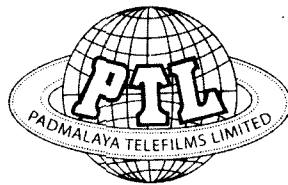


20th
ANNUAL REPORT
2010 - 11



Padmalaya
TELEFILMS LIMITED

CONTENTS

	Page No.
NOTICE TO THE MEMBERS.....	1
DIRECTOR'S REPORT.....	6
REPORT ON CORPORATE GOVERNANCE.....	10
AUDITOR'S REPORT.....	19
BALANCE SHEET.....	22
PROFIT & LOSS ACCOUNT.....	23
SCHEDULES.....	24
CASH FLOW STATEMENT.....	31
BALANCE SHEET ABSTRACT.....	32
ATTENDENCE SHEET AND PROXY FORM.....	32

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
ING Vysya Bank Limited

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

Listing

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

NOTICE

Notice is hereby given that the 20th Annual General Meeting of M/s. Padmalaya Telefilms Limited will be held on Friday, the 30th day of September 2011 at 9.30 AM at 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, 2011 and Profit & Loss Account as on that date and 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 Khemkha who retires by rotation and being eligible offers himself for reappointment.
3. To Oppoint a Director in place of Sri. Bipin Dhamji Shah who retires by rotation and expressed his unwillingness for re oppintment.
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."

SPECIAL BUSSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof) (the "Act") and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, any statutory modification(s) or re-enactment thereof, for the time being in force and such other statutes, notifications, clarifications, circulars, rules and regulations as may be applicable and relevant, as amended from time to time, if any, issued by the Government of India (the "GOI"), the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), Stock Exchanges and any other appropriate authorities, institutions or bodies, as may be applicable and the provisions in the Memorandum and Articles of Association of the Company and Listing Agreements entered into by the Company with the stock exchanges where the shares of the Company are listed, and any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and subject to such approvals, consents, permissions and sanctions, if any, of the GOI, RBI, SEBI, Stock Exchanges and any other relevant statutory, governmental authorities or departments, institutions or bodies (the "Concerned Authorities") in this regard, as may be required and applicable and further subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of the Concerned Authorities while granting such approvals, and permissions as may be necessary or which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to create, issue, offer and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons including employees of the Company as may be permitted), Equity Shares and/or Equity Shares through depository receipts including American Depository Receipts, Global Depository Receipts and/or Convertible Bonds, Convertible Debentures, fully or partly, and/or other securities convertible into Equity Shares at the option of the Company and/or the holder(s) of such securities, and/or securities linked to Equity Shares and/or securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant-holder to subscribe for Equity Shares and/or any instruments or securities representing either Equity Shares, secured premium notes, and/or any other financial instruments which would be converted into/ exchanged with Equity Shares at a later date (the "Securities") as the Board at its sole discretion or in consultation with underwriters, merchant bankers, financial advisors or legal advisors may at any time decide, by way of one or more public, follow-on, preferential issues or private offerings in domestic and/or one or more international market(s), with or without a green shoe option, or private placement or issued/allotted through Qualified Institutions Placement in accordance with the Guidelines for "Qualified Institutions Placement" prescribed under

Chapter XIII-A of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, or by any one or more or a combination of the above model/methods or otherwise and at such time or times and in one or more tranches, whether rupee denominated or denominated in foreign currency, to any eligible Qualified Institutional Buyers including Foreign Institutional Investors, resident/ non-resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), Venture Capital Funds (foreign or Indian), Indian and/or Multilateral Financial Institutions, Mutual Funds, Non-Resident Indians, stabilizing agents and/or any other categories of investors, whether they be holders of shares of the Company or not (collectively called the "Investors") whether or not such Investors are members of the Company as may be deemed appropriate by the Board and permitted under applicable laws and regulations, resulting in the issue of an aggregate amount not exceeding Rs.200 Crores (Rupees Two Hundred Crores) or equivalent thereof and on such terms and conditions and timing of the issue(s)/offering(s) including the Investors to whom the Securities are to be issued, issue price, number of Securities to be issued, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Companies Act, 1956 in respect of any Securities as may be required either on *pari-passu* basis or otherwise, the stock exchanges on which such Securities will be listed, finalization of allotment of the Securities on the basis of the subscriptions received, face value, rate of interest, redemption period, manner of redemption, amount of premium on redemption, the number of equity share to be allotted on redemption/conversion, the ratio, period of conversion, fixing of record date or book closure dates, and any other matter in connection with, or incidental to, the issue, in consultation with the merchant bankers or other advisors or otherwise, as the Board at its sole discretion may decide together with any amendments or modifications thereto.

RESOLVED FURTHER THAT the Securities to be created, issued, offered and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company and the equity shares allotted in terms of this resolution shall rank *pari passu* in all respects with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and subject to approval, consents, permissions, if any of any governmental body, authority or regulatory institution including any conditions as may be prescribed in granting such approval or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and such of these Securities to be issued as are not subscribed may be disposed of by the Board in such manner and/or on such terms including offering or placing them with banks/financial institutions/ mutual funds or otherwise, as the Board may deem fit and proper in its absolute discretion, subject to applicable laws, regulations and guidelines.

RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, the Board be and is hereby authorized to prescribe with respect to the aforesaid issue of the Securities all or any of the terms or any combination of terms thereof in accordance with local and/or international practice including but not limited to conditions in relation to the offer, issue and allotment of the Securities, payment of interest, dividend, premium and redemption or early redemption of Securities, debt service payments and any other payments whatsoever, voting rights and all such terms as are provided in domestic and/or international offerings of this nature including terms for such issue, or variation of the price or period of conversion of any Securities into Equity Shares or issue of Equity Shares during the duration of the Securities or terms pertaining to early redemption of Securities and/or conversion into Equity Shares as the Board may in its sole discretion deem appropriate.

RESOLVED FURTHER THAT the Board be and are hereby authorised to do such acts, deeds and things as they, in its absolute discretion, may deem necessary or desirable in connection with the issue of the Securities and to give effect to these resolutions, including, without limitation, the following:

- (i) seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in or outside India, and any other consents that may be required in connection with the issue and allotment of the Securities;
- (ii) giving or authorizing the giving of such undertakings, declarations, affidavits, certificates, consents and authorities as may be required from time to time by concerned persons; and
- (iii) Settling any questions, difficulties or doubts that may arise in regard to any such issue or allotment of Securities as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation the entering into of arrangements/agreements for underwriting, marketing, listing of Securities, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying and conversion agent(s) and any other advisors, professionals and intermediaries and all such agencies as may be involved or concerned in such offerings of Securities and to issue and sign all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions whether in India or abroad, for the issue and to do all requisite filings with SEBI, the stock exchanges, the GOI, the RBI, if required and any other concerned authority in India or outside, and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the issue, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of Securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions and any offer, issue and allotment of Securities, the Board hereby constitutes a Special Committee of the Board named the "Issue Committee" and further delegates all or any of the powers herein conferred to give effect to the aforesaid resolutions to the Issue Committee and further authorizes the Issue Committee to take all such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of equity shares including but not limited to:

- (a) To decide on the timing, pricing and all the terms and conditions of the issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- (b) Approving the offer document and filing the same with the any authority or persons as may be required;
- (c) To affix the Common Seal of the Company on any agreement(s)/ documents as may be required to be executed in connection with the above, in the presence of any Director of the Company and persons authorized who shall sign the same in token thereof;
- (d) Arranging the delivery and execution of all contracts, agreements and all other documents, deeds, and instruments as may be required or desirable in connection with the issue of equity shares by the Company;
- (e) Opening such banks accounts and demat accounts as may be required for the transaction;
- (f) To do all such acts, deeds, matters and things and execute all such other documents and pay all such fees, as it may, in its absolute discretion, deem necessary or desirable for the purpose of the transactions;
- (g) To make all such necessary applications with the appropriate authorities and make the necessary regulatory filings in this regard;
- (h) Making applications for listing of the equity shares of the Company on one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s); and

To authorize or delegate all or any of the powers herein above conferred to any or more persons, if need be."

6. Appointment of Sri. S. Sreenivasa Rao as whole time director.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an Special resolution

"**RESOLVED THAT** pursuant to Section 269, and Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 subject to approval of the Share holders Sri. S. Sreenivasa Rao be and is hereby re-appointed as whole time Director and designated as Director – Works of the Company, for a further period of 5 years with effect from 01.09.2011 at a gross remuneration of Rs. 45,000/- (Rupees Forty Five Thousand only) per month.

"**REOLVED FURTHER THAT** the remuneration as set out in this resolution including benefits, amenities and perquisites shall be allowed and paid to the Whole Time Director as Minimum remuneration during the tenure of his office, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Companies Act, 1956 including amendments made thereto from time to time."

By Order of the Board of Directors

Place : Hyderabad
Date : 1st September, 2011

(Bijay 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 2011 to 30th September 2011 (Both Days Inclusive) to ascertain the list of members for 20th 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.

EXPLANATORY STATEMENT

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

Item No. 5

The resolution contained in the business of the Notice relates to a proposal by the Company to create, offer, issue and allot Equity Shares, GDRs, ADRs, Convertible Bonds/Debentures and such other securities as stated in the resolution (the "Securities") at such price as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead managers, either in foreign currency or equivalent Indian Rupees inclusive of such premium as may be determined by the Board in one or more tranche or tranches. The Company intends to make issue of an aggregate amount not exceeding Rs.200 Crores or equivalent thereof.

a. Object of the Issue

This issue are to meet expansion, potential acquisitions, long term working capital and capital expenditure requirements of the Company and its subsidiaries, acquisition of companies, businesses and projects, and other general corporate purposes.

b. Proposal of the subscribers of the issuer to subscribe to the offer

The detailed terms and conditions for the offer will be determined by the Board/Issue Committee of the Board in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and in accordance with the applicable provisions of law and other relevant factors.

The detailed terms and conditions for the offer will be determined by the Board/Issue Committee of the Board in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and in accordance with the applicable provisions of law and other relevant factors.

As the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of Equity Shares to be issued. For reasons aforesaid, an enabling resolution is therefore proposed for consideration of the shareholders to give adequate flexibility and discretion to the Board to finalize the terms of the issue.

The Equity Shares allotted or arising out of conversion of any Securities would be listed. The issue/allotment/conversion would be subject to the availability of regulatory approvals, if any. The conversion of other Specified Securities held by foreign investors, into shares would be subject to the applicable foreign investment cap.

Section 81(1) of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of such company in the manner laid down. As the aforesaid resolution provides for or may result in issue of Equity Shares to persons other than the existing shareholders of the Company, consent of the shareholders is being sought pursuant to Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 and the SEBI Guidelines.

The Special Resolution as set out above, if passed, will have the effect of allowing the Board to issue and allot Securities to Investors, who may or may not be existing shareholders of the Company in the manner as set out in the resolution. The said resolution also enables the Board to create mortgage/ charge on the property/ assets of the Company in respect of any debt securities offered by the Company.

The Board recommends passing of the special resolution, for this purpose.

All the Directors is concerned or interested in the resolution.

Item No. 6

Sri. S. Sreenivasa Rao is a Diploma Holder in Mechanical Engineering. He has been associate with media and entertainment since 1993. He is being contributed to the company in the segments of Post Production and Production of Films. He is involved in setting up the animation studio and co ordinate for Television Serials.

Sri S. Sreenivasa Rao, Director of the company subject to the approval of the share holders was re-appointed as Director – Works of the company by the Board of Directors at their meeting held on 01.09.2011, keeping in view of increases of operations and considering his experience in the industry, it is proposed to re-appoint him as Whole Time Director and designate him as Director – Works pursuant to schedule XIII of the Company's Act, 1956 read with other relevant provisions, the re-appointment for a further period of 5 years w.e.f. 01.09.2011 and the payment of remuneration to Sri. S. Sreenivasa Rao requires your approval.

Hence the resolution as set out above is proposed approval of share holders.

Your Directors recommend the resolution for your approval.

None of the Director except Sri. S. Sreenivasa Rao is interested in the said resolution.

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT.

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

Sri. Bijay Khemka, aged about 60 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.

By Order of the Board of Directors

Place : Hyderabad
Date 1st September, 2011

(Bijay Kumar Khemka)
Chairman

Directors' Report

To
The Members

Your Directors have pleasure in presenting the 20th Annual Report on the business of your company and the Audited Statements of Accounts for the year ended on 31st March 2011 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 2011	Previous ended on 31 st March 2010
Turn Over	218.42	178.61
Profit / (Loss) Before Depreciation, Tax & Prior Period Adj.	61.22	(16.30)
Profit / (Loss) after Tax & Before Prior Period Adjustments	(216.34)	(294.60)
Profit / (Loss) after Tax & Prior Period Adjustments	(231.14)	(49.52)
Add: Profit/(Loss) brought Forward from last year	(6,368.15)	(6,318.63)
Profit / (Loss) Carried forward to Balance Sheet	(6,599.29)	(6,368.15)

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 inadequacy of profits, the Board could not recommend dividend during the year under review.

STATUTORY DISCLOSURES

ADDITIONAL INFORMATION REQUIRED UNDER SECTION 217(1)(E) OF THE COMPINES ACT 1956

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.

Conservation of Energy 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 Employees

There are no employees whose particulars are required to furnish under Section 217(2A) of the Companies Act 1956, read with Companies (Particulars of Employees) Rules, 1975, are to be disclosed.

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, 2011.

DIRECTORS:

Among Sri. Bijay Kumar Khemkha & Sri. Bipin Dhamji Shah Directors of the company, whose period of office is determined by retirement by rotation at this Annual General Meeting, Sri. Bijay Kumar Khemkha expressed his willingness to be re-appointed and Sri. Bipin Dhamji Shah has not opted for re-appointment.

Sri. S. Sreenivasa Rao be and is hereby re-appointed as whole time Director and designated as Director – Works of the Company, for a further period of 5 years with effect from 01.09.2011.

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 was given in the point no 14 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 PERSUENT 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.

By Order of the Board

Place : Hyderabad
Date 1st September, 2011

(Bijay Kumar Khemka)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Media and Entertainment Industry:

As per the PwC report, 2010 saw the global economy begin to recover from its steep decline in 2009 and these improved economic conditions have played a major role in the recovery of overall E&M spending which rose by 4.6%. Over the next five years we forecast that aggregate E&M global spending will rise to \$1.9 trillion in 2015, a 5.7% compound annual advance driven by economic growth, but masking the accelerating shift of spending from traditional to digital platforms.

Get an insight into our forecasts and viewpoints for 2011, take a walk through the Outlook's extensive online functionality, and find out which subscription option suits you best, all via these pages.

Television Industry:

Television Industry in India has gained new momentum due to liberalization and enhanced enthusiasm shown by the broadcasters to seize a huge share of the entertainment and media industry. In 2010, the television industry stood at a staggering US\$ 6.5 billion, a rise of 15.6 per cent over 2009 estimate of US\$ 5.7 billion. The industry is projected to grow at a CAGR of 16 per cent to US\$ 13.9 billion by 2015.

Growth of TV channels: The total number of TV channels (both private and government owned) grew from 461 in 2009 to 626 in January 2011. The number of News and Current Affairs channels was 312 and that of Non-News and Current Affairs channels was 314 up till January 2011.

Motion Pictures :

The Indian Film Industry stood US\$ 1.9 billion in overall industry revenues in 2010, indicating a decline of 6.7 per cent with respect to 2009. The industry is expected to grow at a CAGR of 9.6 per cent and reach US\$ 2.6 billion in 2014. The key growth drivers for the sector would include expansion of multiplex screens resulting in better realisations, an increase in the number of digital screens facilitating wider releases, higher cable and satellite revenues, improving collections from the overseas markets and ancillary revenue streams like DTH, digital downloads, etc, which are expected to emerge in future.

SCOT ANALYSIS

Strength

- Software Library
- Good sum of animation themes.
- Strong presence 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

Internal 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 2010-11 is marginally increased by 22% when compared to the financial year 2009-10.

Other Income

The other income for 2009-10 increased by 95%

Cost of production of television serials

There was decrease in the production costs as most of the existing films and content is used.

Employee costs

The employee cost has increased as the existing content is made suitable for telecasting.

General and Administrative expenses

There was a marginal increase in costs due increase in the costs.

Profit before tax

The Loss for the year has decreased by Rs.78.11 lakhs when compared to the previous year. This effect is due to optimum utilization of the resources. There is a cash profit of Rs. 61.22 lakhs for the current year.

Loss

The Loss was come down by Rs.78.25 lakhs after tax when compared to the previous year.

Financial position

Share Capital

The company has raised Rs.4.50 crore share capital during the year to over come the working capital shot gap.

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.

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 :-

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	Promoter Executive	Executive Director	1	Nil
3	S.Sreenivasa 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	15/05/2010
2	07/06/2010
3	31/07/2010
4	02/09/2010
5	13/11/2010
6	06/12/2010
7	14/02/2011

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	7	Yes
G.V.Narasimha Rao	7	Yes
S. Sreenivasa Rao	7	Yes
V. Srihari	6	No
Dr D.V.N. Raju	7	Yes
Bipin Damji Shah	4	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	4
Bijay Kumar Khemka	5	5
Dr D.V.N. Raju	5	5

4. Remuneration Policy

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 |
| V.Srihari* | - | Member |
| Bijay Kumar Khemka | - | Member |

*Mr. V. Srihari was appointed in place of Mr. Bipin Dhamji Shah.

Details of Remuneration to the Executive Directors paid/ payable for the financial year 2011 is as follows Rs.lakhs

Particulars	G.V. Narasimha Rao Executive Director	S. Sreenivasa 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.

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:

Bijay Kumar Khemka	-	Chairman
Dr D.V.N.Raju	-	Member
V. Srihari *	-	Member

*Mr. V. Srihari was appointed in place of Mr. Bipin Dhamji Shah.

Dr. D.V.N. Raju Director of the Company is acting as compliance officer

6. Investor Complaints Received and resolved during the Year 2010-2011

Nature of Complaints	Received	Resolved	Pending
A. Non-receipt of Dividend Warrants	3	3	Nil
*B. Non receipt of Annual Reports	4	4	Nil
C. Non Receipt of share Certificates	Nil	Nil	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
31.03.2010	30.09.2010	09.30 a.m	SONYZ Garden, Plot No.3940, Bhagyanagar Phase - II, Kavuri Hills, Hyderabad-500033
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	09.00 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033

b) 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) Details of Location and time of the Last Extraordinary General Meetings of the Company.

Sl.No	Date	Time	Venue	Special resolutions Passed
1	24.4.2010	11.30 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033	To issue, offer and allot Equity Shares on preferential basis to promoters & non-promoter
2	07.7.2010	10.00 a.m	State Gallery of Fine Arts, Road No. 1, Kavuri Hills, Hyderabad-500033	1) To create, offer, issue and allot FCCBs / GDR 2) To issue, offer and allot Equity Shares on preferential basis to promoters & non-promoter

d) During the year 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 2010-11 the company has a related party transaction with M/s.Yamuna Enterprises Private Limited. The Company has taken Rs.10.22 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.

10. CEO Certification

As required by the clause 49 (V) of the listing agreement, the certificate from CEO was placed before the Board of Directors.

11. Compliance Certificate from the Auditor

The Statutory Auditor has certified that the Company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the Statutory Auditor will be sent to the Stock Exchange along with the Annual Report of the Company.

General Share Holders Information

1. Annual General Meeting :

Date : 30.09.2011
 Time : 9.30 AM.
 Venue : State Gallery of Fine Arts, Road No.1, Kavuri Hills, Madhapur, Hyderabad-500 033

2. Financial Calendar : 1st April to 31st March

Financial Reporting for:
 Quarter ending June, 30 2011 : Second Week of August, 2011
 Quarter ending September, 30 2011 : Second Week of November, 2011
 Quarter ending Decemeber, 30 2011 : Second Week of February, 2012
 Quarter ending March, 30 2012 : Second Week of May, 2012

3. Date of Books Closure : 26/09/2011 to 30/09/2011 (Inclusive of both days) (Inclusive of both days)

4. Listing on Stock Exchanges : The Bombay Stock Exchange Limited, Mumbai National Stock Exchange of India Limited, Mumbai

5. Listing Fee : Listing fee for the year 2011-12 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, 2010 to 31st March, 2011 are as stated hereunder.

Year 2010-11	BSE	
	High	Low
April, 2010	7.50	6.54
May, 2010	9.50	6.03
June, 2010	8.20	6.97
July, 2010	9.98	7.31
August, 2010	8.13	6.20
September, 2010	8.49	6.61
October, 2010	7.39	6.59
November, 2010	7.37	5.90
December, 2010	6.65	5.14
January, 2011	5.95	4.35
February, 2011	5.35	4.06
March, 2011	5.40	2.78

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

8. 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

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.Kavy 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 31-03-2011

Category		No. of Share Holders	% of Share Holders	Amount	% of Amount
From	To				
1	5000	11281	76.72	21,159,190	12.45
5001	10000	1696	11.53	14,587,140	8.58
10001	20000	825	5.61	13,122,500	7.72
20001	30000	316	2.15	8,197,590	4.82
30001	40000	143	0.97	5,148,170	3.03
40001	50000	131	0.89	6,248,500	3.68
50001	100000	171	1.16	12,623,630	7.43
100000	above	142	0.97	88,913,280	52.30
Total		14705	100.00	1,70,00,000	100.00

11. Shareholding Pattern : As on 31-03-2011

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Total shareholding as a percentage of total number of shares	Shares Pledged or otherwise encumbered	
					Number of shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	6	88,880	0.52	-	-
(b)	Central Government/ State Government(s)	-	-	-	-	-
(c)	Bodies Corporate	3	1,688,019	9.93	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-
(e)	Any Others(Specify)	-	-	-	-	-
	Sub Total	9	1,776,899	10.45	-	-
2	Foreign					
a	Individuals (Non-Residents Individuals/Foreign Individuals)	-	-	-	-	-
b	Bodies Corporate	-	-	-	-	-
c	Institutions	-	-	-	-	-
d	Any Others(Specify)	-	-	-	-	-
	Sub Total	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group	9	1,776,899	10.45	-	-
(B)	Public shareholding Institutions					
1	Mutual Funds/ UTI	-	-	-	-	-
(a)	Financial Institutions / Banks	-	-	-	-	-
(b)	Central Government/ State Government(s)	-	-	-	-	-
(c)	Venture Capital Funds	-	-	-	-	-
(d)	Insurance Companies	-	-	-	-	-
(e)	Foreign Institutional Investors	-	-	-	-	-
(f)	Foreign Venture Capital Investors	-	-	-	-	-
(g)	Any Other (specify)	-	-	-	-	-
(h)	Sub-Total	-	-	-	-	-

B 2	Non-institutions					
(a)	Bodies Corporate	339	4,130,394	24.30	-	-
(b)	Individuals					
I	i. Individual shareholders holding nominal share capital up to Rs 1 lakh	14,195	7,665,760	45.09	-	-
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	104	3,277,101	19.28	-	-
(c)	Any Other (specify)	-	-	-	-	-
(c-i)	Non-Residential Individuals	47	138,172	0.81	-	-
(c-ii)	Trusts - Clearing Members	11	11,674	0.07	-	-
	Sub-Total	14,696	15,223,101	89.55	-	-
(B)	Total Public Shareholding	14,696	15,223,101	89.55	-	-
	TOTAL	14,705	17,000,000	100.00	-	-
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
1	Promoter and Promoter Group	-	-	-	-	-
2	Public	-	-	-	-	-
	Sub-Total	-	-	-	-	-
	GRAND TOTAL	14,705	17,000,000	-	-	-

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 31/03/2011

Particulars	No. of Shares	% of Share Capital
NSDL	90,50,387	53.24
CDSL	33,69,414	19.82
Physical	45,80,199	26.94
TOTAL	1,70,00,000	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

ICG, Television, 2D/3D Animation Studio : #138, H.No.8-3-222/1/23, Madhuranagar, Yousufguda, Hyderabad - 38.

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 & Adm. Off. Plot No - 138,
H.No.8-3-222/1/23, Madhuranagar,
Yousufguda, Hyd- 038. Ph : 040-23738955
E-Mail - info@padmalaya.co.in
E-Mail - padmalayatelefilms@gmail.com



**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

Date : 1st September, 2011

G.V.Narasimaha Rao
Executive Director

R.Mahipal Reddy
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, 2011 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 : 1st September, 2011

P. MURALI MOHANA RAO
Partner
Membership No. 23412

CERTIFICATE OF CODE OF CONDUCT FOR FINANCIAL YEAR 2010 - 11

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 adapted 'Code of Conduct' which is applicable to all directors, officers and employees.

I hereby certified that all the Board Members and Senior Management have affirmed the compliance with the Code of Conduct, Under certificate Code of Conduct for the financial year 2010 -11.

By Order of the Board

Place : Hyderabad
Date 1st September, 2011

(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, 2011 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, 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March, 2011 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, 2011;
 - 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
FRN : 007257S

Place : Hyderabad
Date 1st September, 2011

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 notices 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.
c). The Company is maintaining proper records of Inventory and as explained to us, no material discrepancies for noticed on physical verification of stocks as compared to book records
- 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. 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. 0.52 Lakhs 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.
- 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 not incurred cash losses in this financial year but the Company has 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
FRN : 007257S

Place : Hyderabad
Date 1st September, 2011

P. MURALI MOHANA RAO
Partner
Membership No. 23412

BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	SCHEDULE NO.	AS AT 31/03/2011		AS AT 31/03/2010	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS:					
SHARE CAPITAL	1		169,976,000		149,976,000
RESERVES AND SURPLUS	2		96,680,044		119,794,135
LOANFUNDS:					
SECURED LOANS	3		44,878,382		44,878,382
TOTAL			311,534,426		314,648,517
APPLICATION OF FUNDS:					
FIXED ASSETS:					
GROSS BLOCK	4	319,695,675		319,695,675	
LESS: DEPRECIATION		231,240,433		210,677,541	
NET BLOCK			88,455,242		109,018,134
CURRENT ASSETS, LOANS AND ADVANCES:					
INVENTORIES	5	126,313,770		123,678,981	
SUNDRY DEBTORS		21,076,485		18,649,797	
CASH AND BANK BALANCES		625,706		85,216	
LOANS AND ADVANCES		73,520,233		66,280,931	
		221,536,194		208,694,925	
LESS: CURRENT LIABILITIES					
ADVANCES & PROVISIONS	6	70,162,165		81,962,904	
NET CURRENT ASSETS			151,374,029		126,732,021
DIFFERED INCOME TAX ASSET	7		71,705,155		78,898,362
TOTAL			311,534,426		314,648,517
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

P. Murali Mohana Rao
Partner
Membership No. 23412

D.V.N Raju
Director

S. Sreenivas Rao
Director - Works

Place : Hyderabad
Date : 1st September, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH,2011

PARTICULARS	SCHEDULE NO	FOR THE YEAR ENDED 31/03/2011	FOR THE YEAR ENDED 31/03/2010
INCOME:		Rs.	Rs.
GROSS INCOME		21,842,805	17,860,578
OTHER INCOME		784,964	403,144
TOTAL		22,627,769	18,263,722
EXPENDITURE:			
PRODUCTION EXPENDITURE		11,862,312	25,249,949
INCREASE / (DECREASE) IN STOCKS	8	(2,634,789)	(11,351,169)
EMPLOYEE BENEFITS	9	2,401,281	1,390,068
ADMINISTRATIVE & OTHER EXPENDITURE	10	4,873,241	4,573,585
FINANCE EXPENDITURE	11	3,929	31,242
DEPRECIATION	4	20,562,892	20,622,172
TOTAL		37,068,866	40,515,847
PROFIT / (LOSS) BEFORE TAX AND EXTRODINARY ITEAM		(14,441,097)	(22,252,125)
PROVISION FOR TAXATION:			
CURRENT TAX		--	--
DEFERRED TAX		7,193,207	7,207,804
PROFIT/ (LOSS) AFTER TAX		(21,634,304)	(29,459,929)
PRIOR PERIOD ADJUSTMENTS		1,479,787	(24,507,977)
		(23,114,091)	(4,951,952)
BALANCE BROUGHT FORWARD		(725,098,768)	(720,146,816)
BALANCE CARRIED FORWARD		(748,212,859)	(725,098,768)
EARNING PER SHARE		(1.36)	(2.36)
FACE VEUE 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

P. Murali Mohana Rao
Partner
Membership No. 23412

D.V.N Raju
Director

S. Sreenivas Rao
Director - Works

Place : Hyderabad
Date : 1st September, 2011

SCHEDULES FORMING THE PART OF BALANCE SHEET

SCHEDULE - 1 : SHARE CAPITAL

PARTICULARS	AS AT 31/03/2011	AS AT 31/03/2010
	Rs.	Rs.
AUTHORISED CAPITAL (2,00,00,000 EQUITY SHARES OF RS.10/- EACH) (Previous year 2,00,00,000 Equity Shares of Rs.10/- each)	200,000,000	200,000,000
ISSUED, SUBSCRIBED & PAID UP 1,70,00,000 EQUITY SHARES OF RS.10/- EACH FULLY PAID (Previous year 1,25,00,000 Equity Shares of Rs.10/- each fully paid)	170,000,000	125,000,000
Less: CALLS IN ARRIERS	24,000	24,000
SHARE APPLICATION MONEY	-	25,000,000
TOTAL	169,976,000	149,976,000

SCHEDULE - 2 : RESERVES & SURPLUS

PARTICULARS	AS AT 31/03/2011	AS AT 31/03/2010
	Rs.	Rs.
SHARE PREMIUM	756,608,703	756,608,703
GENERAL RESERVE	88,284,200	88,284,200
PROFIT AND LOSS ACCOUNT	(748,212,859)	(725,098,768)
TOTAL	96,680,044	119,794,135

SCHEDULE - 3 : SECURED LOANS

PARTICULARS	AS AT 31/03/2011	AS AT 31/03/2010
	Rs.	Rs.
HDFC BANK LIMITED	44,878,382	44,878,382
TOTAL	44,878,382	44,878,382

SCHEDULE - 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK AS AT		
	AS AT 1/4/2010	Addi- tions	Del- eti on	AS AT 31/3/2011	AS AT 1/4/2010	For The year	Del- eti on	AS AT 31/3/ 2011	AS AT 31/3/2011	AS AT 1/4/2010
	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	190,653,508	20,093,465	-	210,746,973	73,460,457	93,553,922
furniture and fittings	2,664,181	-	-	2,664,181	2,554,818	109,363	-	2,664,181	-	109,363
library & other assets	10,943,868	-	-	10,943,868	10,943,868	-	-	10,943,868	-	-
office equipments	5,688,216	-	-	5,688,216	4,672,264	360,064	-	5,032,328	655,888	1,015,952
vehicles	1,853,083	-	-	1,853,083	1,853,083	-	-	1,853,083	-	-
Total	319,695,675	-	-	319,695,675	210,677,541	20,562,892	-	231,240,433	88,455,242	109,018,134
previous year Figures	319,672,476	23,200	-	319,695,675	190,055,369	20,622,172	-	210,677,541	109,018,134	129,640,306



SCHEDULE - 5 : CURRENT ASSETS, LOANS, & ADVANCES

PARTICULARS	AS AT 31/03/2011		AS AT 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
a) INVENTORY				
CLOSING STOCK	9,577,696		9,577,969	
SOFTWARE UNDER PRODUCTION	73,385,497		73,385,497	
PROJECTS ON HAND	43,350,577	126,313,770	40,715,515	123,678,981
B) SUNDRY DEBTORS (UNSECURED AND CONSIDERED GOOD) DEBTS EXCEEDING A PERIOD OF SIX MONTHS	9,108,404		7,732,848	
OTHER DEBTS	11,968,081	21,076,485	10,916,949	18,649,797
D) CASH AND BANK BALANCES				
CASH BALANCE	466,216		12,879	
BALANCE WITH BANKS (CURRENT ACCOUNTS)	159,490	625,706	72,337	85,216
B) LOANS, ADVANCES, & DEPOSITS				
DEPOSITS :				
DEPOSITS BANKS	-		1,230,873	
DEPOSITS WITH GOVERNMENT	3,000		3,000	
DEPOSITS WITH OTHERS	165,100	168,100	85,100	1,318,973
ADVANCES :				
ADVANCE FOR EXPENDITURE	1,076,915		686,740	
ADVANCE FOR OTHERS	58,728,381		58,728,381	
ADVANCE FOR PRODUCTION	11,269,986		3,269,986	
ADVANCES TO SUPPLIERS	2,276,851	73,352,133	2,276,851	64,901,958
TOTAL		221,536,194		208,694,925

SCHEDULE - 6 : CURRENT LIABILITIES & PROVISIONS

PARTICULARS	AS AT 31/03/2011		AS AT 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
a) CREDITORS				
- FOR SERVICES	4,254,040		3,974,645	
- FOR GOODS	7,542,688		8,072,465	
- FOR EXPENDITURE	6,596,886		6,000,212	
- FOR OTHERS	36,182,119	54,575,733	48,626,370	66,673,692
B) STATUTORY LIABILITIES		561,088		263,868
C) PROVISIONS FOR TAXES		15,025,344		15,025,344
Total		70,162,165		81,962,904

SCHEDULE - 7 : DEFERRED INCOME TAX ASSET

PARTICULARS	AS AT 31/03/2011		AS AT 31/03/2010	
	Rs.	Rs.	Rs.	Rs.
OPENING BALANCE	78,898,362		86,106,166	
CURRENT YEAR	(7,193,207)		(7,207,804)	
TOTAL	71,705,155		78,898,362	

SCHEDULE - 8 : STOCK VARIATION

PARTICULARS	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs.		Rs.	
OPENING STOCKS	123,678,981		112,327,812	
CLOSING STOCKS	126,313,770		123,678,981	
TOTAL	2,634,789		11,351,169	

SCHEDULE - 9 : EMPLOYEE COST

PARTICULARS	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs.		Rs.	
SALARIES & WAGES	2,291,454		1,317,870	
PROVIDENT FUND & ESI	92,916		51,480	
STAFF WELFARE EXPENSES	16,911		20,718	
TOTAL	2,401,281		1,390,068	

SCHEDULE - 10 : ADMINISTRATIVE & SELLING EXPENSES

PARTICULARS	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs.	Rs.	Rs.	Rs.
ADMINISTRATIVE EXPENSES:				
Remuneration to Auditors		181,000		181,330
Directors' Remuneration		1,230,000		1,230,000
Travel & Conveyance	257,036		287,532	
Printing & Stationery	136,485		59,778	
Books & Periodicals	650		15,879	
Membership & Subscription	-		15,000	
Office Maintenance	602,311		274,085	
Telephone & Fax	11,841		43,875	
Legal & Professional Charges	139,311		428,171	
License Fees & Taxes	55,260		-	
AGM & EGM Expenses	768,420		372,850	
Share Transfer / Custodion Expenses	435,676		435,676	
Postage	19,283		16,390	
Rent, Rates & Taxes	135,000		640,000	
Directors Sitting Fees	140,000		120,000	
Board Meeting Expenses	45,922		81,843	
Listing fees	243,112		227,254	
		2,990,307		3,018,333
SELLING EXPENSES:				
Advertisement & Sales Promotion		471,934		143,922
TOTAL		4,873,241		4,573,585

SCHEDULE - 11 : FINANCE CHARGES

PARTICULARS	Year Ended 31.03.2011		Year Ended 31.03.2010	
	Rs.		Rs.	
BANK CHARGES	3,929		31,242	
TOTAL	3,929		31,242	

Schedule 12 : Significant Accounting Policies and Notes to Accounts

A) SIGNIFICANT 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 of accounting:

These financial statements are prepared under historical cost convention as a going concern and on accrual basis in accordance with the generally accepted accounting principles in India and as per applicable accounting standards (AS) issued by institute of chartered accountants of India as notified under Companies act (Accounting standards) rules, 2006.

2) Fixed assets and depreciation:

Fixed assets are stated at historical cost (net of CENVAT & VAT credit in applicable cases) less accumulated depreciation thereon (in line with provisions of AS-10). Depreciation on tangible assets is provided on straight line method at the rates specified in the Schedule XIV to the companies act, 1956. Assets costing Rs.5000/- or less (as adopted as materiality threshold) are charged to expenses in the year of purchase.

3) Inventories:

Inventories are valued at cost or net realizable value whichever is lower 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.

4) Deferred Tax:

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods. Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognized only to the extent that there is virtual certainty of realization of such assets in future.

5) Revenue recognition:

Sales of products are recognized when risk and rewards of ownership of the products are passed on to the customers, which are generally on handing over of goods / services (in our case). Export sales are recognized on the basis of bill of lading / Airway bill. (In line with provisions of Para 6.1 of AS-9).

6) Foreign currency transactions:

Sales/Purchases and revenue income/expenses in foreign currency are booked at exchange rates prevailing on the date of transaction. Gain/loss arising out of fluctuations in exchange based on the rate of realization is accounted for in the profit and loss account as per AS-11.

7) Taxes on income:

Provisions for taxation comprises of current tax, deferred tax. Current tax provision has been made on the basis of reliefs and deductions available under the income tax act, 1961. Deferred tax resulting from "timing Differences" between taxable income and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted on balance sheet date. No deferred tax assets were found and recognized. The fringe benefits tax has been calculated and accounted for in accordance with the provisions of the income tax act, 1961. (In line with AS-22)

8) Employee Benefits:

Staff benefits arising out of retirement/death, comprising of contributions to provident fund, superannuation and gratuity schemes, accrued leave encasable and other post separation benefits are accounted for on the basis of an independent actuarial valuation, in accordance with AS-15. The actuarial liability is determined with reference to employees at the end of each financial year.

9) Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized. Other borrowing costs are recognized to profit and loss account in the year in which they are incurred. (In line with AS-16).

10) Provisions, Contingent liabilities and contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. (In line with AS-29)

11) Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. However, no such indications were observed. Company has not even observed any such indication during previous accounting years and no impairment loss was provided during that year. So, no question of reversal of previously recognized impairment loss during current year. (in line with AS-28).



B) NOTES TO ACCOUNTS

1. Share Capital:

Company is having existing Equity share capital to the extent of 1,25,00,000 Shares @ Rs. 10/- each fully Paid as on 01.04.2010.

During the year the company has allotted 45,00,000 equity shares @Rs. 10/- each as fully paid on Rights basis 7,50,000 equity shares to Promoters and 37,50,000 equity shares to Non- Promoters.

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. 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 principles 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 2010-2011	For the year 2009-2010
1. Segment Revenue / Income		
T.V.Software	38.55	38.90
Integrated Communication Group	48.03	40.88
Films	89.48	56.83
Animation	42.37	42.00
Total	218.43	178.61
Less: Inter Segmental Revenue	-	-
Total Revenue from Operations	218.43	178.61
2. Segment wise Profit / Loss before Tax and interest		
T.V.Software	(26.68)	(38.36)
Integrated Communication Group	(40.95)	(45.06)
Films	(31.52)	(77.93)
Animation	(36.24)	(38.84)
Total	(135.39)	(200.19)
Add: Un-allocable Income net off		
Un-allocable expenditure	23.82	22.33
Profit before Tax and Prior period expenditure	(159.21)	(222.52)

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. Details of 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.10.22 lakhs taken from Yamuna Enterprises Pvt. Ltd. as advance.

6. Managerial Remuneration

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

Particulars	31-03-2011	31-03-2010
Salaries	11.40	11.40
Prerequisites & Allowances	0.90	0.90
Total	12.30	12.30

7. Auditors Remuneration

Particulars	31-03-2011	31-03-2010
Statutory Audit Fees	0.54	0.50
Tax Audit Fees	0.30	0.25
Certification Fees	0.13	0.13
Taxation Matters	0.14	0.14
Service Tax	0.10	0.11
Total	1.21	1.22

8. Deferred tax liability

Particulars	31-03-2011	31-03-2010
Depreciation as per Income tax act	4.14	4.32
Depreciation as per Companies act	205.63	206.22
Timing difference in Depreciation	201.31	201.90
Deferred tax Liability	71.93	72.08

9. Earnings per share

Particulars	31-03-2011	31-03-2010
Net profit / (Loss) for the period attributable to equity share holders (Rs.Lakhs)	(229.87)	(294.60)
Weighted average number of equity share outstanding face value of Rs.10/-	1,69,97,421	1,24,97,421
Basic EPS (in Rs.)	(1.36)	(2.36)

10. Disclosures as required under Accounting Standard AS-15

Retirement benefits to employees The Company has made provision based on Actuarial Valuation in respect of Gratuity and Leave Encashment as per AS 15. The details are as follows:

Particulars	31-03-2011	31-03-2010
Gratuity	0.94	0.68
Leave Encashment	0.26	0.13

Expenses: This is the profit and loss charges for the accounting period, and comprises the sum of the service and Recognized in interest costs less the expected returns on assets, adjusted for Actuarial Gain/Loss recognized for the P&L A/C.

Contributions are made to Recognized Provident fund / Government Provident Fund, Family pension Fund, ESIC and other Statutory Funds which covers all regular employees. While both the employees and the Company make predetermined contributions to the Provident Fund and ESIC, contribution to the Family pension Fund is made only by the Company. The contributions are normally based on a certain proportion of the employee's salary. Amount recognized as expenses in respect of these defined contribution plans, aggregate to Rs.2.15 Lakhs.

Particulars	Rs. In Lakhs	
	31-03-2011	31-03-2010
Contribution to Provident fund	0.76	0.45
Contribution to Employee State Insurance Scheme (ESIC)	0.17	0.08

In respect of Gratuity, Company made necessary provision. Provision for Gratuity is based on actuarial valuation done by independent actuary as at the year end. Actuarial valuation for compensated absences is done as at year end and the provision is made as per Company rules and its cover all regular employees. Major drivers in actuarial assumption, typically are years of service and employee compensation. After the issuance of the Accounting Standard 15 on "Employee Benefits" commitments are actuarially determined using the "Projected Unit Credit" method. Gains and losses on changes in actuarial assumptions are accounted for in the Profit and Loss account.

11. Additional information pursuant to provisions of part II of Schedule VI of the Companies Act, 1956.

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.

12. Foreign exchange inflow and Outflow

- a) Foreign exchange inflow - Nil (Previous Year - Nil)
- b) Foreign exchange outflow - Nil (Previous Year - Nil)

13. Contingent Liabilities

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 appeal is yet to post for hearing. The Company is confident to get the orders in favour of the company.

14. 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 outstanding of Rs. 6.00 crores. For the balance installment commitments the company could not met due to delay in expected realizations. 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.

15. Legal cases:

- a. 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.
- b. 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.

16. Un-disputed Statutory Liabilities payable, P.F. dues of Rs. 1.04 Lakhs, E.S.I. dues of Rs.0.25 Lakhs. Subsequently, paid to the concerned authorities.

17. Balances of Sundry debtors/creditors are subject to Confirmations

18. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small and Medium Enterprises Development Act 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

19. Previous years' figures are restated/regrouped/rearranged wherever necessary in order to confirm to the current years' grouping and classifications.

20. Figures have been rounded off to the nearest rupee.

SIGNATURES TO SCHEDULES 1 TO 12

For P.Murali & Co.,
Chartered Accountants
FRN : 007257 S

P. Murali Mohana Rao
Partner

Membership No. 23412

Place : Hyderabad

Date : 1st September, 2011

For and on behalf of the Board

D V N RAJU
Director

S. SREENIVASA RAO
Director - Works

CASHFLOW STATEMENT FOR THE YEAR ENDED 31/03/2011

	PARTICULARS	2010-11	2009-10
A	CASH FLOW FROM OPERATION ACTIVITIES		
	NET PROFIT / (LOSS) BEFORE TAX & EXTRODINARY ITEAM	(14,441,097)	(22,252,125)
	LESS: EXTRODINARY INCOME		
	DEPRECIATION	20,562,892	20,622,172
	OPERATING PROFIT BEFORE WORKING CAPITAL CHARGES	6,121,795	(1,629,953)
	ADJUSTMENTS FOR		
	TRADE AND OTHER RECEIVABLES	(2,426,688)	(27,885)
	INVENTORIES	(2,634,789)	(11,351,169)
	LOANS AND ADVANCES	(8,390,175)	(59,965)
	DEPOSITS	1,150,873	297,000
SUNDRY CREDITORS	(11,800,739)	(37,110,460)	
SUB TOTAL	(24,101,518)	(48,252,479)	
CASH GENERATED BEFORE EXTRODINARY ITEAM	(17,979,723)	(49,882,432)	
EXTRODINARY ITEAM & PRIOR PERIOD EXPENDITURE	1,479,787	(24,507,977)	
NET CASHFLOW FROM OPERATING ACTIVITIES	(19,459,510)	(25,374,455)	
B	CASH FROM INVESTING ACTIVITY		
	PURCHASE OF FIXES ASSETS	-	-
	SUB TOTAL	-	-
NET CASH USED IN INVESTMENT ACTIVITIES	(19,459,510)	(25,374,455)	
C	CASHFLOW FROM FINANCING ACTIVIES		
	INCREASE IN SHARE CAPITAL	20,000,000	25,000,000
	NET CASH USED IN FINANCING ACTIVITES	20,000,000	25,000,000
	NET CASH INCREASE IN CASH AND CASH EQUICALENTS	540,490	(374,455)
	CASH AND CASH EQUICALENTS - OPENING BALANCE	85,216	459,671
CASH AND CASH EQUICALENTS - CLOSING BALANCE	625,706	85,216	

For and on behalf of the Board

Place : Hyderabad
Date : 1st September, 2011

D V N RAJU
Director

S. SREENIVASA RAO
Director - Works

CERTIFICATE

We have examined the attached cash flow statement of M/s Padmalaya Telefilms Limited for the year ended 31/03/2011. The statement has been prepared by the Company in accordance with requirements of clause 32 of listing agreement with stock exchanges and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report dated 1st September 2011 to the members of the Company.

For P.Murali & Co.,
Chartered Accountants
FRN : 007257 S

Place : Hyderabad
Date : 1st September, 2011

P. Murali Mohana Rao
Partner
Membership No. 23412

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1 Registration Details

CIN No.

4	9	2	1	1	1	A	P	1	9	9	1	P	L	C	0	1	3	2	2	2
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Balance Sheet

3	1	-	0	3	-	2	0	1	1
---	---	---	---	---	---	---	---	---	---

Date Month Year

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

Public Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Rights Issue	<table border="1"><tr><td>4</td><td>5</td><td>0</td><td>0</td><td>0</td></tr></table>	4	5	0	0	0
N	I	L									
4	5	0	0	0							
Bonus Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Private Placement	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L		
N	I	L									
N	I	L									

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

Total Liabilities	<table border="1"><tr><td>3</td><td>1</td><td>1</td><td>5</td><td>3</td><td>4</td></tr></table>	3	1	1	5	3	4	Total Assets	<table border="1"><tr><td>3</td><td>1</td><td>1</td><td>5</td><td>3</td><td>4</td></tr></table>	3	1	1	5	3	4
3	1	1	5	3	4										
3	1	1	5	3	4										
Sources of Funds															
Paid-Up Capital	<table border="1"><tr><td>1</td><td>6</td><td>9</td><td>9</td><td>7</td><td>6</td></tr></table>	1	6	9	9	7	6	Reserves & Surplus	<table border="1"><tr><td>9</td><td>6</td><td>6</td><td>8</td><td>0</td></tr></table>	9	6	6	8	0	
1	6	9	9	7	6										
9	6	6	8	0											
Secured Loans	<table border="1"><tr><td>4</td><td>4</td><td>8</td><td>7</td><td>8</td></tr></table>	4	4	8	7	8	Application Funds								
4	4	8	7	8											
Net Fixed Assets	<table border="1"><tr><td>8</td><td>8</td><td>4</td><td>5</td><td>5</td></tr></table>	8	8	4	5	5	Investments	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L				
8	8	4	5	5											
N	I	L													
Net Current Assets	<table border="1"><tr><td>1</td><td>5</td><td>1</td><td>3</td><td>7</td><td>4</td></tr></table>	1	5	1	3	7	4	Deferred Tax Asset	<table border="1"><tr><td>7</td><td>1</td><td>7</td><td>0</td><td>5</td></tr></table>	7	1	7	0	5	
1	5	1	3	7	4										
7	1	7	0	5											
Accumulated Losses	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L											
N	I	L													

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

Turn Over	<table border="1"><tr><td>2</td><td>2</td><td>6</td><td>2</td><td>8</td></tr></table>	2	2	6	2	8	Total Expenditure	<table border="1"><tr><td>3</td><td>7</td><td>0</td><td>6</td><td>9</td></tr></table>	3	7	0	6	9
2	2	6	2	8									
3	7	0	6	9									
Loss Before Tax	<table border="1"><tr><td>1</td><td>4</td><td>4</td><td>4</td><td>1</td></tr></table>	1	4	4	4	1	Loss After Tax	<table border="1"><tr><td>2</td><td>3</td><td>1</td><td>1</td><td>4</td></tr></table>	2	3	1	1	4
1	4	4	4	1									
2	3	1	1	4									
Earning Per Share	<table border="1"><tr><td>-</td><td>1</td><td>.</td><td>3</td><td>6</td></tr></table>	-	1	.	3	6	Dividend Rate (Weighted Average)	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L		
-	1	.	3	6									
N	I	L											

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

Item Code No.

8	5	2	4	2	3	0	9
---	---	---	---	---	---	---	---

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

20th Annual General Meeting, On Friday 30th September 2011 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 20th Annual General Meeting of the company at State Gallery of Fine Arts, Road No.1, Kavuri Hills, Madhapur, Hyderabad-500 033

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 20th Annual General Meeting of the company to be held on the 30th September 2011 and at 9:30 am any adjournment thereof.

As witness my/our hand(s) this day of 2011

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

Affix
One Rupee
Revenue
Stamp

Padmakya

TELEFILIMS LIMITED

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