st March, 2009 and Profit & Loss Account as on that date together with the Report of Auditors and the Report of Board of Directors thereon.
2. To appoint a Director in the place of Sri. Bijay Kumar Khemka who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Sri Bipin Dhamji Shah who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration by Passing the following Resolution :-

"RESOLVED THAT M/s P. Murali & Co., Chartered Accountants, Hyderabad be and are hereby reappointed as Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the Next Annual General Meeting of the company at a remuneration to be fixed by the Board of Directors."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT in accordance with the provisions of Section 94 and all other applicable provisions of the Companies Act, 1956, read with the Article No.6 of the Articles of Association of the Company, the existing Authorized Share Capital of the Company be and is hereby increased from Rs.15,00,00,000/- (Rupees Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty Lakhs) Equity Shares of Rs.10/- (Rupee Ten) each to Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupee Ten) each ranking *pari passu* with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT in accordance with the provisions of Section 16 and all other applicable provisions, if any, of the Companies Act, 1956, the Clause V (i) of the Memorandum of Association of the Company be and is hereby altered by substituting the following new clause V (i) in place of the existing Clause V (i) thereof:

V. The authorized share capital of the company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/- (Rupee Ten) each. The Company has powers from time to time to increase or reduce its capital and also to cancel any uncalled capital.

RESOLVED FURTHER THAT in accordance with the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Article 3 of the Articles of Association of the Company be and is hereby altered by substituting the following new Article 3 in place of the existing Article --3 thereof:

3. The Authorized Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs. 10/- (Rupee Ten) each with powers to sub-divide, consolidate, increase and reduce the capital and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential or special rights and privileges and conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the Company."

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchange (s) and subject to such approvals, consents, permissions and sanctions of all other appropriate and/or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), to offer, issue, allot and deliver 6,00,000

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Yamuna Enterprises Private Limited	6,00,000	Promoter

(Six Lakhs only) Equity Shares on preferential basis at a Price of Rs.10/- (Rupees Ten Only) per Equity Share to the following promoters/promoter group:

for cash which at a price of not less than the price as on "Relevant Date" determined in terms of Clause 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price of warrants, in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be 29th August, 2009.

RESOLVED FURTHER THAT

- a) The aforementioned allottee shall have to pay entire amount on the shares before the date of allotment of shares.
- b) Equity shares to be issued and allotted by the Company shall rank pari-passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board do seek listing of the equity shares allotted at all the exchanges, where the equity shares of the Company are already listed or may be listed and at any other Stock Exchange(s) which the Board in its own discretion deems fit and necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors be and is hereby authorized to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other statutory authorities as may be necessary from time to time and take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question (s), difficulty or doubt that may arise in this regard without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and to delegate all or any of the powers to any Director (s) or authorized person (s) to give effect to the above resolution.

The Board / Committee be and is hereby authorized to accept the terms, conditions and stipulations made by the regulatory authorities while granting approval to the Company for the issue of securities as aforesaid."

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchange (s) and subject to such approvals, consents, permissions and sanctions of all other appropriate and/or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), to offer, issue, allot and deliver 6,35,000 (Six Lakhs Thirty Five Thousand only) Equity Shares on preferential basis at a Price of Rs.10/- (Rupees Ten Only) per Equity Share to the following entity forming part of non-promoter category:

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Shakamuri holdings	6,35,000	Non Promoter

for cash which at a price of not less than the price as on "Relevant Date" determined in terms of Clause 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price of warrants, in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be 29th August, 2009.

RESOLVED FURTHER THAT

- The aforementioned allottee shall have to pay entire amount on the shares before the date of allotment of shares.
- Equity shares to be issued and allotted by the Company shall rank pari-passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board do seek listing of the equity shares allotted at all the exchanges, where the equity shares of the Company are already listed or may be listed and at any other Stock Exchange(s) which the Board in its own discretion deems fit and necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors be and is hereby authorized to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other statutory authorities as may be necessary from time to time and take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question (s), difficulty or doubt that may arise in this regard without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and to delegate all or any of the powers to any Director (s) or authorized person (s) to give effect to the above resolution.

The Board / Committee be and is hereby authorized to accept the terms, conditions and stipulations made by the regulatory authorities while granting approval to the Company for the issue of securities as aforesaid."



8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchange (s) and subject to such approvals, consents, permissions and sanctions of all other appropriate and/or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), to offer, issue, allot and deliver 6,35,000 (Six Lakhs Thirty Five Thousand only) Equity Shares on preferential basis at a Price of Rs. 10/- (Rupees Ten Only) per Equity Share to the following entity forming part of non-promoter category

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Lime Lights Media Tech Private Limited	6,35,000	Non Promoter

for cash which at a price of not less than the price as on "Relevant Date" determined in terms of Clause 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price of warrants, in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be 29th August, 2009.

RESOLVED FURTHER THAT

- The aforementioned allottee shall have to pay entire amount on the shares before the date of allotment of shares.
- Equity shares to be issued and allotted by the Company shall rank pari-passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board do seek listing of the equity shares allotted at all the exchanges, where the equity shares of the Company are already listed or may be listed and at any other Stock Exchange(s) which the Board in its own discretion deems fit and necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors be and is hereby authorized to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other statutory authorities as may be necessary from time to time and take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question (s); difficulty or doubt that may arise in this regard without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and to delegate all or any of the powers to any Director (s) or authorized person (s) to give effect to the above resolution.

The Board / Committee be and is hereby authorized to accept the terms, conditions and stipulations made by the regulatory authorities while granting approval to the Company for the issue of securities as aforesaid."



9. To consider and thought fit, to pass with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, read with the enabling provisions of the Memorandum and Articles of Association of the Company and subject to the regulations/rules/guidelines issued by the Securities and Exchange Board of India (SEBI), Listing Agreement entered into with the Stock Exchange (s) and subject to such approvals, consents, permissions and sanctions of all other appropriate and/or concerned authorities and departments, if any, and subject to such conditions and modifications as may be prescribed by any of them in granting such approvals, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "Board" which term shall be deemed to include any Committee constituted/to be constituted by the Board to exercise

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Tabaja Entertainments Private Limited	6,30,000	Non Promoter

its powers including the powers conferred by this Resolution), to offer, issue, allot and deliver 6,30,000 (Six Lakhs Thirty Thousand only) Equity Shares on preferential basis at a Price of Rs. 10/- (Rupees Ten Only) per Equity Share to the following entity forming part of non-promoter category

for cash which at a price of not less than the price as on "Relevant Date" determined in terms of Clause 13.1.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT the 'Relevant Date' for the purpose of determining the issue price of warrants, in pursuance of SEBI (Disclosure and Investor Protection) Guidelines, 2000 will be 29th August, 2009.

RESOLVED FURTHER THAT

- The aforementioned allottee shall have to pay entire amount on the shares before the date of allotment of shares.
- Equity shares to be issued and allotted by the Company shall rank pari-passu in all respects with the existing fully paid-up Equity Shares of the Company.

RESOLVED FURTHER THAT the Board do seek listing of the equity shares allotted at all the exchanges, where the equity shares of the Company are already listed or may be listed and at any other Stock Exchange(s) which the Board in its own discretion deems fit and necessary.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolution above, the Board of Directors be and is hereby authorized to finalize and execute all documents, deeds and writings as may be necessary, which includes but not limited to preparing, executing and filing necessary applications / forms / returns / documents to the Registrar of Companies, Stock Exchange(s), National Securities Depository Limited (NSDL), Central Depository Services (India) Limited (CDSL) and / or such other statutory authorities as may be necessary from time to time and take such steps and actions and give such directions as it may in its absolute discretion deem necessary and to settle any question (s), difficulty or doubt that may arise in this regard without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution and to delegate all or any of the powers to any Director (s) or authorized person (s) to give effect to the above resolution.

The Board / Committee be and is hereby authorized to accept the terms, conditions and stipulations made by the regulatory authorities while granting approval to the Company for the issue of securities as aforesaid."

for and on behalf of the Board of Directors

Place : Hyderabad
Date 2nd September, 2009

(Bijoy Kumar Khemka)
Chairman



Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September 2009 to 30th September 2009 (both Days Inclusive) to ascertain the list of members for 18th Annual General Meeting.
3. The attendance slip is annexed to the proxy form, Members/proxies are requested to duly fill in and affix their signatures at the space provided therein and hand over the same at the entrance of the place of the meeting.
4. Members desiring any information on accounts are requested to write to the company at least seven days before the meeting so as to enable the company to keep the information ready and the Members/Proxies are requested to bring the copies of the Annual Report to the Meeting and the same will not be distributed at the meeting.
5. Explanatory Statement stating all the material facts relating to the aforesaid Special Business contained in notice pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

for and on behalf of the Board of Directors

Place : Hyderabad
Date 2nd September, 2009

(Bijay Kumar Khemka)
Chairman

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956

Item # 5

The present Authorized Share Capital of the Company is Rs.15,00,00,000 (Rupees Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty lakhs) Equity Shares of Rs.10/- (Rupee Ten) each.

It is now proposed to Increase the Authorized Share Capital to Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs.10/- (Rupee Ten) each ranking pari passu with the existing Equity Shares of the Company. Increase of Authorized Share Capital of the Company requires the approval of members by way of an Ordinary Resolution pursuant to Section 94 of the Companies Act, 1956. Consequent to increase of Authorized Share Capital, the Articles of Association of the Company needs to be altered and which requires the approval of members by Special Resolution pursuant to Section 31 of the Companies Act, 1956. Hence the above resolutions are submitted to meeting for members' approval. The Board of Directors recommends the resolutions for your approval.

A copy of the present Memorandum and Articles of Association of the Company is available for inspection at the registered office in all working days during business hours up to the day of the meeting.

None of the Directors of the Company are concerned or interested except to the extent they may participate in the increase capital when issued and allotted by the Company.

Item # 6:

The members are informed that the global financial crisis has also affected the normal functioning of your Company. Your Directors with a view to mitigate the day to operational cost, to overcome the working capital crisis and also to strengthen the financial position, proposed to allot equity shares on preferential basis to Yamuna Enterprises Private Limited forming part of the promoter/promotes group. Accordingly, the Board recommend to create, offer, issue and allot 6,00,000 (Six Lakhs only) Equity Shares of Rs.10/- each fully paid-up.

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 for the preferential issue is as under:

a) Object of issue:

The object of the proposed preferential offer is to mitigate the day to operational cost, to overcome the working capital crisis and also to strengthen the financial position and other general corporate purposes of the Company.

b) Intention to subscribe to the offer:

Promoters/promoters group is intending to subscribe 6,00,000 (Six Lakhs) equity shares in one or more tranches such that they shall not acquire the voting rights so as to attract the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

c) Shareholding pattern before and after the issue of Equity Shares on preferential basis:

Given as annexure to this Explanatory Statement.

d) Proposed time within which the allotment shall be completed

The allotment of the Equity Shares shall be completed within 15 days from the date of passing of resolution in the Annual General Meeting. Provided that where the issue of Equity Shares on preferential basis is pending on account of pendency of any approval of such issue by any regulatory authority or the Central Government, the issue of Equity Shares shall be completed within 15 days from the date of such approval.

e) Identity of proposed allottee(s) of Equity Shares and the percentage of the post-issue capital

The proposed 6,00,000 Equity Shares are to be issued to Promoters/Promoters Group as mentioned elsewhere in this notice/explanatory statement in the ratio mentioned in the aforementioned resolution.

f) Change in the composition of the Board of Directors and control of the Company

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential issue of warrants.

g) Non-transferability of the securities

The Equity Shares allotted on a preferential basis shall be locked-in for a period as per the provisions of Clause 13.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

h) Price at which allotment is proposed

The aforesaid Equity Shares are proposed to be issued at a price of not less than Rs.10/-, which is the price determined by considering 29th August, 2009 as the Relevant Date determined as per the

pricing formula prescribed in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000.

As per SEBI Guidelines the price for issue of the Securities shall not be less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

A copy of the certificate of the Company Auditor with respect to the issue price, as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The **relevant date** for the purpose of determining the issue price of the Equity Shares is **29th August, 2009**, which is 30 days prior to the date of the Annual General Meeting where the approval of shareholders will be obtained for issue of warrants.

As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of shares by way of preferential allotment as stated in the resolution. Hence, consent of the shareholders by way of special resolution is being sought for the issue of such Equity Shares on preferential basis.

The Board recommends the resolution for approval.

All Directors are interested in the resolution to the extent of their shareholding.

Item # 7:

As informed above, the Board has identified the below mention investors to invest in the Company upon offer for investment on preferential basis. The proposed allotment of equity shares on preferential basis shall be made, if approved to the entities forming part of the non-promoter/promotes group. Accordingly, the Board recommend to create, offer, issue and allot 6,35,000 (Six Lakhs Thirty Five only) Equity Shares of Rs.10/- each fully paid-up to the following entity:

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Shakamuri holdings	6,35,000	Non Promoter

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 for the preferential issue is as under:

a) Object of issue:

The object of the proposed preferential offer is to mitigate the day to operational cost, to overcome the working capital crisis and also to strengthen the financial position and other general corporate purposes of the Company.

b) Intention to subscribe to the offer:

The investors are not related/connected to each other and also to the existing promoters/promoters group, Directors and/or the Company in any manner whatsoever and are intending to subscribe for 6,35,000 (Six Lakhs Thirty Five) equity shares in one or more tranches such that they shall not acquire the voting rights so as to attract the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.



- c) Shareholding pattern before and after the issue of Equity Shares on preferential basis:

Given as annexure to this Explanatory Statement.

- d) Proposed time within which the allotment shall be completed

The allotment of the Equity Shares shall be completed within 15 days from the date of passing of resolution in the Annual General Meeting. Provided that where the issue of Equity Shares on preferential basis is pending on account of pendency of any approval of such issue by any regulatory authority or the Central Government, the issue of Equity Shares shall be completed within 15 days from the date of such approval.

- e) Identity of proposed allottee(s) of Equity Shares and the percentage of the post-issue capital

The proposed 6,35,000 Equity Shares are to be issued to Non-Promoters/Promoters Group as mentioned elsewhere in this notice/explanatory statement in the ratio mentioned in the aforementioned resolution.

- f) Change in the composition of the Board of Directors and control of the Company

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential issue of warrants.

- g) Non-transferability of the securities

The Equity Shares allotted on a preferential basis shall be locked-in for a period as per the provisions of Clause 13.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

- h) Price at which allotment is proposed

The aforesaid Equity Shares are proposed to be issued at a price of not less than Rs.10/-, which is the price determined by considering 29th August, 2009 as the Relevant Date determined as per the pricing formula prescribed in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000. As per SEBI Guidelines the price for issue of the Securities shall not be less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
(ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

A copy of the certificate of the Company Auditor with respect to the issue price, as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The relevant date for the purpose of determining the issue price of the Equity Shares is 29th August, 2009, which is 30 days prior to the date of the Annual General Meeting where the approval of shareholders will be obtained for issue of warrants.

As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of shares by way of preferential allotment as stated in the resolution. Hence, consent of the shareholders by way of special resolution is being sought for the issue of such Equity Shares on preferential basis.

The Board recommends the resolution for approval.

All Directors are interested in the resolution to the extent of their shareholding.

Item # 8:

As informed above, the Board has identified the below mention investors to invest in the Company upon offer for investment on preferential basis. The proposed allotment of equity shares on preferential basis shall be made, if approved to the entities forming part of the non-promoter/promotes group. Accordingly, the Board recommend to create, offer, issue and allot 6,35,000 (Six Lakhs Thirty Five only) Equity Shares of Rs.10/- each fully paid-up to the following entity:

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Lime Lights Media Tech Private Limited	6,35,000	Non Promoter

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 for the preferential issue is as under:

a) Object of issue:

The object of the proposed preferential offer is to mitigate the day to operational cost, to overcome the working capital crisis and also to strengthen the financial position and other general corporate purposes of the Company.

b) Intention to subscribe to the offer:

The investors are not related/connected to each other and also to the existing promoters/promoters group, Directors and/or the Company in any manner whatsoever and are intending to subscribe for 6,35,000 (Six Lakhs Thirty Five) equity shares in one or more tranches such that they shall not acquire the voting rights so as to attract the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

c) Shareholding pattern before and after the issue of Equity Shares on preferential basis:

Given as annexure to this Explanatory Statement.

d) Proposed time within which the allotment shall be completed

The allotment of the Equity Shares shall be completed within 15 days from the date of passing of resolution in the Annual General Meeting. Provided that where the issue of Equity Shares on preferential basis is pending on account of pendency of any approval of such issue by any regulatory authority or the Central Government, the issue of Equity Shares shall be completed within 15 days from the date of such approval.

e) Identity of proposed allottee(s) of Equity Shares and the percentage of the post-issue capital

The proposed 6,35,000 Equity Shares are to be issued to Non-Promoters/Promoters Group as mentioned elsewhere in this notice/explanatory statement in the ratio mentioned in the aforementioned resolution.

f) Change in the composition of the Board of Directors and control of the Company

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential issue of warrants.

g) Non-transferability of the securities

The Equity Shares allotted on a preferential basis shall be locked-in for a period as per the provisions of Clause 13.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.



h) Price at which allotment is proposed

The aforesaid Equity Shares are proposed to be issued at a price of not less than Rs.10/-, which is the price determined by considering 29th August, 2009 as the **Relevant Date** determined as per the pricing formula prescribed in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000. As per SEBI Guidelines the price for issue of the Securities shall not be less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

A copy of the certificate of the Company Auditor with respect to the issue price, as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The relevant date for the purpose of determining the issue price of the Equity Shares is 29th August, 2009, which is 30 days prior to the date of the Annual General Meeting where the approval of shareholders will be obtained for issue of warrants.

As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of shares by way of preferential allotment as stated in the resolution. Hence, consent of the shareholders by way of special resolution is being sought for the issue of such Equity Shares on preferential basis.

The Board recommends the resolution for approval.

All Directors are interested in the resolution to the extent of their shareholding.

Item # 9:

As informed above, the Board has identified the below mention investors to invest in the Company upon offer for investment on preferential basis. The proposed allotment of equity shares on preferential basis shall be made, if approved to the entities forming part of the non-promoter/promotes group. Accordingly, the Board recommend to create, offer, issue and allot 6,30,000 (Six Lakhs Thirty Thousand only) Equity Shares of Rs.10/- each fully paid-up to the following entity:

S. No.	Name of the Proposed Allottee	No. of Equity Shares to be allotted	Category
1.	Tabala Entertainments Private Limited	6,30,000	Non Promoter

The information as required under Clause 13.1A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 for the preferential issue is as under:

a) Object of issue:

The object of the proposed preferential offer is to mitigate the day to operational cost, to overcome the working capital crisis and also to strengthen the financial position and other general corporate purposes of the Company.

b) Intention to subscribe to the offer:

The investors are not related/connected to each other and also to the existing promoters/promoters group, Directors and/or the Company in any manner whatsoever and are intending to subscribe for 6,30,000 (Six Lakhs Thirty) equity shares in one or more tranches such that they shall not acquire the voting rights so as to attract the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.



- c) Shareholding pattern before and after the issue of Equity Shares on preferential basis:

Given as annexure to this Explanatory Statement.

- d) Proposed time within which the allotment shall be completed

The allotment of the Equity Shares shall be completed within 15 days from the date of passing of resolution in the Annual General Meeting. Provided that where the issue of Equity Shares on preferential basis is pending on account of pendency of any approval of such issue by any regulatory authority or the Central Government, the issue of Equity Shares shall be completed within 15 days from the date of such approval.

- e) Identity of proposed allottee(s) of Equity Shares and the percentage of the post-issue capital

The proposed 6,30,000 Equity Shares are to be issued to Non-Promoters/Promoters Group as mentioned elsewhere in this notice/explanatory statement in the ratio mentioned in the aforementioned resolution.

- f) Change in the composition of the Board of Directors and control of the Company

There will not be any change in the composition of the Board of Directors and control of the Company on account of the proposed preferential issue of warrants.

- g) Non-transferability of the securities

The Equity Shares allotted on a preferential basis shall be locked-in for a period as per the provisions of Clause 13.3.1 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000.

- h) Price at which allotment is proposed

The aforesaid Equity Shares are proposed to be issued at a price of not less than Rs.10/-, which is the price determined by considering 29th August, 2009 as the Relevant Date determined as per the pricing formula prescribed in Chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000. As per SEBI Guidelines the price for issue of the Securities shall not be less than the higher of the following:

- (i) The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date; or
- (ii) The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the relevant date.

A copy of the certificate of the Company Auditor with respect to the issue price, as per the SEBI guidelines shall be placed before the shareholders at the meeting.

The relevant date for the purpose of determining the issue price of the Equity Shares is 29th August, 2009, which is 30 days prior to the date of the Annual General Meeting where the approval of shareholders will be obtained for issue of warrants.

As per Section 81 (1A) of the Companies Act 1956, approval of the shareholders in the General Meeting is required for the issue of shares by way of preferential allotment as stated in the resolution. Hence, consent of the shareholders by way of special resolution is being sought for the issue of such Equity Shares on preferential basis.

The Board recommends the resolution for approval.

All Directors are interested in the resolution to the extent of their shareholding.

for and on behalf of the Board of Directors

Place : Hyderabad
Date 2nd September, 2009

(Bijay Kumar Khemka)
Chairman

**Annexure for item No.6 to 9 of the Explanatory Statement
Shareholding pattern before and after the issue of Equity Shares on preferential basis**

S.No.	Category	Pre-issue		Post-issue	
		No.of shares held	% of holding	No.of shares held	% of holding
A	Shareholding of Promoters and Promoter Group				
1	Indian Promoters	1108674	8.8694	1708674	11.3912
2	Foreign Promoters	Nil	Nil	Nil	Nil
	Sub-total (A)	1108674	8.8694	1708674	11.3912
B	Public shareholding				
3	Institutions	Nil	Nil	Nil	Nil
a.	Financial Institutions/Banks	250	0.0020	250	0.0017
b.	Mutual Funds and UTI	Nil	Nil	Nil	Nil
c.	Venture Capital Funds	Nil	Nil	Nil	Nil
d.	Fils	Nil	Nil	Nil	Nil
e.	Others	Nil	Nil	Nil	Nil
	Foreign Companies	Nil	Nil	Nil	Nil
	Sub-total (B1)	250	0.0020	250	0.0017
2.	Non-institutions				
a.	Private Corporate Bodies	1691023	13.5282	3591023	23.9401
b.	Indian Public	9546228	76.3698	9546228	63.6415
c.	NRIs and OCB	140486	1.1239	140486	0.9366
d.	Clearing members	13339	0.1067	13339	0.0889
e.	Others	Nil	Nil	Nil	Nil
	Sub-total (B2)	11391076	91.1286	13291076	88.6071
	Sub-total (B = B1+B2)	11391326	91.1306	13291326	88.6088
	Total (A+B)	12500000	100.0000	15000000	100.0000
C	Shares held by custodians and against which depository receipts have been issued	Nil	Nil	Nil	Nil
	Grand total (A+B+C)	12500000	100.0000	15000000	100.0000

* Pl mention whether any of the Shares are pledged

Notes:

- The above table has been prepared on the basis of the shareholding pattern as on 29th August, 2009 prior to the date of issue of Equity Shares.
- The Promoters/Promoters Group and/or persons other than Promoters/Promoters Group would have subscribed to and been allotted 25,00,000 (Twenty Five Lakhs) equity shares of Rs.10/- each fully paid.

Additional information on Retiring Directors required to be furnished as per the Listing Agreement.

1. Brief profile of Sri Bija Kumar Khemka who retires by rotation and eligible for re-election.

Sri. Bijay Khemka, aged about 58 years, having vast in Motion Picture Production and Distribution, he has distributed more than 100 Hindi Films and 25 Bengali films in eastern Circuit. Sri Bijay Khemka has produced the Biggest Bengali Hit film "Beder Meya Joshna". Is the former Senior Vice-President of Easter India Motion Pictures Association of Easter India Motion Pictures Association.

2. Brief profile of Sri. Bipin Dhamji Shah who retires by rotation and eligible for re-election.

Sri. Bipin Dhamji Shah, aged about 46 years, is a Chartered Accountant by profession and is a Fellow Member of the Institute of Chartered Accountants of India. Sri Bipin Dhamji Shah is having rich experience in the field of finance and in-addition he is Executive Producer and having rich experience in Distribution Films.

for and on behalf of the Board of Directors

Place : Hyderabad
Date 2nd September, 2009

(Bijay Kumar Khemka)
Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 18th Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March 2009 thereof. The Business and operations of the company over the last fiscal year are briefly encapsulated below:

Financial Results		(Rs.In Lakhs)
Particulars	Year Ended 31 st March 2009	Previous ended On 31 st March 2008
Turn Over	1,77.52	1,663.99
Profit after Tax	(204.44)	(1,929.60)
Add: Profit brought Forward from last year	(6,997.03)	(5,067.43)
Profit Available for Appropriation	(7,201.47)	(6,997.03)

Business Performance Review

During the year under review your company's performance is not encouraging due to paucity of funds delayed in implementing the proposed business activities.

Out look for the current year

Your Directors wish to inform that due to the set back in the previous years; have reviewed all business divisions and under taken a substantial re-organizing, restructuring exercise of its total divisions. To strengthen its stand in the market, the company has been concentrating in activities like multimedia training, and Digitalisation of the theaters and Film Production tie ups with experts in the business houses.

Dividend

Since there are no profits in the current year your directors could not recommend dividend.

Statutory Disclosures

Conservation of Energy and Technology Absorption

The company is not engaged in manufacturing activities, and as such the particulars relating to conservation of energy and technology absorption are not applicable. The company makes every effort to conserve energy as far as possible in its editing facilities, Production Floors, Office etc.

Public Deposits

Your company has not accepted any deposits from the public during the year under review and there are no outstanding deposits as on 31st March, 2009.

DIRECTORS:

Sri. Bijay Kumar Khemka and Sri. Bipin Dhamji Shah of the Company retire by rotation and being eligible, offers themselves for re-appointment.

AUDITORS

M/s.P. Murali & Co., Chartered Accountants retire at the conclusion of the Annual General Meeting and are eligible for re-appointment as Statutory Auditors of the company. The board recommends the appointment of M/s. P. Murali & Co. Chartered Accountants, as Statutory Auditor for the period from the Conclusion of this Annual General Meeting to Next Annual General Meeting.

REPLY TO AUDITORS QUALIFICATIONS

The Company has furnished the following in respect of the qualification by the Auditors:

- Management is in the process of re-negotiating OTS with the HDFC bank. A detailed note was given in the point no 15 of Notes to the accounts.
- The Management is putting its full efforts to regularize the payments to the statutory authorities in time.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement executed with the stock exchanges the Company has complied with all the provisions of the corporate governance. The detailed note in this regard is provided in this annual report elsewhere. A certificate from the Auditors of the company regarding compliance of conditions of Corporate Governance is attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis Report, has been attached and forms part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

We the Directors confirm.

- a. That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same :
- b. That we have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period
- c. That we have taken proper and sufficient care 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.
- d. That we have prepared the annual accounts on a Going concern basis.

Foreign Exchange Earnings and Outgoings.

1. Total Foreign Exchange earned	Nil
2. Total Foreign Exchange utilized	Nil

Particulars of Employee's Remuneration and Industrial Relations

There are no employees whose particulars, pursuant to Section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975, are to be disclosed. Industrial relations in the company were very cordial and stable.

HUMAN RESOURCE

The Board of Directors would like to place on record its deep appreciation to all the employees for their dedicated services to the company. Our organizational culture and work environment is central to our ability to compete effectively

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their thanks to various departments of Central and State Governments, financial institutions, Banks, the Suppliers, Customers and Shareholders of the Company for their continued assistance, support and guidance.

for and on behalf of the Board of Directors

Place : Hyderabad
Date 2nd September, 2009

(Bijay Kumar Khemka)
Chairman

Management Discussion & Analysis Report

Industry Structure and development:

The media and entertainment sector consists of the creation, aggregation and distribution of content, products and services, news and information, advertising and entertainment through various channels and platforms. The media and entertainment industry is one of the fastest growing industries in the world. Ever evolving technologies, extensive use of media by corporate provide both opportunities and challenges to the media and entertainment industry. Majority of this growth is expected from "BRIC" countries, i.e. Brazil, Russia, India and China. Undoubtedly, the huge markets of China and India are leading that growth.

Indian Entertainment Industry

Post reforms the media and entertainment industry in India has made tremendous strides. The M&E industry can be further classified into film, television, advertising, print media and music. The Indian entertainment industry came off age and gained global recognition when A.R.Rahman and Resul Pokutty won the Oscars for their work in Slum dog Millionaire. Entertainment and media industry is gaining lot of importance in India. India's media and entertainment industry is projected to grow by 18 per cent over the next five years and is expected to become a 1.157 trillion industry by 2012.

Current Year Outlook:

The industry could not achieve the anticipated growth due to recession in the international market. The recession has badly hit the company's current year financials

The Indian Media and Entertainment industry is forecasted to grow at an annual growth rate of 19 per cent to reach Rs 83,740 crore by 2010 as per the CAGR forecast. The segment wise forecast is: Radio - Rs 1,200 crore i.e. 32%, Music - Rs 740 crore i.e. 1%, Television - Rs 42,700 crore i.e. 24%, Film Industry - Rs 15,300 crore i.e. 18%, Print Media - Rs 15,300 crore i.e. 12%

Massive foreign investment, privatization and initial public offerings by Indian companies have resulted in a rapid growth for this sector. Leading studio's from Hollywood like Turner and Warner Bros have shown keen interest in the Indian market.

The Television industry in India which is contributing major share in the industry, is witnessing a major change over with even several actors and actresses from the Bollywood industry making a career shift. Digital network like direct to home (DTH) have helped television reach to millions of viewers across the country. Mobile TV where picture can be relayed to mobile phones is in the early stage of development and has got a tremendous future. The Television industry witnessed a surge in the number of channels; viewers had a wider range of channels to select from. It is believed that more than 100 new channels across various segments would be launched in the next one year.

In an attractive but volatile industry such as entertainment, PTL has the experience and perseverance for turnarounds and re-capturing its industry-leading stature. The years that come will prove the validity of our strategies and underscore our ability to execute them.

Review of Annual Operations:

Segment - wise performance

(Rs.In Lakhs)

Particulars	For the year 2008-2009	For the year 2007-2008
1. Segment Revenue / Income		
T.V Software	26.45	215.98
Integrated Communication Group	20.44	53.72
Films	102.63	1,331.92
Animation	28.20	62.37
Total	177.72	1,663.99

Operational Performance:

The Analysis of Profit for the year is given hereunder

(Rs. In Lakhs)

Particulars	2008-2009	2007-2008
Net Sales	117.52	1,663.99
Other Income	3.91	3.69
Total Income	181.43	1,667.68
PBDIT & Extraordinary Item	49.08	37.24
Depreciation & Amortisation	208.90	264.79
Extraordinary Item	--	1,708.18
PBT	(257.98)	(1,935.74)
Prior period Expenses	--	68.81
Provision for Taxation	--	--
Income Tax	--	--
FBT	0.37	0.39
Differed Tax	(53.91)	(75.33)
Profit after Tax	(204.44)	(1,929.61)

Financial performance Vs. operational performance:

During the year under review the operational performance of the company is not picked up due to economic recession in the global market, the company's efforts for organizing the financial could not materialised.

The company's negotiations to settle the HDFC bank loan is in advanced stage. The company is expected to close this issue within short span of time.

Opportunities and Risks:

Opportunities for this sector exist across multiple categories of the entertainment industry.

Keeping in view of the growth of the Media, entertainment and Animation industries, the Company is striving hard to have its mark in the Industry. The Management is confident of achieving good business in the current financial year by changing its strategy and giving more stress in areas of core-competency.

- Film distribution is turning out to be a lucrative business.
- Television software content development is expected to experience healthy growth in the coming years.
- The radio industry is witnessing several private FM channels being launched in many Indian cities.

Threats:

The Company's activities are heavy working capital oriented ones and the projects' success rate depends on the trend of the Industry.

Risk and concerns:

The de-risking policies being adopted by the Management will reduce the risk factor for each project. Thus, the Management is taking effective steps to face the above threat which is prevailing in the Industry.

Internal Control Systems:

The Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business. The management is continuously reviewing the procedures.

Material Developments in Human Resources / Industrial Relations:

The Company has had an excellent track record of cordial Industrial relations right from inception. The Company is exploring the possibilities to get the good and technical expatriation.



REPORT ON CORPORATE GOVERNANCE

Padmalaya Telefilms Limited is committed to the standards of corporate governance in all activities. Pursuant to Clause 49 of the Listing Agreement, your directors present below a detailed Report on Corporate Governance.

1. Company's Philosophy on code of Governance

Your company believes in providing highest transparency and ethical value in Corporate Governance. Your Company also believes in taking into confidence all the stakeholders viz., Shareholders, Employees, Creditors, Customers etc. Your company is committed to take the torch of Corporate Governance forward, so that every stakeholder of the company synchronise and synergise their efforts in their growth of the company.

2. Board of Directors

a. Composition of the Board

The Number of the Directors is 6 with 2 Executive and 4 Non Executive Directors. The Executive Director is from the promoter category, Director Works is from non promoter category, and the remaining Non-Executive Directors are professional / independent. The professional / independent Directors are drawn from persons with experience in Business, Finance, Management, Marketing and Industry.

b. Other Directorship / Committee Memberships held

S.No	Name of Director	Category	Designation	Director Ship held In other Companies	
				Director	Committee Member
1	Bijay Kumar Khemka	Independent	Chairman	Nil	Nil
2	G.V.Narasimha Rao	PromoterExecutive	Executive Director	1	Nil
3	S.Srinivasa Rao	Non PromoterExecutive	Director- Works	1	Nil
4	V.Srihari	Independent	Director	Nil	Nil
5	Dr D.V.N.Raju	Independent	Director	1	Nil
6	Bipin Dhamji Shah	Independent	Director	2	Nil
7	Ajithan G Kurup	Independent	Director	1	Nil

c. Board Meetings held During the Year

S.No	Date of Board Meeting
1	30/06/2008
2	31/07/2008
3	31/08/2008
4	31/10/2008
5	31/01/2009

d. Attendance of Directors at board Meetings and Last Annual General Meeting :

Name of The Director	No OF Board Meetings Attended	Attendance at Last AGM
Bijay Kumar Khemka	5	Yes
G.V.Narasimha Rao	5	Yes
S.Srinivasa Rao	5	Yes
V. Srihari	5	No
Dr D.V.N. Raju	5	No
Bipin Dhamji Shah	5	Yes
Ajithan G Kurup	0	No

3. Audit Committee

a) Terms of Reference

The Audit Committee Provides the Board with additional Assurance as to the adequacy of the Company's internal control systems and financial disclosures. The Audit committee acts as a link between the Management, Statutory Auditors, and the Board of Directors. The composition, powers and functions of the Audit committee meet the requirements of the Listing Agreement and Section 292 A of the Companies Act, 1956. The Broad terms of reference of the Audit committee are to review with the Management and/or and/or Statutory Auditors in the following areas.

- I. Overview of Company's financial reporting process and financial disclosures.
- II. Review with Management, external and internal audits, the adequacy of internal control systems.
- III. Review the adequacy and effectiveness of accounting and financial controls of the company, compliance with the company's policies and applicable laws and regulations.
- IV. Review with Management, the Annual financial statement before submission to the Board.
- V. Recommending the appointment/removal of external auditors, fixation of Audit fees.

b) Composition, names of the members and chairman

The Audit Committee of the Company re-constituted during the year comprises three members; all are "Independent" Non-Executive Directors. Audit Committee constituted as below.

1. V.Srihari - Chairman
2. Bijay Kumar Khemka - Member
3. Dr D.V.N. Raju - Member

4. Meetings and Attendance during the year

Name of Director	No. of Meetings held	No. of Meetings Attended
V.Srihari	5	5
Bijay Kumar Khemka	5	5
Dr D.V.N. Raju	5	5

5. Remuneration Policy

The Remuneration Committee recommends the company policy on all elements of remuneration of Executive Directors.

The Company has a Remuneration Committee comprises as follows

1. Dr D.V.N. Raju - Chairman
2. Bipin Dhamji Shah - Member
3. Bijay KumarKhemka - Member

Details of Remuneration to the Executive Directors paid/ payable for the financial year 2008-09 is as follows :

Particulars	Rs.lakhs	
	G.V. Narasimha Rao Executive Director	S.Srinivasa Rao Director - Works
Salary	6.00	5.40
HRA	0.90	—
Total	6.90	5.40

Non Executive Directors have been paid sitting fees for attending Board and Committee Meetings.

6. Share Holders /Investors Grievance Committee

As a measurement of Good Corporate Governance and to focus on the shareholder's grievance and towards strengthening investor relations, an Investor's Grievance Committee has been constitutes as sub committee of the Board.

In Pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Duly Amended), the Board has approved the "Code of Conduct for Prevention of Insider Trading" and authorized the Committee to implement and monitor the various requirements as set out in the code.

The Board has designated the company secretary, as the Compliance Officer.

a) The function of the Committee include:

To specifically look into redressing investor's grievance pertaining to:

1. Transfer of shares
 2. Dividend
 3. Dematerialisation of Shares
 4. Replacement of lost/stolen/mutilated share certificates.
 5. Non-receipt of rights/bonus/split shares certificates
 6. Any other related issues
- b) Constitution and composition

The committee was constituted with three directors under the Chairmanship of Non Executive Director as follows

1. Bipin Dhamji Shah - Chairman
2. Dr D.V.N.Raju - Member
3. Bijay Kumar Khemka - Member

Ms. K. Prashanthi Devi, Company Secretary of the Company is acting as compliance officer.

7. Investor Complaints Received and resolved during the Year 2008-2009

Nature of Complaints	Received	Resolved	Pending
A. Non-receipt of Dividend Warrants	Nil	Nil	Nil
B. Non receipt of Annual Reports	2	2	Nil
C. Non Receipt of share Certificates	Nil	Nil	Nil

8. General Body Meetings

a) Details of Location and time of the Last three Annual General Meetings of the Company.

Financial Year	Date	Time	Venue
31.03.2008	29.09.2008	09.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033
31.03.2007	29.09.2007	09.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033
31.03.2006	30.09.2006	10.00 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills,Hyderabad-500033

b) During the year no resolutions were passed through postal ballot.

c) No special resolutions were passed in the precideing three Annual General Meetings

9. Disclosures

- 1) The Executive Director and Vice President (F&A) have given a certificate to the Board as contemplated in Clause 49 of the Listing Agreement and is enclosed at the end of the report.
- 2) During the Financial year 2008-09 the company has no related party transactions.
- 3) The company has complied with the requirements of regulatory authorities on capital market and no penalties/strictures have been imposed against it in the last three years.

10. Means of Communication

Pursuant to the Listing Agreement, Financial Results are generally published in National news papers like Financial Express, Business Standard, Indian Express and in Regional Language newspapers like Andhra Bhoomi, Vaartha, Andhra Prabha etc. As the results of the company are published in newspapers and submitting to the stock exchanges immediately after the Board Meeting, the same are not send to the each household of shareholder.



**CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
OF THE COMPANY**

We, G.V.Nasimaha Rao, Executive Director and R.Mahipal Reddy, Vice President (Finance & Accounts) of M/s. PADMALAYA TELEFILMS LIMITED, hereby certify to the Board that :

- a) We have reviewed financial statements and the Cash Flow statement for the year and that to the best of our knowledge and belief:
 - i) These statements do not contain any materially untrue statement for the year or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate of the Company's code of conduct.
- c) We are responsible for establishing and maintaining internal controls in the Company and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operations of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee As:
 - i) There is no changes in internal control during the year,
 - ii) There is no changes in accounting policies during the year,
 - iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
- e) We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct)
- f) We further declare that all Board Members and designated Senior Management have performed compliance with the Code of Conduct for the current year.

Place : Hyderabad
Date 2nd September, 2009

G.V.Narasimaha Rao
Executive Director

R.Mahipal Reddy
Vice President (F&A)

Certificate on compliance of Corporate Governance

To

The Members,

Padmalaya Telefilms Limited

Hyderabad

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s Padmalaya Telefilms Limited ("the company") for the year ended 31st March, 2009 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

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

for P. Murali & Co.
Chartered Accountants

Place : Hyderabad
Date : 2nd September, 2009

P. Murali Mohana Rao
Partner

AUDITOR'S REPORT

To

The Members,

M/s. PADMALAYA TELEFILMS LIMITED

We have audited the attached Balance Sheet of PADMALAYA TELEFILMS LIMITED as at March 31, 2009 and also the Profit and Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date 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.

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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order 2003 and as amended by the Companies (Auditor's Report) (Amendment) order 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to the 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- iv) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the 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 the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at March 31, 2009 from being appointed 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 give the information 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 31st March, 2009;
 - b) In the case of the Profit and Loss Account, Loss of the Company for the year ended on that date;

AND

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

for P. Murali & Co.
Chartered Accountants

Place : Hyderabad
Date : 2nd September, 2009

P. Murali Mohana Rao
Partner

ANNEXURE TO AUDITORS' REPORT

- I. a). The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b). The explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification
c). The Company has not disposed off substantial part of the Fixed Assets.
- II. a). The inventories have been physically verified during the year and in our opinion, the frequency of verifications is reasonable.
b). In our opinion, the procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- III. a). The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of Companies Act, 1956.
b). As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
c). As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
d). No loans have been granted to Companies, Firm & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
e). The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
f). As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
g). As no loans are taken by the company, the clause of repayment of interest & principal amount to parties, is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. a). In our opinion and according to the information and explanation given to us, the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of the financial year, are entered in register U/s.301 of the Companies Act, 1956 does not arise.
b). According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regards to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- IX. a). The company is not regular in depositing statutory dues including PF, ESI, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no

amounts outstanding which were due for more than 6 months from the date they became payable.

- b). According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and its accumulated losses at the end of the financial year are more than fifty percent of its net worth and the company has incurred cash losses in this financial year and has not incurred cash losses in the immediately preceding financial year.
- XI. According to information and explanations given to us, the Company has defaulted in repayment of dues to Banks on Working Capital Loan.
- XII. According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clauses 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. 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, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, there is no Term Loan. Hence the application by the company for the purpose for which the loans were obtained does not arise.
- XVII. According to the information and explanations given to us, no funds are raised by the company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

for P. Murali & Co.
Chartered Accountants

Place : Hyderabad
Date : 2nd September, 2009

P. Murali Mohana Rao
Partner

BALANCE SHEET AS AT 31ST MARCH 2009

Rs. In Thousands

PARTICULARS	SCHEDULE NO.	AS AT 31/03/2009	AS AT 31/03/2008
SOURCES OF FUNDS:			
SHAREHOLDERS FUNDS:			
SHARE CAPITAL	1	124,976	124,976
RESERVES AND SURPLUS	2	124,746	145,191
LOAN FUNDS:			
SECURED LOANS	3	44,878	44,878
TOTAL		294,600	315,045
APPLICATION OF FUNDS:			
FIXED ASSETS:			
GROSS BLOCK	4	319,696	319,672
LESS: DEPRECIATION		190,056	169,166
NET BLOCK		129,640	150,506
DIFFERED TAX	5	86,106	80,716
CURRENT ASSETS, LOANS AND ADVANCES:			
INVENTORIES	6	112,328	90,652
SUNDRY DEBTORS		18,571	10,986
CASH AND BANK BALANCES		460	140
DEPOSITS		1,616	1,316
LOANS AND ADVANCES		64,953	55,149
		197,927	158,243
LESS: CURRENT LIABILITIES	7	119,073	74,420
NET CURRENT ASSETS		78,854	83,823
MISCELLANEOUS EXPENDITURE: (to the extent not written off)	8	--	--
TOTAL		294,600	315,045
NOTS TO ACCOUNTS	12		

Per Our Report Of Even Date Attached
For P. Murali & Co.,
Chartered Accountants

for and on behalf of the Board of Directors

P. Murali Mohana Rao
Partner

D.V.N Raju
Director

S. Srinivas Rao
Director - Works

Place : Hyderabad
Date : 2nd September, 2009

K. Prashanthi Devi
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED
MARCH, 2009**

(Rs. In Thousands)

PARTICULARS	SCHEDULE NO	FOR THE YEAR ENDED 31/03/2009	FOR THE YEAR ENDED 31/03/2008
INCOME:			
GROSS INCOME		17,752	166,399
OTHER INCOME		391	369
TOTAL		18,143	166,768
EXPENDITURE:			
PRODUCTION EXPENDITURE		14,070	155,841
INCREASE / (DECREASE) IN STOCKS	9	(4,180)	1,897
EMPLOYEE BENEFITS	10	9,707	2,858
ADMINISTRATIVE & OTHER EXPENDITURE	11	3,454	2,448
DEPRECIATION		20,890	20,798
PRELIMINARY & ISSUE EXPENDITURE WRITTEN OFF		--	5,681
TOTAL		43,941	189,523
OPERATING PROFIT / (LOSS)		(25,798)	(22,755)
PRIOR PERIOD ADJUSTMENTS		--	6,881
PROFIT BEFORE TAX AND EXTRORDINARY ITEM		(25,798)	(29,636)
NET DIFFERENCE OF HIVING OF DIVISION			170,818
FRINGE BENEFIT TAX		37	39
PROVISION FOR DEFERRED TAXATION		(5,391)	(7,533)
PROFIT AFTER TAX		(20,444)	(192,960)
BALANCE BROUGHT FORWARD		(699,703)	(506,743)
BALANCE CARRIED FORWARD		(720,147)	(699,703)
NOTES TO ACCOUNTS	12		
Earning per Share		--	--

Per Our Report Of Even Date Attached
For P. Murali & Co.,
Chartered Accountants

for and on behalf of the Board of Directors

P. Murali Mohana Rao
Partner

D.V.N Raju
Director

S. Srinivas Rao
Director - Works

K. Prashanthi Devi
Company Secretary

Place : Hyderabad
Date : 2nd September, 2009

SCHEDULE - 1 : SHARE CAPITAL

Rs. In Thousands

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2008
AUTHORISED CAPITAL (1,50,00,000 NOS. EQUITY SHARES OF RS.10/- EACH)	150,000	150,000
ISSUED, SUBSCRIBED & PAID UP (1,25,00,000-NOS. EQUITY SHARES OF RS.10/- EACH FULLY PAID)	125,000	125,000
Less: CALLS IN ARRIERS	24	24
TOTAL	124,976	124,976

SCHEDULE - 2 : RESERVES & SURPLUS

Rs. In Thousands

PARTICULARS	AS AT 31/03/2009		AS AT 31/03/2008	
SHARE PREMIUM				
Opening Balance	756,609		788,927	
Less : Current Year Adjustment	-	756,609	32,318	756,609
GENERAL RESERVE				
OPENING BALANCE	88,284		88,285	
CURRENT YEAR	--	88,284	--	88,285
PROFIT AND LOSS ACCOUNT		(720,147)		(699,703)
TOTAL		124,746		145,191

SCHEDULE - 3 : SECURED LOANS

Rs. In Thousands

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2009
HDFC BANK LIMITED	44,878	44,878
TOTAL	44,878	44,878

SCHEDULE - 5 : DEFERRED TAX

Rs. In Thousands

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2008
OPENING BALANCE	80,716	73,183
CURRENT YEAR	5,391	7,531
TOTAL	86,106	80,716

SCHEDULE - 4 : FIXED ASSETS

Rs. In Thousands

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	AS AT 1/04/2008	Additions	Transfers	AS AT 31/03/2009	AS AT 1/04/2008	For The year	Transfers	AS AT 31/03/2009	AS AT 31/03/2009	AS AT 1/04/2008
LAND FREE HOLD	14,339	---	---	14,339	--	--	--	--	14,339	14,339
PLANT AND MACHINERY	284,184	23	--	284,207	150,468	20,093	--	170,561	113,646	133,717
FURNITURE AND FITTINGS	2,664	---	---	2,664	2,218	169	--	2,386	278	447
LIBRARY & OTHER ASSETS	10,944	---	---	10,944	10,765	178	--	10,944	--	178
OFFICE EQUIPMENTS	5,688	---	---	5,688	3,952	360	--	4,312	1,376	1,736
VEHICLES	1,853	---	---	1,853	1,763	90	--	1,853	--	90
TOTAL	319,672	23	---	319,696	169,166	20,890	--	190,056	129,639	150,506
PREVIOUS YEAR FIGUARES	362,782	--	43,110	319,672	152,503	20,798	4,135	169,166	150,506	210,279

SCHEDULE - 6 : CURRENT ASSETS, LOANS, & ADVANCES

(Rs. In Thousands)

PARTICULARS	AS AT 31/03/2009		AS AT 31/03/2008	
a) INVENTORY				
CLOSING STOCK	9,578		5,398	
SOFTWARE UNDER PRODUCTION	73,385		70,579	
PROJECTS ON HAND	29,364	112,328	14,675	90,652
b) DEBTORS UNSECURED AND CONSIDERED GOOD				
More Than 180 days	7,733		1,409	
Less Than 180 days	10,838	18,571	9,577	10,986
c) CASH AND BANK BALANCES				
CASH	16		1	
BANKS (CURRENT ACCOUNTS)	443	460	139	140
DEPOSITS				
BANKS	1,231		1,231	
GOVERNMENT	34		34	
OTHERS	351	1,616	51	1,316
d) LOANS AND ADVANCES				
LOANS				
ESOP				6,625
e) ADVANCES				
DISTRIBUTION OF FILMS	3270		3,550	
FOR EXPENDITURE	627		399	
OTHERS	58,728		40,422	
PRODUCTION	86		1,876	
SUPPLIERS	2,242	64,953	2,277	48,524
TOTAL		197,927		158,243

SCHEDULE - 7 : CURRENT LIABILITIES & PROVISIONS

(Rs. In Thousands)

PARTICULARS	AS AT 31/03/2009		AS AT 31/03/2008	
a) CREDITORS				
- FOR CAPITAL GOODS			2,851	
- FOR SERVICES	1,866		32	
- FOR GOODS	10,814		10,011	
- FOR EXPENDITURE	1,849		43	
- FOR OTHERS	64,614	79,114	21,308	34,245
b) STATUTORY		359		442
c) PROVISIONS (Income Tax)		39,570		39,733
Total		119,073		74,420

SCHEDULE - 8 : MISCELLANEOUS EXPENDITURE

(Rs. In Thousands)

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2008
MARKETING EXPENDITURE	--	5,681
LESS : CURRENT YEAR PROVISION	--	5,681
TOTAL	--	--

SCHEDULE - 9 : STOCK VARIATION

(Rs. In Thousands)

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2008
OPENING	5,398	7,295
CLOSING	9,578	5,398
TOTAL	4,180	1,897

SCHEDULE -10 : EMPLOYEE COST

(Rs. In Thousands)

PARTICULARS	Year Ended 31/03/2009	Year Ended 31/03/2008
Salaries & Wages	7,862	1,449
Provident Fund & ESI	66	126
Staff Welfare Expenses	26	15
Professional Charges	524	263
Directors Remuneration	1,230	1,005
Total	9,707	2,858

SCHEDULE -11 : ADMIN. & SELLING EXPENSES

(Rs. In Thousands)

PARTICULARS	AS AT 31/03/2009	AS AT 31/03/2008
Travel & Conveyance	504	183
Directors Travel	11	29
Printing & Stationery	34	11
Books & Periodicals	3	6
Membership & Subscription	8	11
Office Maintenance	302	296
finance expenses	388	42
Telephone & fax	48	40
Legal & Professional Charges	84	36
	1,381	654
Remuneration to Auditors	181	185
AGM Expenses	396	239
Share Transfer / Custodium Expenses	396	413
Postage	32	29
Rent	579	180
Sitting Fees	100	135
Board Meeting Expenses	25	35
Listing Fees	161	316
	1,689	1,346
Selling Expenses		
Advertisement & Sales Promotion	203	263
TOTAL	3,454	2,448

Schedule 12

A. Principal Accounting Policies

Description of Business:

Padmalaya Telefilms Limited (PTL) is engaged in production of television software, feature films, animation serials, distribution of feature films and also facilities provider in pre-production, production, post-production including 2D & 3D Special effects for television software and feature films, Training in Multi Media Software and Animation. PTL was incorporated on 17th September, 1991 in Hyderabad, Andhra Pradesh, India.

1) Basis for preparation of financial statements:

The financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Principles (GAAP) in India and the mandatory Accounting Standards & Statements issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

2) Revenue Recognition:

The Sales accounted for on the basis of billing. Revenue from sale of software products are recognized when the sale has been completed with the passing of telecast rights as the case may be. Revenues relating to Feature Films under production will be considered during the financial year of release.

3) Expenditure:

Expenditures are accounted for on accrual basis and provision is made for all known losses and liabilities. In case of Movies produced by the Company, Expenditure / revenues will be charged to Profit and Loss Account in the financial year of release.

4) Fixed Assets:

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, insurance, installation charges, taxes and other expenditure incurred till the asset is put in commercial operation, allocated to and utilized for Fixed Assets.

5) Depreciation:

Depreciation on fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956. Depreciation is charged on a pro-rata basis for assets purchased during the year.

6) Inventories:

All inventories are valued at lower of cost or net realizable value after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Spares and Consumables are charged off to revenue in the year of purchase. Cost includes the aggregate of all expenditure incurred in bringing the inventories to the present condition and situation.

7) Retirement Benefits:

Provident Fund: Company is contributing to Employee's Provident Fund and the same is charged to Profit & Loss Account every year.

Gratuity: In the Current Year, Gratuity has been provided up to 31st March, 2008 (On accrual basis) and the same is charged to Profit and Loss Account.

Earn Leaves: Provision for encashment of Earned leaves are provided for the unutilized leaves at the end of the year.

8) Foreign Currency Transactions:

Transactions in Foreign Currency are recorded in the books of account at conversion rates as applicable on the date of transaction.

9) Miscellaneous Expenses:

The Preliminary Expenses / Share Issue Expenses are being written off over a period of 10 years from the year and Miscellaneous (Differed) Expenditure is written off in 5 years from the year in which expenditure is incurred.

10) Deferred Tax:

Deferred Tax has been provided as per the provisions of Accounting Standard 22 of ICAI.

B. Notes to Accounts

1. Secured Loans:

Working capital Term Loan of Rs.448.78 Lakhs (Previous year Rs.448.78 Lakhs) from HDFC Bank, Mumbai is secured by fixed and Current Assets of the Company. The Executive Director and chief promoter have given their personnel guarantees to the Bank in their personal capacity.

2. Deferred Tax & Income Tax:

Deferred Tax has been provided as per the provisions of the Accounting Standard 22 of the ICAI and Income Tax Provision has been made as per the Income Tax Act. the current year provision for deferred tax Asset has been made at Rs.53.91 laks (Previous year Rs. 75.33 lakhs)

3. Depreciation:

- Depreciation is provided on Straight line method as per Schedule XIV of the Companies Act, 1956.
- Other Assets include Ornaments, Costumes, Library Etc.

4. Segment Reporting:

The Company operates in four segments, T.V.Software, Infrastructure, Films and Animation. Segments wise operational information have been reported based on the guiding principals of Accounting Standard 17 (A.S. 17) issued by the Institute of Chartered Accountants of India.

Financial information about the business segments is presented in the table given below:

Segment Wise Results: Particulars	(Rs. In Lakhs)	
	For the year 2008-2009	For the year 2007-2008
1. Segment Revenue / Income		
T.V.Software	26.45	215.98
Integrated Communication Group	20.44	53.72
Films	102.63	1331.92
Animation	28.00	62.37
Total	177.52	1663.99
Less: Inter Segmental Revenue	-	-
Revenue from Operations	177.52	1663.99
2. Segment wise Profit / Loss before Tax and interest		
T.V.Software	(40.13)	(22.02)
Integrated Communication Group	(53.10)	(39.16)
Films	(21.45)	(33.59)
Animation	(65.18)	(47.73)
Total	(179.86)	(142.50)
Less: Interest	-	-
Add: Un-allocable Income net off		
Un-allocable expenditure	78.12	85.05
Profit before Tax and Prior period expenditure	(257.98)	(227.55)

Revenue and expenses in relation to segments is categorized based on items that are individually identifiable to that segment.

Expenses like Depreciation have been segregated among the segments according to the period of usage of Fixed Assets by the Segments. However, the Management believes that it is not practicable to provide segment wise capital employed, as the Assets are being used interchangeably by different segments.

5. Earning per Share:		Rs. In Lakhs
	2008-2009	2007-2008
Loss as per P & L Account		
No. of Equity shares (On WANES method)	1,24,97,421	1,24,97,421
Basic & Diluted Earning per share	N.A	N.A.

6. Expenditure in foreign Currency Current Year Nil (Previous Year Nil)

7. Related Party Transactions

The Company's related parties are as under:

Name of the Party	Relationship
Padmalaya Studios Private Limited	- Controlled by key managerial personnel
Yamuna Enterprises Private Limited	- Controlled by key managerial personnel
Green Chillies entertainment (P) Ltd.	- Controlled by key managerial personnel
Transaction details	- An amount of Rs.79.00 lakhs taken from Yamuna Enterprises Pvt. Limited as advance.

8. Loan to Employees Welfare Trust

During the year the company has implemented the ESOP Scheme as per the guidelines. The amount of benefit given to the employees is charged to the Profit and Loss account to the extent of Rs. 66.25 lakhs.

9. Contingent Liabilities:

- a. The Company has to full fill an export obligation of Rs.850 Lakhs before 19.01.2009, on import of Capital goods at concession rate of Customs Duty. The Duty benefit availed amounting to Rs.61.61 Lakhs is a contingent liability.
- b. Against the demand of Income Tax amounting to Rs.7.07 crores for the Assessment years 1999-2000,2000-2001,2001-2002,2002-2003 and 2003-2004, the Hon'ble Income Tax apellate Tribunal, Hyderabad has given orders to set asiding the Assessments of the above mentioned Assessment years.

10. Information required under Para 4 (C) of part Schedule - VI of the Companies Act, 1956 to the extent applicable.

	2008-2009 Rs. In Lakhs	2007-2008 Rs. In Lakhs
Directors Remuneration		
Salaries	11.40	9.15
Perquisites	0.90	0.90
Total	12.30	10.05

11. Payments to Auditors.

	2008-2009 Rs. In Lakhs	2007-2008 Rs. In Lakhs
Statutory Audit Fee	0.54	0.54
Tax Audit Fee	0.30	0.30
Certification Fees	0.13	0.13
Taxation Matters	0.14	0.14
Service Tax	0.11	0.14
Total	1.22	1.25

12. Information required under Paragraph 4 (C) of Part II of Schedule VI of the Companies Act, 1956, is not given since it is not possible to express production of video generated Software in generic units.

13. There is no due to SSI Units outstanding for more than 30 days.
14. The balances of Sundry Debtors, Sundry Creditors, Loans and Advances payable or receivable are taken as per books and they are subject to confirmation and reconciliation as the confirmations are awaited.
15. The company has approached the HDFC for one time settlement, the bank has approved the same at reduced rate of interest. As per the OTS sanction the interest on the loan charged to the profit and loss account. Further the company has paid Rs. 1.00 crore as down payment based on request the bank against the principle out standing of Rs.6.00 crores. For the balance installment commitments the company could not met due to delay in expected realisations. The bank has recovered an amount of Rs. 1.32 crores by selling the property situated at first floor of the premises at A-33, Road No. 2, Filmnagar, Jubilee Hills, Hyderabad.
16. Legal cases:
 - a. M/s Neo Teric India (P) Ltd, Mumbai has filed a case to recover an amount of Rs. 1.58 crores from the company towards supply of the equipment. The company has paid the amount and settled the case.
 - b. Mr.Naryan Das Mukheja has filed a case to recover an amount of Rs.55.00 lakhs for which he has advanced for the film.
 - c. M/s Data Soft, Mumbai filed winding-up petition against the company for recovering its dues to the tune of Rs2.52 lakhs. The company negotiating with the party for settlement.
 - d. Mr.A.Mallikarjuna Rao has filed a case to recover an amount of Rs.10.00 lakhs for which he has advanced for the film.
 - e. M/s.Santosh Pictures has filed a case to recover an amount of Rs.20.00 lakhs for which he has advanced for the film.
17. Un-disputed Statutory Liabilities payable, P.F. dues of Rs. 0.98 Lakhs, E.S.I. dues of Rs.0.10 Lakhs. Subsequently, paid to the concerned authorities.
18. Figures of previous year have been regrouped, rearranged and recasted, wherever considered necessary.

As per our report of even date
For P.Murali & Co.,
Chartered Accountants

for and on behalf of the Board of Directors

P.Murali Mohana Rao
Partner.

Dr.D.V.N.Raju
Director.

G.V.Narasimha Rao
Executive Director

Place: Hyderabad
Date: 2nd September, 2009

K.Prashanthi Devi
Company secretary

CASHFLOW STATEMENT FOR THE YEAR ENDED 31/03/2009

	PARTICULARS	2008-09	2007-08
A	CASH FLOW FROM OPERATION ACTIVITIES		
	NET PROFIT / (LOSS) BEFORE TAX & EXTRODINARY ITEAM	(25,798)	(22,755)
	LESS : EXTRODINARY INCOME	-	-
	DEPRECIATION	20,890	20,798
	PRELIMINARY & ISSUE EXPENDITURE WRITTEN OFF	-	5,681
	OPERATING PROFIT BEFORE WORKING CAPITAL CHARGES	(4,908)	3,724
	ADJUSTMENTS FOR		
	TRADE AND OTHER RECEIVABLES	(7,585)	81,888
	INVENTORIES	(21,676)	703
	LOANS AND ADVANCES	(9,804)	140,789
	DEPOSITS	(300)	257
	SUNDRY CREDITORS	44,616	(37,019)
	SUB TOTAL	5,251	186,618
	CASH GENERATED BEFORE EXTRODINARY ITEAM	343	190,342
	EXTRODINARY ITEAM & PRIOR PERIOD EXPENDITURE	-	177,699
	NET CASHFLOW FROM OPERATING ACTIVITIES	343	12,643
B	CASH FROM INVESTING ACTIVITY		
	PURCHASE OF FIXES ASSETS	23	-
	SALE OF FIXED ASSETS	-	25,111
	HIVING OFF DIVISION	-	13,866
	INTEREST RECEIVED	-	-
	SUB TOTAL	23	38,977
	NET CASH USED IN INVESTMENT ACTIVITIES	320	51,620
C	CASHFLOW FROM FINANCING ACTIVIES		
	INCREASE IN SHARE CAPITAL	-	-
	DECREASE IN RESERVES & SURPLUS	-	32,319
	INCREASE IN LOANS	-	-
	PERAYMENT OF LOANS	-	19,340
	NET CASH USED IN FINANCING ACTIVITES	0	51,659
	NET CASH INCREASE IN CASH AND CASH EQUICALENTS	320	(39)
	CASH AND CASH EQUICALENTS - OPENING BALANCE	140	179
	CASH AND CASH EQUICALENTS - CLOSING BALANCE	460	140

For and on behalf of the Board of Directors

D V N RIAJU
Director

G.V. Narasimha Rao
Executive Director

Place: Hyderabad
Date: 2nd September, 2009

K.Prashanthi Devi
Company secretary

General Share Holders Information

1. Annual General Meeting :

Date 30.09.2009
 Time 9.30 AM.
 Venue State Gallery of Fine Arts, Road No.1, Kavuri Hills,
 Madhapur, Hyderabad-500033

2. Financial Calendar : 1st April to 31st March
 3. Date of Books Closure : 26/09/2009 to 30/09/2009
 (Inclusive of both days)
 4. Listing on Stock Exchanges : The Hyderabad Stock Exchange Ltd.
 The Stock Exchange, Mumbai
 National Stock Exchange of India Limited, Mumbai
 5. Listing Fee : Listing fee for the year 2009-10 has been paid.
 6. Stock Code : HSE :- PADMA \$
 BSE :- 532350
 INSE :- PADMALAYAT

7. Market Price Data: Monthly High and Low quotations of shares traded on the Stock Exchange, Mumbai from 1st April, 2008 to 31st March, 2009 are as stated hereunder. The

Year 2008-09	BSE	
	High	Low
April, 2008	14.95	11.80
May, 2008	14.60	12.40
June, 2008	12.70	10.00
July, 2008	12.70	9.05
August, 2008	15.27	11.25
September, 2008	13.76	10.96
October, 2008	11.00	6.92
November, 2008	8.20	6.20
December, 2008	7.89	6.09
January, 2009	7.78	5.25
February, 2009	5.91	5.10
March, 2009	5.88	4.15

Trading of Company shares in National Stock Exchange of India Limited has been suspended.

- 8. Registrar & Share Transfer Agents :** Karvy Computer Share Pvt. Ltd.
 (Unit Padmalaya Telefilms)
 46, Avenue 4, Banjara Hills,
 Hyderabad - 500 034.
 Ph: 040-23312454/23320251
 Fax: 040-23311963/23323049

9. Share Transfer System

The share transfers are being effect by the company's Share Transfer Agents. M/s.Kary Computer share Pvt. Ltd. Hyderabad.

10. Distribution of Shareholding : As on 31-03-2009

Category		No. of Cases	% of Cases	Amount	% of Amount
From	To				
1	5000	12760	78.03	24428060	19.54
5001	10000	1868	11.42	16031110	12.83
10001	20000	896	5.48	14154360	11.32
20001	30000	302	1.85	7837410	6.27
30001	40000	123	0.75	4448630	3.56
40001	50000	127	0.78	6088180	4.87
50001	100000	157	0.96	11753500	9.40
100001	Above	119	0.73	40258750	32.21
Total		16,352	100.00	125000000	100.00

11. Shareholding Pattern : As on 31-03-2009

Sl.No	Category	No. of Shares	% of shares
A	PROMOTERS HOLDING		
1	Promoters		
	a) Indian Promoters	1758674	14.07
	b) Foreign Promoters	Nil	Nil
2	Person acting in concert		
	Sub Total	1758674	14.07
B	NON - PROMOTERS HOLDING		
3	Institutional Investors		
	a) Mutual Funds and UTI	Nil	Nil
	b) Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Govt. Institutions)	250	0.00
	c) Foreign Institutional Investors	Nil	Nil
	Sub Total	250	0.00
C	OTHERS		
	a) Private Corporate Bodies	1786063	14.29
	b) Indian Public	8779105	70.23
	c) NRIs / OCBs	142229	1.14
	d) Any Other		
	- Clearing members & Transit	33679	0.27
	- Trusts	0	0.00
	Sub Total	10741076	85.93
	GRAND TOTAL	12500000	100.00

Note : None of the Shares of the Company are pledged



12. Dematerialisation of Shares and Liquidity

As per notification issued by SEBI, Trading in Equity Shares of the company is permitted only in dematerialised form for all categories of investors.

The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is ISIN Number ISIN 243B01016.

Details of Shares Dematerialised as on 31/03/2009

Particulars	No. of Shares	% of Share Capital
NSDL	93,44,375	74.75
CDSL	30,73,583	24.59
Physical	82,042	0.66
TOTAL	1,25,00,000	100.00

13. Outstanding GDR/warrants and Convertible or Any Convertible

Instruments : Not Applicable

14. Works Location

Integrated Television, Shooting Studio : Plot No – 138, H.No.8-3-222/1/23
2D/3D Animation Studio : Madhuranagar, Yousufguda
Hyderabad – 500 038.

Feature Film Distribution Offices

- a) Hyderabad : # 7-3-697, Rashtrapathi Road,
Secunderabad -500 003.
- b) Kolkata : 48, Chitranjan Avenue,
Kolkata – 700 012
- c) Vijayawada : # 26-9-23, Bhagyachandra Towers,
Ramarao Street, Gandhi Nagar,
Vijayawada – 520 002

15. Address for Correspondence

Padmalaya Telefilms limited
Regd & Corporate Office,
Plot No – 138, H.No.8-3-222/1/23
Madhuranagar, Yousufguda
Hyderabad – 500 038.
Ph : 040-23738955
E-Mail – info@padmalaya.co.in

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1 Registration Details

Registration No. State Code :

Balance Sheet
Date Month Year

2 Capital Raised During The Year (Amount Rs. In thousands)

Public Issue Rights Issue
Bonus Issue Private Placement

3 Position of Mobilisation and deployment of funds (Amount Rs. In thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-Up Capital Reserves & Surplus

Secured Loans

Application Funds

Net Fixed Assets Investments

Net Current Assets Deferred Tax (Asset)

Accumulated Losses

4 Performance of the Company (Amount Rs. In Thousand)

Turn Over Total Expenditure

Loss Before Tax Loss After Tax

Earning Per Share Dividend Rate (Weighted Average)

5 Generic Names of Principal Products / Services of the Company (As per Monetary Items)

Item Code No.

Item Code No. Television Software, Features Films, Production & Distribution

PADMALAYA TELEFILMS LIMITED

Regd Off # :8-3-222/1/23, (Plot No. 138), Madhura Nagar,
Yusufguda, Hyderabad - 500 038

ATTENDANCE SLIP

Fifteenth Annual General Meeting, On the Monday 30th September 2009 at 9.30 A.M.
Please complete this attendance slip and hand it over at the entrance of the Meeting Hall

Name of the Member	Folio NO/Client ID & DP ID	No. of Shares Held

I hereby record my presence at the 18th Annual General Meeting of the company at the registered office of Padmalaya Telefilms Limited.

Signature of the Share holder or the Proxy attending the meeting	
I member, Please sign Below	If proxy please sign Below

..... **TEAR OFF HERE**

PROXY FORM PADMAYALA TELEFILMS LIMITED

Regd Off # :8-3-222/1/23, (Plot No. 138), Madhura Nagar,
Yusufguda, Hyderabad - 500 038

Folio NO/Client ID & DP ID.....

I/We.....

Ofbeing a member (s) of the Company

hereby appointof.....

Or failing himof.....

Or failing himof.....

As my/our proxy to attend and vote for me/us on my/our behalf at the 18th Annual General Meeting of the company to be held on the 30th Day of September 2009 and at any adjournment thereof.

As witness my/our hand(s) this day of 2009

Affix
One Rupee
Revenue
Stamp

Note : The Proxy form must be deposited at the Registered Office of the Company, at least 48 hours before the time of holding the Meeting

**PRINTED MATTER
BOOK - POST**

If Undelivered, please return to :

PADMALAYA TELEFILMS LIMITED

Plot No. 138, H.No. 8-3-222/1/23,
Madhura Nagar, Yusuf Guda,
Hyderabad - 500 038