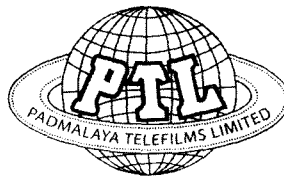


19th
ANNUAL REPORT
2009 - 10



Padmalaya
TELEFILMS LIMITED



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Corporate Information

Board of Directors

Sri. Bijaya Kumar Khemkha	-	Chairman
Sri. G.V.Narasimha Rao	-	Executive Director
Sri. S.Sreenivasa Rao	-	Director - Works
Dr. D.V.N.Raju	-	Director
Sri. V.Srihari	-	Director
Sri. Bipin Dhamji 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.,
Chartered Accountants
6-3-655/2/3
Somaji Guda
Hyderabad - 500 082

Bankers

HDFC Bank Limited
Allahabad Bank
Corporation Bank

Share Transfer Agents

Kavy Computer Share Pvt. Ltd.
(Unit Padmalaya Telefilms)
46, Avenue 4, Banjara Hills,
Hyderabad - 500 034.
Ph : 040-23312454/23320251
Fax: 040-23311963/23323049

Listing

The Bombay Stock Exchange Limited, Mumbai
The National Stock Exchange Limited, Mumbai
The Hyderabad Stock Exchange Limited, Hyderabad



NOTICE

Notice is hereby given that the 19th Annual General Meeting of M/s. Padmalaya Telefilms Limited will be held on Thursday, the 30th day of September 2010 at 9.30 AM at SONY'Z Garden, Plot No:3940, Bhagyanagar Phase - II, Opp. Arjun Theatre, KPHB Colony, Hyderabad - 500 072 to transact the following business:

ORDINARY BUSINESS

1. To Receive, Consider and Adopt the Audited Balance Sheet as at 31st March, 2010 and Profit & Loss Account as on that date and the together with the Report of Auditor's and the Report of Board of Directors thereon.
2. To appoint a Director in the place of Sri. V.Srihari who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Dr. D.V.N.Raju 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 appointed 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 in place of the existing Statutory Auditors."

On behalf of Board of Directors

(Bijay Kumar Khemka)
Chairman

Place : Hyderabad
Date : 2nd September, 2010



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 2010 to 30th September 2010 (Both Days Inclusive) to ascertain the list of members for 19th 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 to 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.

**Details of Directors Seeking Re-Appointment in the Annual General Meeting
(In Pursuance of Clause 49 (VI) (A) of the Listing Agreement)**

1. Brief profile of Sri V.Srihari, who retires by rotation and eligible for re-election.

Sri V.Srihari, aged about 56 years, holds a bachelor degree in commerce and is a Chartered accountant and a Fellow Member of the institute of chartered accountants of India. He is having rich and vast Experience in the profession and he has served in private sector organization and government sector organizations for more than 34 years in various business segments like commercial banking, investment banking, operational management, corporate financial and strategies. He has worked as chief of finance, accounts and administration

2. Brief profile of Dr.D.V.N.Raju who retires by rotation and eligible for re-election.

Dr.D.V.N.Raju, aged about 69 years, is a Doctor by profession and holds M.B.B.S., from Andhra University and also pursued his Masters Degree in D.V.(M.S) from Madras University. In addition to the medical practice, he was the Executive Producer and also the Member of the Production Committee. He has also produced more than 20 feature films in his career.

On behalf of Board of Directors

Place : Hyderabad
Date 2nd September, 2010

(Bijay Kumar Khemka)
Chairman



Directors' Report

To

The Members

Your Directors have pleasure in presenting the 19th Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March 2010 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 2010	Year ended 31 st March 2009
Turn Over	178.61	177.52
Profit / (Loss) after Tax	(294.60)	(204.44)
Add: Profit / (Loss) brought Forward from last year	(7,201.47)	(6,997.03)
Profit / (Loss) Available for Appropriation	(7,250.99)	(7,201.47)

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, the Company has reviewed all its 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 hoses.

Dividend

Due to non availability of profits during the year the Board could not recommend dividend during the year under review.

STATUTORY DISCLOSURES

Additional Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988

Conservation of Energy

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

Research and Development and Technology Absorption

The company is not engaged in manufacturing activities, and as such the particulars relating to Research, Development and technology absorption are not applicable.

Foreign Exchange Earnings and Outgoings.

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

Particulars of Employee

In Pursuence of Section 217 (2A) of the Companies Act 1956 read with the Companies (particulars of Employees) rulee 1975, The Directors are to report that no employee was in receipt of remuneration of Rs. 24,00,000 or more per annum or Rs. 2,00,000 per month where employed for a part of the year.

Public Deposits

Your company has not accepted any deposits from the public during the year under review with in the meaning of section 58A of the Companies Act 1956.

DIRECTORS:

Sri. V.Srihari and Dr.D.VN.Raju of the Company retirie by rotation and being eligible, offers themselves for re-appointment.

AUDITORS

M/s.P. Murali & Co., Chartered Accountants retires 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 Board has furnished the following in respect of the qualification by the Auditors:

- Management is in the process of re-negotiating of OTS with the HDFC bank. A detailed note is 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 PURSUANT TO SECTION 217 (2AA) OF THE COMPANIES ACT:

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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit 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.

HUMAN RESOURCE EMPLOYEE RELATIONS

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 complete effectively. The relationship with the employees continues to be cordial.

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.

On behalf of Board of Directors

Place : Hyderabad
Date 2nd September, 2010

(Bijay Kumar Khemka)
Chairman



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 their company.

2. Board of Directors

a. Composition of the Board

The number of the Directors is 6 comprises of 2 Executive and 4 Non Executive Directors. Out of two Executive Directors, one is from the promoter category and another, 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 :-

Sl. 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	Promoter Executive	Executive Director	Nil	Nil
3	S.Srinivasa Rao	Non Promoter Executive	Director- Works	2	Nil
4	V.Srihari	Independent	Director	Nil	Nil
5	Dr D.V.N.Raju	Independent	Director	1	Nil
6	Bipin Damji Shah	Independent	Director	2	Nil

c. Board Meetings held During the Year

S.No	Date of Board Meeting
1	30/04/2009
2	31/07/2009
3	02/09/2009
4	31/10/2009
5	31/01/2010
6	08/03/2010

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	6	Yes
G.V.Narasimha Rao	6	Yes
S.Srinivasa Rao	6	Yes
V. Srihari	6	No
Dr D.V.N. Raju	6	No
Bipin Damji Shah	6	Yes

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 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 the members of the Committee are "Independent" Non-Executive Directors. Audit Committee consists of the following members:

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

c) 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

Mr. V. Srihari, Chairman of the Audit Committee, attended previous AGM.

4. Remuneration Committee

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

The Remuneration Committee comprises the following Directors:

- | | | |
|--------------------|---|----------|
| Dr D.V.N. Raju | - | Chairman |
| Bipin Dhamji Shah | - | Member |
| Bijay Kumar Khemka | - | Member |

Details of Remuneration to the Executive Directors paid/ payable for the financial year 2010 is as follows
Rs.lakhs

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

Except setting fees for attending board and committee meeting(s), Non of the non executive director(s) has any pecuniary relationship / transactions.

5. 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 constituted as sub committee of the Board.

In Pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Duty 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 Executive Director, 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

Your company has constituted the investor's grievance committee, with three directors under the Chairmanship of Non Executive Director, as follows:

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

Mr. S.Srinivasa Rao, Director of the Company is acting as compliance officer

6. Investor Complaints Received and resolved during the Year 2009-2010

Nature of Complaints	Received	Resolved	Pending
A. Non-receipt of Dividend Warrants	3	3	Nil
B. Non receipt of Annual Reports	3	3	Nil
C. Non Receipt of share Certificates	1	1	Nil



7. General Body Meetings

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

Financial Year	Date	Time	Venue
31.03.2009	30.09.2009	09.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033
31.03.2008	30.09.2008	09.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033
31.03.2007	30.09.2007	09.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033

c) Special Resolutions were passed in the 18th Annual General Meeting held on 30th September 2009, to issue, offer and allot Equity Shares on preferential basis to promoters & non-promoter and to alter the Articles of Association of the Company to give effect to increase in Authorized share Capital of the Company.

c) During the year under review no resolutions were passed through postal ballot.

8. 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 2009-10 the company has a related party transaction with M/s. Yamuna Enterprises Private Limited. The Company has taken Rs.79 Lakhs as advance.
- 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.

9. 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.

9. Other Disclosures as per clause 49 of the listing agreement

i. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

ii. Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956.

iii. CEO/CFO Certification

The CEO and CFO certification of the financial statements for the year 2009-10 is provided elsewhere in this Annual Report.

General Share Holders Information

1. Annual General Meeting :
 - Date : 30.09.2010
 - Time : 9.30 AM.
 - Venue : SONYZ Garden, Plot No.3940, Bhagyanagar Phase - II, Opp. Arjun Theatre, KPHB Colony, Hyderabad - 500 072
2. Financial Calendar : 1st April to 31st March (tentative schedule for the Financial Year 2010-11)
 - Financial Reporting for:
 - Quarter ending June, 30 2010 : On or before 15th August, 2010
 - Quarter ending September, 30 2010 : On or before 15th November, 2010
 - Quarter ending Decemeber, 31 2010 : On or before 15th February, 2011
 - Quarter ending March, 31 2011 : On or before 15th May, 2011
3. Date of Book Closure : 26/09/2010 to 30/09/2010 (Inclusive of both days)
4. Listing on Stock Exchanges : The Bombay Stock Exchange Limited, Mumbai
National Stock Exchange of India Limited, Mumbai
The Hyderabad Stock Exchange Limited, Hyderabad
(The listing of HSC is not in force as the said Stock Exchange was derecognised by SEBI)
5. Listing Fee : Listing fee for the year 2010-11 has been paid.
6. Stock Code : BSE :- 532350
NSE :- PADMALAYAT
7. Market Price Data: Monthly High and Low quotations of shares traded on the Stock Exchange, Mumbai from 1st April, 2009 to 31st March, 2010 are as stated hereunder.

Year 2009-10	BSE	
	High	Low
April, 2009	8.00	4.90
May, 2009	11.00	5.89
June, 2009	10.80	7.10
July, 2009	9.49	7.07
August, 2009	9.52	7.41
September, 2009	10.45	8.00
October, 2009	8.50	6.70
November, 2009	8.46	6.12
December, 2009	9.00	6.92
January, 2010	11.55	7.59
February, 2010	8.40	6.85
March, 2010	7.80	6.35

- 1) The Trading of Company shares in National Stock Exchange of India Limited has been suspended.
 - 2) SEBI Has withdrawn the recognition granted earlier of Hyderabad stock Exchange hence the shares of the company has not traded.
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, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s.Karvy Computer share Pvt. Ltd. Hyderabad. The requests received for transfer of shares in physical form are generally completed within the stipulated time.

10. Distribution of Shareholding : As on 31-03-2010

Category		No. of Cases	% of Cases	Amount	% of Amount
From	To				
	1	11,876	77.68	22628010	18.10
5001	10000	1,739	11.37	14931850	11.95
10001	20000	843	5.51	13413510	10.73
20001	30000	297	1.95	7684420	6.15
30001	40000	125	0.82	4547600	3.64
40001	50000	126	0.82	6036400	4.83
50001	100000	163	1.07	12052920	9.64
100001	Above	120	0.78	43705290	34.96
Total		15,289	100.00	12500000	100.00

11. Shareholding Pattern : As on 31-03-2010

Category Code	Category of shareholder	Total number of shares	Percentage
A	Promoter and Promoter Group		
1	Indian		
(a)	Individual/Hindu Undivided family	92645	0.75
(b)	Central Government/state government(s)	0	0.00
(c)	Bodies corporate	938029	7.50
(d)	Financial Institutions/Banks	0	0.00
(e)	Any other (specify)	0	0.00
	Sub Total	1030674	8.25
2	Foreign		
(a)	Individuals (Non resident individuals/Foreign individuals)	0	0.00
(b)	Bodies corporate	0	0.00
(c)	Institutions	0	0.00
(d)	Any other (specify)	0	0.00
	Sub Total	0	0.00
	Total Shareholding of Promoter and Promoter Group	1030674	8.25
(B)	Public shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0	0.00
(b)	Financial Institutions / Banks	250	0.00
(c)	Central Government / State Government(s)	0	0.00
(d)	Venture Capital Funds	0	0.00
(e)	Insurance Companies	0	0.00
(f)	Foreign institutional investors	0	0.00
(g)	Foreign Venture Capital Investors	0	0.00
(h)	Any other (specify)		
	Sub Total	250	0.00

2	Non Institutions		
(a)	Bodies Corporate	1788295	14.31
(b)(i)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	7626062	61.01
(b)(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1917085	15.34
(C)	Any other (specify)		
	Non-Resident Indians	133614	1.07
	Clearing Members	4020	0.03
	Sub Total	11469076	91.75
	Total Public shareholding	11469326	91.75
	Total (A) + (B)	12500000	100.00
(C)	Shares held by custodians and against which Depository Receipts have been issued	0	0
	Grand Total	12500000	100.00

Note : Non 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 31/03/2010

Particulars	No. of Shares	% of Share Capital
NSDL	92,90,887	74.33
CDSL	31,28,268	25.02
Physical	80,845	0.15
TOTAL	1,25,00,000	100.00

13. Outstanding GDR/warrants and

Convertible or Any Convertible Instruments : Not Applicable

14. NOMINATION FACILITY:

Share holding shares in physical form and desirous of making changes in the nomination in respect of their shareholding in the company, as permitted under section 109A of the Companies Act, 1956 are requested to submit to the registrars in the prescribed form for this purpose.

15. Works Location

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

16. Address for Correspondence

Padmalaya Telefilms limited
Regd & Administrative 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
E-Mail - padmalayatelefilms@gmail.com

MANAGEMENT DISCUSSION AND ANALYSIS

Media and Entertainment Industry:

The entertainment industry has faced many difficulties in the year 2009 as the overall economy accounted negligible growth when compared to the previous years. The main revenue is contributing by advertisement segment. The contribution from this segment is to the tune of 38% of the media and entertainment industry's revenue. The decrease in the advertisement revenue is due to shrinking ad budgets in the business world. The major sectors films, radio and out-of-home media recorded adverse growth during the year. With improvement in liquidity and global economies, showing a sign of recovery, India's GDP is expected to touch 9% annually by 2011-12, according to the Economic Advisory Council. The media and entertainment industry is, therefore, estimated to register 13% CAGR for the next five years, till 2014.

Television Industry:

Television is the largest segment of the India M&E industry, representing over 40% share of the total market. Today, 50 crore Indians depend on television as a source of mass entertainment, and this figure is rising, thanks to consistent fall in prices of TV sets and aggressive cable and satellite distribution in untapped areas. Of the total 12.9 crore TV households, 905 crore households possess a cable connection.

Motion Pictures :

The Indian film industry represents 18% of the total media and entertainment industry. However, 2009 was one of the bad years for the film industry. Due to non cooperation by the exhibition to the film producers, about 15% of the business has lost. First time the film industry recorded at about 14% negative growth in the year 2009 when compared to the revenue generated in 2008. Added to the above reason the general recession has also contributed to the negative growth in the year.

On the distribution side, digitization has significantly benefited the industry. The distribution can release large number of prints across geographies simultaneously and in much shorter time, simultaneously, it also saves the significant cost of developing the traditional physical prints. In fact, the whole film industry is moving towards the triple 'D' Structure, which means digital production, digital post production and digital release.

New Media Business:

In the last few years the new media business in the form of computer screens and the mobile screens are recording the steep growth, consumers are now looking upon the personal computer and mobile phone as one of additional source to entertainment. New ways of communication system has entered in the market like Broadband, Bluetooth, Wi-Fi, Wi-Max and 3G along others means support disparate forms of content, similar developments were witnessed in the domain of devices that are designed to support such networks. Mobile handsets are getting more sophisticated, sleeker and more advanced in terms of powerful processors, increased memory space, larger screens, open operating systems and offering features that were unimaginable earlier. Hence, the new media is revolutionizing the consumer market, reconciling the functionalities of customer end terminal devices are witnessing exponential demand growth among teenagers and professionals with high disposable income. Mobile value added service (VAS) has become a significant business driver for service providers, with potential to grow attractively in future.

SWOT ANALYSIS

Strength

- Software Library
- Good sum of animation themes.
- Strong presence in southern part of India
- Film production, Marketing & Distribution of films
- Existence in the market by the key personnel by, more than 35 years in the industry..

Challenges

- To over come of working capital paucity.
- To regain the market confidence.

Opportunities

- Excellent brand image.
- Good market contacts and well aware of the company.
- Expand presence in digital cinemas

Threats

- Cut throat Competition
- Piracy
- Change in Government Policies
- Availability of suitable manpower and man power cost

RISK MANAGEMENT

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.

OPERATIONAL OVERVIEW

International Control Systems and Adequacy

The company has an independent internal audit system, which is monitoring and providing required information to stabilize the business modules to help the company to curtail the non-productive expenditure. The Company's Audit Committee, along with the Board, reviews the operations and adequacies of internal controls on an ongoing basis.

FINANCIAL REVIEW

Results of operation

Turnover

The total turnover for 2009-10 is marginally increased by 0.61% when compared to the financial year 2008-09.

Other Income

The other income for 2009-10 increased by 3%

Employee costs

The employee cost has come down by 83%

General and Administrative expenses

There was a negligible decrease in the production costs

Profit before tax

The profit before tax recorded a decline of 41% to Rs. 2,225.27 Lacs in 2009-10 from Rs. 3,751.38 Lacs in 2008-09 as the total revenue fell sharply by 48%. However, due to rise in other income the impact was mitigated to some extent.

Loss

The Loss was come down due to proper utilization of resources. The loss has reduced by 13.70% when compared to the previous year.

Extraordinary Item

The company has got the income tax relief in for assessment year 199-2000 to 2003-04 as per the guidelines of Income Tax Appellate tribunal, the efforts put in by the management has fetched these benefit. Further the company is putting its efforts to make it zero.

Financial position

Share Capital

The company has raised Rs.2.50 crore share capital during the year to over come the working capital shot gap. Awaiting the approvals from the concerned regulatory bodies for the allotment of equity shares.

Fixed Assets

There is no addition to the fixed asset block during the year.

Working Capital

The working capital paucity was continued during the year.

FUTURE STRATEGIES

The company is aiming to optimize the operation to utilize the existing infrastructure and brand image. Exploring all the possibilities of utilizing the television software content in other Indian languages.

**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 factor 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

G.V.Narasimaha Rao

R.Mahipal Reddy

Date :2nd September, 2010

Executive Director

Vice President(F & A)

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

To
The Members of
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, 2010 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
FRN: 007257 S

Place : Hyderabad
Date : 2nd September, 2010

P. MURALI MOHANA RAO
Partner
Membership No. 23412

CERTIFICATE OF CODE OF CONDUCT FOR THE FINANCIAL YERA 2009 -10

Padmalaya is committed for conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted "Code of Conduct" which is applicable to all director, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Conduct, under a certificate of Code of Conduct for the financial year 2009 -10

for and on behalf of the Board of Directors

Place : Hyderabad
Date : 2nd September, 2010

(Bijay Kumar Khemka)
Chairman

Auditors Report

To
The Shareholders
Padmalaya Telefilms Limited
Hyderabad.

We have audited the attached Balance Sheet of M/s.PADMALAYA TELEFILMS LIMITED as at March 31, 2010 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 and the Cash Flow Statement 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, 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at March 31, 2010 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, 2010;
 - 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, 2010

P. MURALI MOHANA RAO
Partner
Membership No. 23412

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 (l) 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 was an amount of Rs. 0.44 Lakhs on account of PF outstanding which was 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 expect for Rs. 0.44 lakhs on account of PF.
- X. The Company has been registered for a period of not less than 5 years, and it has no accumulated losses at the end of the financial year and the company has incurred cash losses in this financial year and 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, 2010

P. MURALI MOHANA RAO
Partner
Membership No. 23412

BALANCE SHEET AS AT 31ST MARCH 2010

PARTICULARS	SCHEDULE NO.	AS AT 31/03/2010		AS AT 31/03/2009	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS:					
SHARE CAPITAL	1		149,976,000		124,976,000
RESERVES AND SURPLUS	2		119,794,134		124,746,087
LOANFUNDS:					
SECURED LOANS	3		44,878,382		44,878,382
TOTAL			314,648,516		294,600,469
APPLICATION OF FUNDS:					
FIXED ASSETS:					
GROSS BLOCK	4	319,695,675		319,695,675	
LESS: DEPRECIATION		210,677,541		190,055,369	
NET BLOCK			109,018,134		129,640,306
DEFERRED INCOME TAX ASSET	5		78,898,362		86,106,171
CURRENT ASSETS, LOANS AND ADVANCES:					
INVENTORIES	6	123,678,981		112,327,812	
SUNDRY DEBTORS		18,649,797		18,621,912	
CASH AND BANK BALANCES		85,216		459,671	
LOANS AND ADVANCES		66,280,931		66,517,966	
		208,694,925		197,927,361	
LESS: CURRENT LIABILITIES & PROVISIONS	7	81,962,904		119,073,364	
NET CURRENT ASSETS			126,732,021		78,853,997
TOTAL			314,648,516		294,600,469
NOTS TO ACCOUNTS	12				

Per Our Report Of Even Date Attached
For P.Murali & Co.,
Chartered Accountants
FRN : 007257 S

for and on behalf of the Board of Directors

P. Murali Mohana Rao
Partner
Membership No. 23412

D.V.N Raju
Director

S. Sreenivas Rao
Director - Works

Place : Hyderabad
Date : 2nd September, 2010

R.Mahipal Reddy
Vice President (Finance & Accounts)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH, 2010

PARTICULARS	SCHEDULE NO	FOR THE YEAR ENDED 31/03/2010	FOR THE YEAR ENDED 31/03/2009
		Rs.	Rs.
INCOME:			
GROSS INCOME		17,860,578	17,752,199
OTHER INCOME		403,144	390,980
TOTAL		18,263,722	18,143,179
EXPENDITURE:			
PRODUCTION EXPENDITURE		25,249,949	14,069,761
increase / (Decrease) in stocks	8	(11,351,169)	(4,180,108)
EMPLOYEE BENEFITS	9	1,390,068	7,953,670
ADMINISTRATIVE & OTHER EXPENDITURE	10	4,573,585	4,819,671
FINANCE EXPENDITURE	11	31,242	387,931
DEPRECIATION	4	20,622,172	20,890,351
TOTAL		40,515,847	43,941,276
PROFIT/(LOSS) BEFORE TAX AND EXTRAORDINARY ITEM		(22,252,125)	(25,798,097)
PROVISION FOR CURRENT TAX		-	37,261
FRINGE BENEFIT TAX		-	37,261
PROVISION FOR DEFERRED TAXATION		7,207,804	(5,390,504)
PROFIT/ (LOSS) AFTER TAX		(29,459,930)	(20,444,854)
PRIOR PERIOD ADJUSTMENTS		(24,507,977)	--
PROFIT/ (LOSS) AFTER TAX & PRIOR PERIOD ADJUSTMENTS		(4,951,953)	(20,444,854)
BALANCE BROUGHT FORWARD		(720,146,816)	(699,701,962)
BALANCE CARRIED FORWARD		(7,25,098,769)	(720,146,816)
EARNING PER SHARE		(2.36)	(1.64)
FACE VALUE OF SHARE		(10.00)	(10.00)
NOTES TO ACCOUNTS	12		

Per Our Report Of Even Date Attached
For P.Murali & Co.,
Chartered Accountants
FRN : 007257 S

for and on behalf of the Board of Directors

P. Murali Mohana Rao
Partner
Membership No. 23412

D.V.N Raju
Director

S. Sreenivas Rao
Director - Works

Place : Hyderabad
Date : 2nd September, 2010

R.Mahipal Reddy
Vice President (Finance & Accounts)

SCHEDULES FORMING THE PART OF BALANCE SHEET

SCHEDULE - 1 : SHARE CAPITAL

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
	Rs.	Rs.
AUTHORISED CAPITAL 2,00,00,000 NOS. EQUITY SHARES OF RS.10/- EACH (Previous year 1,50,00,000 Nos. Equity Shares of Rs. 10/- each)	200,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP 1,25,00,000 NOS. EQUITY SHARES OF RS.10/- EACH FULLY PAID (Previous year 1,25,00,000 Nos. Equity Shares of Rs.10/- each fully paid) Less: CALLS IN ARRIEARS SHARE APPLICATION MONEY	125,000,000 24,000 25,000,000	125,000,000 24,000
TOTAL	149,976,000	124,976,000

SCHEDULE - 2 : RESERVES & SURPLUS

PARTICULARS	AS AT 31/03/2010		AS AT 31/03/2009	
	Rs.	Rs.	Rs.	Rs.
SHARE PREMIUM Opening Balance Less : Current Year Adjustment	756,608,703	756,608,703	788,927,453 32,318,750	756,608,703
GENERAL RESERVE Opening Balance Current year	88,284,200		88,284,200	
PROFIT AND LOSS ACCOUNT		88,284,200		88,284,200
		(725,098,769)		(720,146,816)
TOTAL		119,794,134		124,746,087

SCHEDULE - 3 : SECURED LOANS

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
	Rs.	Rs.
HDFC BANK LIMITED	44,878,382	44,878,382
TOTAL	44,878,382	44,878,382

SCHEDULE - 5 : DEFERRED INCOM TAX ASSET / LIABILITY

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
	Rs.	Rs.
OPENING BALANCE	86,106,166	80,715,662
CURRENT YEAR	(7,207,804)	5,390,504
TOTAL	78,898,362	86,106,166

SCHEDULE - 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	AS AT 1/04/2009	Additions	Deletion	AS AT 31/03/2010	AS AT 31/03/2009	For The year	Deletion	AS AT 31/03/2009	AS AT 31/03/2010	AS AT 31/03/2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
LAND FREE HOLD	14,338,897	-	-	14,338,897	-	-	-	-	14,338,897	14,338,897
PLANT AND MACHINERY	284,207,430	-	-	284,207,430	170,560,043	20,093,465	-	190,653,508	93,553,922	113,647,387
FURNITURE AND FITTINGS	2,664,181	-	-	2,664,181	2,386,175	168,643	-	2,554,818	109,363	278,006
LIBRARY & OTHER ASSETS	10,943,868	-	-	10,943,868	10,943,868	-	-	10,943,868	-	-
OFFICE EQUIPMENTS	5,688,216	-	-	5,688,216	4,312,200	360,064	-	4,672,264	1,015,952	1,376,016
VEHICLES	1,853,083	-	-	1,853,083	1,853,083	-	-	1,853,083	-	-
TOTAL	319,695,675	-	-	319,695,675	190,055,369	20,622,172	-	210,677,541	109,018,134	129,640,306
PREVIOUS YEAR FIGURES	319,672,476	23,200	-	319,695,675	169,165,018	20,890,351	-	190,055,369	129,640,306	150,507,457

SCHEDULE - 6 : CURRENT ASSETS, LOANS, & ADVANCES

PARTICULARS	AS AT 31/03/2010		AS AT 31/03/2009	
	Rs.	Rs.	Rs.	Rs.
A) INVENTORY				
CLOSING STOCK	9,577,969		9,577,969	
SOFTWARE UNDER PRODUCTION	73,385,497		73,385,497	
PROJECTS ON HAND	40,715,515		29,364,346	
B) SUNDRY DEBTORS		123,678,981		112,327,812
(Unsecured and Considered Good)				
DEBTS EXCEEDING A PERIOD OF SIX MONTHS	7,732,848		7,732,848	
OTHER DEBTS	10,916,949		10,889,064	
D) CASH AND BANK BALANCES		18,649,797		18,621,912
CASH BALANCE	12,879		16,466	
BALANCE WITH BANKS (CURRENT ACCOUNTS)	72,337		443,205	
		85,216		459,671
B) LOANS, ADVANCES AND DEPOSITS				
DEPOSITS :				
DEPOSITS BANKS	1,230,873		1,230,873	
DEPOSITS WITH GOVERNMENT	3,000		34,100	
DEPOSITS WITH OTHERS	85,100		351,000	
		1,318,973		1,615,973
ADVANCES :				
ADVANCE FOR EXPENDITURE	686,740		626,775	
ADVANCE FOR OTHERS	58,728,381		58,728,381	
ADVANCE FOR PRODUCTION	3,269,986		3,269,986	
ADVANCES TO SUPPLIERS	2,276,851		2,276,851	
		64,961,958		64,901,993
TOTAL		208,694,925		197,527,361

SCHEDULE - 7 : CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AS AT 31/03/2010		AS AT 31/03/2009	
	Rs.	Rs.	Rs.	Rs.
a) CREDITORS				
- FOR SERVICES	3,974,645		1,866,162	
- FOR GOODS	8,072,465		10,813,710	
- FOR EXPENDITURE	6,000,212		1,849,412	
- FOR OTHERS	48,626,370		64,614,387	
		66,673,692		79,143,671
B) STATUTORY LIABILITIES		263,868		359,111
C) PROVISIONS FOR TAXES		15,025,344		39,570,582
Total		81,962,904		119,073,364

SCHEDULE - 8 : STOCK VARIATION

PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
	Rs.	Rs.
OPENING STOCKS	112,327,812	108,147,704
CLOSING STOCKS	123,678,981	112,327,812
TOTAL	11,351,169	4,180,108

SCHEDULE - 9 : EMPLOYEE COST

PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
	Rs.	Rs.
Salaries & Wages	1,317,870	7,862,488
Provident Fund & ESI	51,480	65,562
Staff Welfare Expenses	20,718	25,620
TOTAL	1,390,068	7,953,670

SCHEDULE -10 : ADMINISTRATIVE & SELLING EXPENSES

PARTICULARS	Year Ended 31/03/2010		Year Ended 31/03/2009	
	Rs.	Rs.	Rs.	Rs.
ADMINISTRATIVE EXPENSES:				
Remuneration to Auditors		181,330		181,330
Directors' Remuneration		1,230,000		1,230,000
Travel & Conveyance	287,532		515,208	
Printing & Stationery	59,778		34,169	
Books & Periodicals	15,879		2,624	
Membership & Subscription	15,000		7,500	
Office Maintenance	274,085		301,691	
Telephone & Fax	43,875		47,692	
Legal & Professional Charges	428,171		607,420	
AGM Expenses	372,850		396,467	
Share Transfer / Custodiun Expenses	435,676		396,069	
Postage	16,390		31,881	
Rent , Rates & Taxes	640,000		578,800	
Directors Sitting Fees	120,000		100,000	
Board Meeting Expenses	81,843		24,879	
Listing fees	227,254		160,700	
		3,018,333		3,205,100
SELLING EXPENSES:				
Advertisement & Sales Promotion		143,922		203,241
TOTAL		4,573,585		4,819,671

SCHEDULE - 11 : FINANCE CHARGES

PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
	Rs.	Rs.
Bank Charges	31,242	387,931
TOTAL	31,242	387,931

Schedule 12 : Significant Accounting Policies and Notes to Accounts

A) SIGNIFICANT 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, 2010 (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. Share Capital:

The Share application money (Rs.2.50 crores) received by the company was shown in the share capital schedule is subject to allotment of shares. The allotment will be done after getting the approvals from the concerned regulatory authorities.

2. Secured Loans:

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.

3. 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 Liability has been made at Rs.72.08 laks (Previous year Deffered Tax Asset Rs.53.90 lakhs)

4. Depreciation:

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

5. 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 2009-2010	For the year 2008-2009
1. Segment Revenue / Income		
T.V.Software	38.90	26.45
Integrated Communication Group	40.88	20.44
Films	56.83	102.63
Animation	42.00	28.00
Total	178.61	177.52
Less: Inter Segmental Revenue	-	-
Revenue from Operations	178.61	177.52
2. Segment wise Profit / Loss before Tax and interest		
T.V.Software	(38.36)	(40.13)
Integrated Communication Group	(45.06)	(53.10)
Films	(77.93)	(21.45)
Animation	(38.84)	(65.18)
Total	(200.19)	(179.86)
Less: Interest	-	-
Add: Un-allocable Income net off		
Un-allocable expenditure	22.33	78.12
Profit before Tax and Prior period expenditure	(222.52)	(257.98)

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.



6. Earnings per share		Rs. In Lakhs
	2009-2010	2008-2009
Loss as per P & L Account	294.60	204.45
No. of Equity shares (On WANES method)	1,24,97,421	1,24,97,421
Basic & Diluted earning per share (Rs.)	(2.36)	(1.64)

7. a). Earnings in Foreign Currency Current Year Nil (Previous Year Nil)
 b). Expenditure in Foreign Currency Current Year Nil (Previous Year Nil)

8. 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.84.50 lakhs taken from Yamuna Enterprises Pvt. Limited as advance.

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.1.50 crores for the Assessment years 2003-2004, the company has preferred an appeal before the Hon'ble Commissioner of Income Tax, Hyderabad. The Company is confident to get the orders in favour of the company.
10. Information required under Para 4 (C) of part Schedule - VI of the Companies Act, 1956 to the extent applicable.

	2009-2010 Rs. In Lakhs	2008-2009 Rs. In Lakhs
Directors Remuneration		
Salaries	11.40	11.40
Perquisites	0.90	0.90
Total	<u>12.30</u>	<u>12.30</u>

11. Payments to Auditors.

	2009-2010 Rs. In Lakhs	2008-2009 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	0.11
Total	<u>1.22</u>	<u>1.22</u>

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. As per the information to the company that, there is no over 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:**
- 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.
 - 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.
 - 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.
 - 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. **Prior Period Adjustment:**
The company has reversed the income tax excess provision of Rs. 245.08 lakhs made in the books pertaining to the assessment years 1999-2000 to 2003-2004 during the current year Profit and Loss Account.
18. 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.
19. Figures of previous year have been regrouped, rearranged and recasted, wherever considered necessary.
-

Signatures to Schedules 1 to 12

Per Our Report Of Even Date Attached
For P.Murali & Co.,
Chartered Accountants
FRN : 007257 S

for and on behalf of the Board of Directors

P. Murali Mohana Rao
Partner
Membership No. 23412

D.V.N Raju
Director

S. Sreenivas Rao
Director - Works

Place : Hyderabad
Date : 2nd September, 2010

R.Mahipal Reddy
Vice President (Finance & Accounts)



CASHFLOW STATEMENT FOR THE YEAR ENDED 31/03/2010

	PARTICULARS	2009-10	2008-09
		Rs.	Rs.
A	CASH FLOW FROM OPERATION ACTIVITIES		
	NET PROFIT / (LOSS) BEFORE TAX & EXTRODINARY ITEAM	(22,252,125)	(25,798,097)
	LESS: EXTRODINARY INCOME		
	DEPRECIATION	20,622,172	20,890,351
	OPERATING PROFIT BEFORE WORKING CAPITAL CHARGES	(1,629,953)	(4,907,746)
	ADJUSTMENTS FOR		
	TRADE AND OTHER RECEIVABLES	(27,885)	(7,636,127)
	INVENTORIES	(11,351,169)	(21,675,932)
	LOANS AND ADVANCES	(59,965)	(9,752,405)
	DEPOSITS	297,000	(300,000)
	SUNDRY CREDITORS	(37,110,460)	44,615,289
	SUB TOTAL	(48,252,479)	5,250,825
	CASH GENERATED BEFORE EXTRODINARY ITEAM	(49,882,432)	343,079
	EXTRODINARY ITEAM & PRIOR PERIOD EXPENDITURE	(24,507,977)	-
	NET CASHFLOW FROM OPERATING ACTIVITIES	(25,374,455)	319,879
B	CASH FROM INVESTING ACTIVITY		
	PURCHASE OF FIXES ASSETS	-	23,200
	SUB TOTAL	-	23,200
	NET CASH USED IN INVESTMENT ACTIVITIES	(25,374,455)	319,879
C	CASHFLOW FROM FINANCING ACTIVIES		
	INCREASE IN SHARE CAPITAL	25,000,000	-
	NET CASH USED IN FINANCING ACTIVITES	25,000,000	-
	NET CASH INCREASE IN CASH AND CASH EQUICALENTS	(374,455)	319,879
	CASH AND CASH EQUICALENTS - OPENING BALANCE	459,671	139,792
	CASH AND CASH EQUICALENTS - CLOSING BALANCE	85,216	459,671

Per Our Report Of Even Date Attached
 For P.Murali & Co.,
 Chartered Accountants
 FRN : 007257 S

For and on behalf of the Board of Directors

D V N Raju
 Director

S. Sreenivasa Rao
 Director - Works

P. Murali Mohana Rao
 Partner
 Membership No. 23412

Place : Hyderabad
 Date : 2nd September, 2010

R.Mahipal Reddy
 Vice President (Finance & Accounts)

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 Differed Tax

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

Nineteenth Annual General Meeting, On Thursday 30th September 2010 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 here by record my presence at the Nineteenth Annual General Meeting of the company at the premises of at SONY'Z Garden, Plot No.3940, Bhagyanagar Phase - II, Opp. Arjun Theatre, KPHB Colony, Hyderabad - 500 072.

I member, Please sign Below	If proxy please sign Below

PADMAYALA TELEFILMS LIMITED

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

PROXY FORM

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 19th Annual General Meeting of the company to be held on Thursday 30th September 2010 and at 9:30 am or any adjournment thereof.

As witness my/our hand(s) this day of 2010

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