DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
644, Aurora colony, Road No.3, Banjara Hills, Hyderabad - 5000 034. INDIA
Tel: +91-40-23553726 & 27 Fax:+91-40-23552594
CIN: L92113TG2007PLC053585

October 13, 2017

To,

The Manager (Listing) Department of Corporate Services **BSE Limited** P J Towers, Dalal Street, Mumbai — 400 001. **Company Code: 533176 (BSE)**	The Manager (Listing), **National Stock Exchange of India Limited,** "Exchange Plaza" Bandra - Kurla Complex Mumbai- 400 051. **Company Code: DQE (NSE)**

Dear Sir/Madam,

Sub: Annual report for the year 2016-17

Pursuant to Reg. 34 of SEBI (Listing Obligations and Disclosure Requirements Regulations) 2015, we enclose herewith Annual report for the year 2016-2017 duly approved and adopted by the members in the 10th Annual General Meeting (AGM) held on Thursday, September 28, 2017 at 2.30 p.m. IST at Hotel 'The Plaza', 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016.

This is for your information and records, please.

Thanking you,

Yours faithfully,
For **DQ Entertainment (International) Limited**

DQ Entertainment (International) Limited ★ Hyderabad

Annie Jodhani
Company Secretary

Encl: as above

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Annual Report – 2017

DQE IP'S

ON THE MOVE

CONTENTS

COMPANY INFORMATION

DIRECTORS

Tapaas Chakravarti
Chairman, Managing Director and Chief Executive Officer

Rashida Adenwala
Professional and Non – Independent Director

S. Sundar
Non – Executive and Independent Director

B. N. Sirish
Non – Executive and Independent Director

Auknoor Goutam
Non – Executive and Independent Director

REGISTERED OFFICE

644, Aurora Colony, Road No. 3,
Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27
Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

STATUTORY AUDITORS

M/s MZSK & Associates,
Chartered Accountants
Suite 211, Block II, White House,
Begumpet, Hyderabad – 500 016.

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd.
Karvy Selenium Tower B, Plot No 31 & 32,
Gachibowli, Financial District, Nanakramguda,
Serilingampally Hyderabad - 500 032.
Telephone: +91 40 6716 2222
Facsimile: +91 40 2300 1153
Email: einward.ris@karvy.com
Website: www.karvycomputershare.com

COMPANY SECRETARY

Annie Jodhani
644, Aurora Colony,
Road No.3, Banjara Hills,
Hyderabad – 500 034.

BOARD OF DIRECTORS

TAPAAS CHAKRAVARTI
CMD & CEO

Tapaas Chakravarti has nearly three decades of experience in overall management of Corporate Affairs. He is the founder promoter of the Company. Tapaas began his career with Sandoz India Limited (now Novartis, a Swiss Multinational) and later joined STP Limited, an infrastructure company. Tapaas has held senior positions in Sales and Projects at Coats of India, (a British multinational). He was Head of Special Projects for Sriram Group where he developed countrywide contract manufacturing activities. Tapaas is a science graduate with Post Graduate Qualification in Business Management.

He has Executive Produced from creativity to final delivery marquee brands such as The Jungle Book franchise, The New adventures of Peter Pan franchise, 5 Children & IT franchise, Robin Hood – Mischief in Sherwood, Lassie and Friends, Pinky and Perky, Twisted Whiskers, Iron Man, animated Charlie Chaplin, Little Prince and many more titles. He was able to develop strong working relationship with Disney group USA and most of the Disney channels world-wide which resulted into production of 5 long seasons of Mickey Mouse Clubhouse, 1 season of Sheriff Callie Wild West, 3 seasons of Miles from Tomorrow Land, 1 season of Puppy Dog Tales while Mickey Mouse Roadster Racers is still in production. Today, DQE's relationship with the major broadcasters like TF-1 and Canal Plus, France; ZDF, WDR, Super RTL, Germany; DeA Kids Group and RAI TV Italy and large number of broadcasters globally including Nickelodeon and Cartoon Network has resulted into steady flow of business for DQE's own Intellectual Properties (IP) and co-production IPs placement.

He brought numerous awards to the group - Red Herring Asia top 500 and Asia top 100 companies, Ernst & Young Entrepreneur of the Year 2009, Entrepreneur of the Year 2005 from Hyderabad Chapter of Indian Management Association, his productions have 16 EMMY nominations and then finally he lifted EMMY award in 2007 for Tutenstein. DQ Entertainment was adjudged "International studio of the year" in 2012 in Cartoons on the Bay, Italy. Recently awarded the Lifetime Achievement –Hall of fame award, Los Angeles for his contribution to the growth of the animation industry in India and his global outreach efforts in animation.

He is an active member of YPO (Young Presidents Organization), Hyderabad chapter. He is also an active member of Figli Del Mondo, Italy a known charitable organization for a global initiative towards rehabilitation of orphans. Also a member of AGAPE to house and educate and treat AID effected small children for last 10 years.

RASHIDA ADENWALA
Professional
Non-Independent Director

Rashida Adenwala has distinguished exposure and over two decades of experience in legal, corporate affairs, primary & secondary markets, private equity deals, corporate governance, finance & internal audit. She has been associated with DQ Entertainment since its foundation. She is founder partner of R & A Associates, a Practicing Company Secretaries firm established in 1996.

She is a certified trainer on Corporate Governance from the Global Corporate Governance Forum, an initiative of the International Financial Corporation. She has been conferred with Honorary 'IPA Proficiency Award" in the year 2014.

CA S.SUNDAR SRINIVASA RAGHAVAN
Non-Executive
Independent Director

CA S.Sundar Srinivasa Raghavan is the founder-partner of the Chartered Accountant firm S Sonny Associates based in Chennai, started in 1986. A Fellow Chartered Accountant, Sundar has over twenty years of post-qualification professional practice experience to his credit.

His key focus area is Statutory Audit and Internal Audit of Government Organizations,Public Sector Undertakings, Private Limited Companies apart from Public Sector and Private Sector Banks. He also has extensive exposure to Systems Audit, Credit Audit, Computer-to-Computer Link and Internet Based transaction Facility Audit. His firm is empanelled with Comptroller & Auditor General of India and RBI, among others. His firm is one of the Central Statutory Auditors of Syndicate Bank.

He was Chairman of Audit Committee of Chennai Central Co-Operative Bank Ltd., Tiruvannamalai District Central Co-operative Bank Ltd., Vellore District Central Co-operative Bank Ltd., and Kancheepuram District Central Co-operative Bank Ltd.

CA B.N. SIRISH
Non-Executive
Independent Director

CA B. N. Sirish is the founder partner of the Chartered Accountant firm M/s. Sirish & Co based in Hyderabad, started in 1989. He has experience of more than 25 years in the profession of Chartered Accountancy. His key focus areas are Statutory audits, Internal audits, Bank Branch Audits, Direct Taxes including international taxation, Indirect Taxes, NRI taxation, Foreign Collaborations Appeals, Management Advisory Services, Start-up Mentoring, Tax retainer and assignments for Public Sector Undertakings.

He has pursued Diploma course in Information Systems Audit-ISA and a Certificate course in International Taxation from the Institute of Chartered Accountants of India. He is a member of A.P. Tax Bar Association and International Fiscal Association.

AUKNOOR GOUTAM
Non-Executive
Independent Director

Auknoor Goutam has over 24 years of experience in Corporate - Leadership, Project Management, Human Resources Management, Administration, Operations, Finance, Technology adaptation, Strategy, Planning and alignment.

He has pursued executive education from Harvard Business School, Stanford Business School, India Institute of Management, Indian School of Business and Woxsen Business School, Corporate Directorship Certification from World Council for Corporate Governance, United Kingdom, Masters in Life sciences, MBA in Finance, Bachelors in Law, PG Diploma in Television production and Diploma in professional Photography.

He was awarded Professor Emeritus and Honorary Doctorate in Digital Film Technology from International University, Missouri, USA.

He has nearly three decades of experience in starting up to standing out technology adaptation and implementation, in education domain in India and USA. He has pioneered e-learning technology for Medical Education Content in India with a blend of 2D and 3D Animations.

DIRECTORS' REPORT

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Tenth Annual Report on the business and operations of DQ Entertainment (International) Limited ("the Company" or DQE India) together with the Audited Statement of Accounts for the financial year ended March 31, 2017.

I. FINANCIAL RESULTS

During the year under review, performance of your company was as under : INR in Mn

Particulars	Standalone		Consolidated	
	For the year ended 31-Mar-17	For the year ended 31-Mar-16	For the year ended 31-Mar-17	For the year ended 31-Mar-16
Income from Production	812	1,645	723	1,643
Income from Distribution	48	65	217	461
Other Income	88	196	85	533
Total Income	**948**	**1,906**	**1,025**	**2,637**
Total Expenditure	3,424	1,583	5,142	2,256
Profit before tax	**(2,476)**	**323**	**(4,117)**	**381**
Tax Expense (Current Tax+ Deferred Tax [Net of MAT credit entitlement])	(612)	82	(612)	82
Profit after tax	**(1,864)**	**241**	**(3,505)**	**299**
EBIDTA	**(1,967)**	**834**	**(2,660)**	**1,425**

*Standalone: Profit before tax and Profit after tax includes the exceptional item by way of notional foreign exchange of approximately INR (105.75) Mn for the period ended 31st March 2017 (2016: INR 169Mn). Also includes Provision for Bad & Doubtful debts and write off of Bad debts worth of Rs 1996.21 Mn (2016: Rs 103.76 Mn).

*Consolidated: Profit before tax and Profit after tax includes the exceptional item by way of notional foreign exchange of approximately INR (363.07) Mn for the period ended 31st March 2017 (2016: INR 312 Mn) Also includes Provision for Bad & Doubtful debts and write off of Bad debts worth of Rs 2524.58 Mn (2016: Rs 373.01 Mn).

After adjustment of the notional loss and gain as well as the bad debts write off / provision, the profit before tax and profit after tax is as under for the consolidated financials:

INR in Mn

	31 March 2017	31 March 2016
Adjusted Profit / (Loss) before tax	(1,229)	443
Adjusted Profit / (Loss) after Tax	(617)	361
Cash & Cash Equivalent	213	204

2. PERFORMANCE AND OPERATIONS

Your Company has been adversely impacted on account of the last worldwide recession cycle which extended over 4 years from 2012 onwards. Due to slow down in the economy some of our large customers did not commence any new productions as a result we had to source work from smaller production studios in order to ensure capacity utilization of our large manpower. Unfortunately due to the extended recessionary period these smaller production houses were unable to distribute their content and they were faced with financial crisis and hence were not able to pay our dues. This resulted in steep increase in our debtors and we too suffered severe financial crisis. In fact, a number of companies in our domain, globally, had to close down their operations. Your Company could sustain itself because of its foresightedness to get into own content development which helped us through these very stressful times.

Good times are back now with the Company slowly and steadily getting good service as well as co-production projects from Disney and other large production houses across the globe.

Your Company's own IP's namely; 5 & it being co-produced with Disney Germany, Jungle Book Season 3 with Ellipsanime, France and ZDF Germany, Robin Hood Season 2 and Peter Pan Feature Film are in full scale production.

Provisioning and write-off of debts

One of the significant reasons for the losses during the year is that the company made a provision of Rs. 1,978.96 Mn for doubtful debts and written off bad debts worth Rs.17.25 Mn. This huge amount is basically due to orders taken from small to mid-size clients who could not sustain themselves during the world-wide recession. Due to delay in payments from these parties, the Company stopped business with these parties from the beginning of the FY 2016-17 and subsequently these parties had completely stopped paying their outstanding amount. The Company had sent many notices followed by legal notices to these parties but there remains uncertainty over receipt of this amount.

As per Ind AS 18 and IFRS, if any uncertainty arises on the collectability of an amount already recorded as revenue, it needs to be recognized as an expense. Moreover, the net worth of the Company continues to remain positive even after the provision of the Debtors. The Board of Directors deliberated at length on all the pro and cons of the provision for Bad and Doubtful debts, examined in detail all the steps taken by the Company to recover the monies and also had detailed discussions with the auditors. After considering all the factors they approved the provisioning for doubtful debts.

As per RBI guidelines, self-write off is permissible only up to 5% of total export proceeds realized during the previous calendar year, 10% with Authorized Dealer's approval and beyond that with RBI's approval. Since the amount provided as provision and written off exceeds 10%, approval to RBI has to be made. Write-off could be made only after RBI approves the same. The management has filed application with the Reserve Bank of India for permission to write-off the bad debts.

BUSINESS REVIEW:

Our focus on improving operational efficiencies and the consolidation of artistic and technical skill sets continues, with productivity improvements being recognized across all processes of production.

Operating Highlights for the FY 2016-17

ANIMATION:

- Third season of our flagship property, The Jungle Book is in production as a result of the demand from the broadcasters after a successful run of season 1 & 2.
- DQE's new IP, 5 & IT (52x11') TV series supported by Disney, Germany and Disney, France and co- produced by Method Animation France, is in production.
- DQE's own IP, Peter Pan Digital movie of 90 mins is nearing completion and is expected to be launched in first quarter of 2018.
- Second Season of Robin Hood is being co-produced with Method Animation, France, as Robin Hood season 1, saw great success in the market in more than 130 countries.
- Disney projects under production are: Miles from tomorrow land - season II & III, Puppy Dog Tales and Mickey Mouse and the Roadster Racers(MRR). The Second season of MRR and Puppy Dog Tails has also been approved and will go into production shortly. Couple of new projects from Disney is in the development stage and are expected to go into production soon.
- The Company has recently executed the contracts for the co-production with Method Animation and Zagtoons for Miraculous Lady Bug –III which has already commenced production and Power Players which will soon go into production. 7D & Me Season 1 – produced by Method Animation and supported by DQE, ZDF, RAI and France TV a hybrid show combining high quality CGI with live action footage has just got completed and the Second season of 7D & Me is going into production soon.

- Other projects in production are : Super 4 - based on Playmobil Toy with Method Animation, France, Zak Storm- TV series produced by Zag Toons in co-production with Method Animation & DQE, Pio the Chick TV series, an adaptation from Pulcino Pio (the hugely successful online musical sensation) with Rai Commercial, Italy in partnership with DQE, Italian producer Gruppo Alcuni and Planeta Jr, Spain. Ghost Force and Pixie Girl are the two major projects which will go into production soon.

DISTRIBUTION:

DQE's Distribution and Licensing division has been quite actively working towards the distribution of our new and existing IP's.

- 5&IT : Disney Germany and Disney France are on board as broadcast partners for the TV series while a major discussion is on-going with Disney EMEA, Disney ASIA and LAT AM for around 118 countries. Also there are huge merchandising opportunities once the world wide broadcasting deals are executed.

- Jungle book season 3 is widely being distributed around the world and is already committed by broadcasters who acquired the season 1 and 2 from us for more than 150 countries. ZDF Germany and Canal + France are the co-producing broadcasters.

- Robin Hood season 1, saw great success in the market in more than 130 countries and has great ratings everywhere. The second season, which is currently in production,is being distributed at the moment and our team is very confident of closing many distribution deals soon. TF-1 France and ZDF Germany are the co-producers while the large number of broadcasters globally are committed to come on Board like season-1.

- On the licensing and merchandising front, efforts are on to penetrate the European and American markets including Latin America with wide range of product categories this year for Jungle book, Peterpan and Robin Hood.

3. DIVIDEND

Considering the current financial status of the Company, the Board has not recommended any dividend to the equity shareholders for the financial year 2016 -17.

4. SHARE CAPITAL

The authorized share capital of the Company as on 31st March, 2017 was Rs. 800,000,000/- divided into 80,000,000 equity shares of Rs.10/- each and paid-up capital was Rs. 792,830,000/- divided into 79,283,000 equity shares of Rs.10/- each.

The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015] is presented in a separate section forming part of the Annual Report.

6. CORPORATE GOVERNANCE

The report on Corporate Governance as stipulated under the SEBI (LODR) Regulations, 2015 forms an integral part of this Report. The requisite certificate from the Practicing Company Secretary of the Company confirming compliance with the conditions of corporate governance is attached to the report on Corporate Governance.

The declaration by CEO/CFO that the Board Members and Senior Management Personnel have complied with the Code of Conduct forms part of the Annual Report.

7. CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Companies Act, 2013 ("the Act") and Accounting Standard (AS) – 21 on Consolidated Financial Statements read with AS – 23 on Accounting for Investments in Associates and AS – 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statements are provided in the Annual Report.

8. DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 134(3) (C) OF THE COMPANIES ACT, 2013

Your Directors state that:

a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;

b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;

c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d) the Directors have prepared the annual accounts on a 'going concern' basis;

e) the Directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and are operating effectively; and

f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

9. TRANSACTIONS WITH RELATED PARTIES

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis and were in compliance with the applicable provisions of the Act and the Listing Regulations.

All Related Party Transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature. A statement of all Related Party Transactions is placed before the Audit Committee for its review on a quarterly basis, specifying the nature, value and terms and conditions of the transactions.

Information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in **Annexure I** in Form AOC-2 and the same forms part of this report.

10. EXTRACT OF ANNUAL RETURN

As provided under Section 92(3) of the Act, the extract of annual return is given in **Annexure II** in Form MGT-9, which forms part of this report.

11. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As part of the CSR activities, the Company intends to initiate projects aimed at promoting quality education and employability for vulnerable sections of society, either directly or through DQ Smile Foundation.

Due to financial liquidity issues faced by the Company, the Board was unable to spend any amount on CSR activities during the year.

However, the Company has taken sessions on 'Right Parenting Skills' and 'Balika Suraksha' in various schools in Hyderabad. DQ Smile foundation and Lions club together organized a Blood Donation Drive in January, 2017. Please refer HR section of the Annual report for more details on CSR activities.

The CSR annual report is attached separately and forms part of this report as **Annexure III**.

12. RISK MANAGEMENT

The Company is exposed to inherent uncertainties owing to the sectors in which it operates. The Company's Risk Management process focuses on ensuring that these risks are identified on a timely basis and addressed. The Company has developed and implemented a Risk Management policy, which includes:

- ensuring that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed;
- establishing a framework for the company's risk management process and to ensure the group wide implementation;
- ensuring systematic and uniform assessment of risks related with the intellectual property and production services rendered;
- enabling compliance with appropriate regulations, wherever applicable, through the adoption of best practices and
- assuring business growth with financial stability.

The Risk Management Policy was reviewed and approved by the Audit Committee. The Company manages, monitors and reports on the principal risks and uncertainties that can impact its ability to achieve its strategic objectives.

13. INTERNAL FINANCIAL CONTROLS

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. The details on the internal control system are more elaborately explained in the Management's Discussion and Analysis Report.

14. DIRECTORS & KEY MANAGERIAL PERSONNEL

a. Appointment

The Board at its meeting held on June 5, 2017 appointed Ms. Annie Jodhani as Company Secretary and Compliance Officer of the Company w.e.f. June 5, 2017.

b. Retirement by rotation

In accordance with the provisions of the Act and the Articles of Association of the Company, Ms. Rashida Adenwala, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered herself for re–appointment.

c. Resignation

Mr. Sachin Guha resigned as Company Secretary & Compliance Officer with effect from October 31, 2016. The Board places on record its gratitude for the services rendered by Mr. Sachin Guha during his association with the Company.

d. Board evaluation

Pursuant to the provisions of the Act, the SEBI (LODR) Regulations, 2015 and the policy adopted by the Company for performance evaluation, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees i.e., Audit, Nomination & Remuneration, Stakeholders' Relationship and Corporate Social Responsibility.

The performance of the Board and Committees was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board/committee composition and structure, effectiveness of Board/committee processes, information and functioning, etc.

The Board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

In a separate meeting of Independent Directors, performance of non-independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of executive Directors and non-executive Directors.

e. Board Diversity

The Company recognizes and embraces the importance of a diverse board in its success. We believe that a truly diverse board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will help us retain our competitive advantage. The Board has adopted the Board Diversity Policy which sets out the approach to diversity of the Board of Directors.

f. Policy on Directors' Appointment, Remuneration and Other Details

The Company's policy on Directors' appointment, remuneration and other matters as provided in Section 178(3) of the Act is given as **Annexure IV**, which forms part of this report.

g. Familiarization programme of Independent Directors

The details of programme for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, and related matters have been familiarized well with the Independent Directors during and after appointment.

Further, at the time of appointment of an independent Director, the Company issues a formal letter of appointment outlining his/her role, function, duties and responsibilities as a Director.

h. Declaration by Independent Directors

The Company has received necessary declaration from each independent Director under Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence laid down in Section 149(6) of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

15. MEETINGS OF THE BOARD

During the Financial Year 2016-17, six meetings of the Board of Directors of the Company were held during the year on April 26, 2016, May 30, 2016, August 12, 2016, November 14, 2016, February 9, 2017 and March 23, 2017. For further details, please refer report on Corporate Governance of this Annual Report.

16. AUDITORS AND AUDITORS' REPORT

a. Statutory Auditors
Your Company has at its Annual General Meeting held on September 30, 2014, appointed M/s. MZSK & Associates, Chartered Accountants, Hyderabad, as statutory auditors of the Company to hold office till the conclusion of the fourth consecutive Annual General Meeting of the Company subject to ratification of their appointment at every Annual General meeting as per the first proviso to Section 139 of the Companies Act, 2013. Accordingly, the appointment M/s. MZSK & Associates, Chartered Accountants, Hyderabad, as statutory auditors of the Company, is placed for ratification by the shareholders. In this regard, the Company has received a certificate from the auditors to the effect that if they are reappointed, it would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

The Auditors' Report does not contain any qualification, reservation or adverse remark. No frauds have been reported by the auditors in terms of Section 143(12) of the Act. The Statutory Auditors have laid out emphasis of matter in regard to the provisioning of doubtful debt.

The Auditors have mentioned in its report regarding the irregular deposit of statutory dues with the appropriate authorities. The Board explained that due to paucity of funds, dues could not be paid regularly and now all efforts are made to deposit the dues regularly on time with the appropriate authorities.

b. Secretarial Auditors
Mr. R. Ramakrishna Gupta of M/s. PI & Associates, Practicing Company Secretaries, New Delhi, was appointed by the Board to conduct the secretarial audit of the Company for the financial year 2016 – 17, as required under Section 204 of the Companies Act, 2013 and Rules thereunder. The secretarial audit report forms part of the Annual Report as **Annexure V** to the Board's report.

The following observations were given by the Secretarial auditor to which the Board has shared the following explanations:

a) There are certain instances of delays in circulating the minutes of the Board/Committees to the Directors/Members as required under Secretarial Standards 1 issued by Institute of Company Secretaries of India.

Explanation: The Company shall ensure that going forward the minutes shall be circulated within the timelines as required under Secretarial Standards 1.

b) There are instances of delays in submission of monthly/quarterly and annual performance reports with STPI and the Softex forms with the authorized dealer bank.

Explanation: The Company shall ensure that going forward the reports with STPI and Softex forms shall be submitted with the due date.

17. COMMITTEES

The Board has formed the following Committees:
(i) Audit Committee
(ii) Nomination and Remuneration Committee
(iii) Corporate Social Responsibility Committee
(iv) Stakeholders Relationship Committee

The details of the membership and attendance of the meetings of the above Committees of the Board are included in the Corporate Governance Report, which forms part of this report.

18. VIGIL MECHANISM

As part of our corporate governance practices, the Company has formulated a Whistle Blower Policy to provide Vigil Mechanism for employees including Directors of the Company to report genuine concerns. The provisions of this policy are in line with the provisions of the Section 177(9) of the Act and SEBI (LODR) Regulations, 2015.

19. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

20. DEPOSITS

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

21. PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

The particulars as prescribed under Sub–section (3)(m) of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014, are given hereunder:

(i) Energy Conservation: The operations of the Company involve low energy consumption. The Company has undertaken various energy efficient practices to conserve energy and strengthened the Company's commitment towards becoming an environment friendly organisation.

(ii) Technology Absorption: We have developed following in-house plug-ins to maximize technology absorption at minimal cost.

- The 3ottle: It is market competing software that is being developed for its CGI animation requirements such as hyper realistic lighting.

- Global Lighting Process (GLP): It automates the process of developing lighting asset to reduce rendering hours by 20%

- GATEWAY software: It is one of its kinds for complete automation of processes, live updates on productivity and status of project as well as server data management and facilitates backup. This robust and secured tool has helped to increase efficiency to a new level.

This automation process and software and hardware development will result in considerable savings of operational costs to company due to reduced human effort and time while not compromising on quality.

(iii) Research & Development: The Company constantly endeavors to be more efficient and effective in planning of production activities for achieving and maintaining the highest standards of quality.

(iv) Foreign Exchange Earnings and Outgo:

Amount in INR

Particulars	For the year ended 31March17	For the year ended 31March16
Earnings in Foreign Currency		
Income from production	806,901,075	1,627,126,687
Other income	4,365,839	5,056,040
Distribution Income	45,472,250	62,271,448
Expenditure in Foreign Exchange		
(Subject to deduction of tax where applicable)		
Overseas business travel	3,588,971	3,240,388
Production Expenses	9,525,250	14,818,925
Consultancy and other expenses	338,899	21,293,228
Financial Charges	-	-

Note: The above figures have been extracted from standalone financial statements, both for current and previous year.

22. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information required under Section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended is provided as **Annexure VI** to the Board's report.

The information required pursuant to Section 197(12) of the Act read with Rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended, in respect of the employees of the Company, will be provided upon request. In terms of Section 136 of the Act, the Report and Accounts are being sent to the members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the members at the Registered Office of the Company during business hours on working days of the Company upto the date of the ensuing Annual General Meeting. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary in this regard.

23. GOING CONCERN

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

24. INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2014

Your Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. During the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

25. DETAILS OF SUBSIDIARIES/JOINT VENTURES/ASSOCIATE COMPANIES

DQ Entertainment (Ireland) Limited is the wholly owned subsidiary of the Company in Ireland. Further, there has been no material change in the nature of the business of the subsidiary.

DQ Entertainment (International) Films Limited is a Joint Venture between DQ Entertainment (International) Limited and DQ Entertainment plc, which was formed for the production and distribution of the Jungle Book Feature Film. The sharing ratio of DQE Plc is 60% and DQE India is 40% in the JV. The objective to form the JV was to benefit from the synergies of both the companies and to ensure that the interests of all the stakeholders are aligned.

There are no associate companies of DQE India within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). Method Animation S.A.S. is an associate company of DQ Entertainment plc, the Ultimate Holding Company.

Further, the report on the performance and financial position of the subsidiary and Joint venture and salient features of the financial statements in the prescribed form AOC-1 is annexed as **Annexure VII** to the Boards report.

26. GREEN INITIATIVE

Electronic copies of the Annual Report 2016 –17 and Notice of the 10th Annual General Meeting are sent to all members whose email addresses are registered with the Company / Depository Participant(s). For members who have not registered their email addresses, physical copies of the Annual Report 2017 and the Notice of the 10th Annual General Meeting are sent in the permitted mode. Members requiring physical copies can send a request to the Company.

We encourage the other shareholders and request them to support us on this nationwide Green Initiative by registering/updating their email addresses with their Depository Participant(s) as required for receiving the notices and other documents via email.

The Company provides e–voting facility to all its members to enable them to cast their votes electronically on all resolutions set forth in the Notice. The instructions for e–voting are provided in the Notice.

27. ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation for the assistance and co–operation received from the banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by every member of the DQE family.

Hyderabad
August 11, 2017

For and on behalf of the Board
DQ Entertainment (International) Limited

Tapaas Chakravarti
CMD & CEO

FORM NO. AOC-2

Pursuant to Clause (h) of Sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1	**Details of contracts of arrangements or transactions not at arm's length basis:**									
Sr. No.	Name(s)of the related party	Nature of relationship	Nature of Transaction	Duration of the transactions	Salient features of the Transactions	Transactions value	Justification for transaction	Date(s) of approval by the Board	Amount paid as advances	Date of special resolution
1	NIL	NIL	NIL	NIL	NA	NIL	NIL	NIL	NIL	NIL

2	**Details of contracts of arrangements or transactions at arm's length basis:**							
Sr. No.	Name(s) of the related party	Nature of relationship	Duration of the transactions	Nature of Transaction	Transactions value	Amount paid as Advances	Date(s) of approval by the Board	Date of special resolution
1.	DQ Entertainment (Ireland) Limited	Wholly owned Subsidiary	April 2016 – March 2017	Pre- Production / Production Services	181,029,501	-	The related party transactions are in ordinary course of business and are at arm's length basis. These are reported to the Audit Committee at their quarterly meetings.	The material related party transactions were approved by the members through Postal Ballot process on 31st March 2015.
				Professional services	4,365,839	-		
				TOTAL	**185,395,340**	-		
2.	Method Animation S.A.S.	Associate Company	April 2016 – March 2017	Development, production and distribution of the animated series	193,967,199	-	The related party transactions are in ordinary course of business and are at arm's length basis. These are reported to the Audit Committee at their quarterly meetings.	The material related party transactions were approved by the members vide Postal Ballot on 31st March 2015 and the same was placed before shareholders for approval in the Annual General meeting held on September 30, 2016.

Hyderabad
August 11, 2017

For and on behalf of the Board

Tapadas Chakravarti
CMD & CEO

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN
As on 31.03.2017
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	**L92113TG2007PLC053585**
ii)	Registration Date	13/04/2007
iii)	Name of the Company	DQ Entertainment (International) Limited
iv)	Category / Sub-Category of the Company	Company Limited by shares / Indian Non-Government Company
v)	Address of the Registered Office and contact details	644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad-500 034, Telangana Tel No. +91-40-23553726 & 27 Fax: +91-40-23552594
vi)	Whether listed company Yes / No	Yes
vii)	Name, address and contact details of Registrar and Transfer Agent, if any	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, Telangana Tel No. +91-40-67161585

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Animation	5911	94.47%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No	Name & Address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares held	Applicable section
1.	DQ Entertainment (Mauritius) Limited	-	Holding	75	2(46)
2.	DQ Entertainment (Ireland) Limited	-	Subsidiary	100	2(87)
3.	DQ Entertainment USA LLC	-	Subsidiary	100	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

CATEGORY CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 01/04/2016				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2017				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	VIII)	(IX)	(X)	(XI)
(A)	**PROMOTER AND PROMOTER GROUP**									
(1)	INDIAN									
(a)	Individual /HUF	246	0	246	0.00	246	0	246	0.00	0.00
(b)	Central Government/ State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(1) :	**246**	**0**	**246**	**0.00**	**246**	**0**	**246**	**0.00**	**0.00**
(2)	FOREIGN									
(a)	Individuals (NRIs/Foreign Individuals)	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Bodies Corporate	59461972	0	59461972	75.00	59461972	0	59461972	75.00	0.00
(c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total A(2) :	**59461972**	**0**	**59461972**	**75.00**	**59461972**	**0**	**59461972**	**75.00**	**0.00**
	Total A=A(1)+A(2) :	**59462218**	**0**	**59462218**	**75.00**	**59462218**	**0**	**59462218**	**75.00**	**0.00**
(B)	**PUBLIC SHAREHOLDING**									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	714864	0	714864	0.90	633864	0	633864	0.80	0.10

(b)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Foreign Institutional Investors	27922	0	27922	0.04	25134	0	25134	0.03	0.00
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-Total B(1) :	**742786**	**0**	**742786**	**0.94**	**658998**	**0**	**658998**	**0.83**	**0.11**
(2)	NON-INSTITUTIONS									
(a)	Bodies Corporate	6747716	0	6747716	8.51	7532718	0	7532718	9.50	-0.99
(b)	Individuals									
	(i) Individuals holding nominal share capital upto Rs.1 lakh	6525566	3	6525569	8.23	6831248	3	6831251	8.62	-0.39
	(ii) Individuals holding nominal share capital in excess of Rs.1 lakh	5226162	0	5226162	6.59	4383546	0	4383546	5.53	1.06
(c)	Others									
	CLEARING MEMBERS	38104	0	38104	0.05	135197	0	135197	0.17	-0.12
	NON RESIDENT INDIANS	411821	0	411821	0.52	109116	0	109116	0.14	0.38
	FOREIGN COMPANIES	0	128624	128624	0.16	0	128624	128624	0.16	0.00
	NRI Non-Repatriation	0	0	0	0.00	40402	0	40402	0.05	-0.05
	Trusts	0	0	0	0.00	30	0	30	0.00	0.00
	Sub-Total B(2) :	18949369	128627	19077996	24.06	19032257	128627	19160884	24.17	-0.10
	Total B=B(1)+B(2) :	19692155	128627	19820782	25.00	19691255	128627	19819882	25.00	0.00
(d)	**Total (A+B) :**	79154373	128627	79283000	100.00	79154373	128627	79283000	100.00	0.00
	Shares held by custodians for ADRs & GDRs	0	0	0	0	0	0	0	0.00	0.00
	GRAND TOTAL (A+B+C):	79154373	128627	79283000	100.00	79154373	128627	79283000	100.00	-

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year 1/04/2016			Shareholding at the end of the year 31/03/2017			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	% change in share holding during the year
1	DQ Entertainment (Mauritius) Limited	59461972	75	75	59461972	75	75	0
2.	Tapaas Chakravarti	41	0	0	41	0	0	0
3	Rashmi Chakravarti	41	0	0	41	0	0	0
4.	Nivedita Chakravarti	41	0	0	41	0	0	0
5.	Sumedha Saraogi	41	0	0	41	0	0	0
6.	A Ramakrishna	41	0	0	41	0	0	0
7.	N Laxminarayana	41	0	0	41	0	0	0
	Total	**59462218**	**75**	**75**	**59462218**	**75**	**75**	**0**

(iii) Change in Promoters' Shareholding (please specify, if there is no change): No change in Promoter Shareholding

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl no.	For Each of the top 10 shareholders	Shareholding at the beginning of the year 01/04/2016		Cumulative shareholding during the year 31/03/2017	
		No of shares	% of total shares of the company	No.of shares	% of total shares of the Company
1.	Uno Metals Ltd				
	At the beginning of the year	2240000	2.83	2240000	2.83
	Purchase on 29.04.2016	1510000	1.90	3750000	4.73
	Purchase on 28.10.2016	1000	0.00	3751000	4.73
	Purchase on 18.11.2016	2000	0.00	3753000	4.73
	Purchase on 25.11.2016	40000	0.05	3793000	4.78
	At the End of the year			3793000	4.78
2.	AKG Finvest Ltd				
	At the beginning of the year	1720000	2.17	1720000	2.17
	Sale on 29.04.2016	1720000	2.17	0	0.00
	Purchase on 21.10.2016	1036020	1.31	1036020	1.31
	Purchase on 28.10.2016	876980	1.11	1913000	2.41
	Purchase on 11.11.2016	30000	0.04	1943000	2.45
	Purchase on 18.11.2016	7000	0.01	1950000	2.46
	At the End of the year			1950000	2.46
3.	Birla Sun Life Trustee Company Private Limited				
	At the beginning of the year	714864	0.90	714864	0.90
	Sale on 21.10.2016	81000	0.10	633864	0.80
	At the End of the year			633864	0.80
4.	Anil Bansilal Lodha				
	At the beginning of the year	327183	0.41	327183	0.41
	Purchase on 27.05.2016	55700	0.07	382883	0.48
	Purchase on 03.06.2016	49000	0.06	431883	0.54
	Purchase on 10.06.2016	29850	0.40	461733	0.58
	Purchase on 17.06.2016	33325	0.04	495058	0.62
	Purchase on 18.11.2016	5000	0.01	500058	0.63
	At the End of the year			500058	0.63

5.	ABL Infrastructure Private Limited				
	At the beginning of the year	190910	0.24	190910	0.24
	Purchase on 27.05.2016	15744	0.02	206654	0.26
	Purchase on 18.11.2016	5000	0.01	211654	0.27
	Purchase on 16.12.2016	200	0.00	211854	0.27
	Purchase on 06.01.2017	2050	0.00	213904	0.27
	Purchase on 13.01.2017	9200	0.01	223104	0.28
	Purchase on 20.01.2017	3200	0.00	226304	0.29
	At the End of the year			227029	0.29
6.	Meghna Manish Shah				
	At the beginning of the year	160026	0.20	160026	0.20
	At the End of the year			160026	0.20
7.	Jamson Securities Pvt Ltd				
	At the beginning of the year	155000	0.20	155000	0.20
	At the End of the year			155000	0.20
8.	Antara Puri				
	At the beginning of the year	122000	0.15	122000	0.15
	Purchase on 29.07.16	28000	0.04	150000	0.19
	At the End of the year			150000	0.19
9.	Jayeshkumar R Patel				
	At the beginning of the year	0	0.00	0	0.00
	Purchase on 04.11.2016	37049	0.05	37049	0.05
	Purchase on 11.11.2016	7925	0.01	44974	0.06
	Purchase on 18.11.2016	79026	0.10	124000	0.16
	Purchase on 25.11.2016	133	0.00	124133	0.16
	Sale on 16.12.2016	13000	0.02	111133	0.14
	Sale on 31.03.2017	1000	0.00	110133	0.14
	At the End of the year			110200	0.14
10.	Bonanza Portfolio Ltd				
	At the beginning of the year	78331	0.10	78331	0.10
	Sale on 01.04.2016	1565	0.00	76766	0.10
	Sale on 08.04.2016	2238	0.00	74528	0.09
	Purchase on 15.04.2016	1723	0.00	76251	0.10

	Purchase on 22.04.2016	1150	0.00	77401	0.10
	Sale on 29.04.2016	775	0.00	76626	0.10
	Purchase on 06.05.2016	4315	0.01	80941	0.10
	Sale on 13.05.2016	897	0.00	80044	0.10
	Purchase on 20.05.2016	12899	0.02	92943	0.12
	Sale on 27.05.2016	15050	0.02	77893	0.10
	Purchase on 03.06.2016	600	0.00	78493	0.10
	Purchase on 10.06.2016	6030	0.01	84523	0.11
	Sale on 17.06.2016	2654	0.00	81869	0.10
	Purchase on 24.06.2016	19000	0.02	100869	0.13
	Sale on 30.06.2016	989	0.00	99880	0.13
	Sale on 01.07.2016	10916	0.01	88964	0.11
	Sale on 08.07.2016	6436	0.01	82528	0.10
	Purchase on 15.07.2016	13632	0.02	96160	0.12
	Sale on 22.07.2016	19931	0.03	76229	0.10
	Sale on 29.07.2016	2800	0.00	73429	0.09
	Purchase on 05.08.2016	849	0.00	74278	0.09
	Purchase on 12.08.2016	800	0.00	75078	0.09
	Sale on 19.08.2016	4101	0.01	70977	0.09
	Purchase on 26.08.2016	1601	0.00	72578	0.09
	Purchase on 02.09.2016	400	0.00	72978	0.09
	Sale on 09.09.2016	415	0.00	72563	0.09
	Sale on 16.09.2016	150	0.00	72413	0.09
	Purchase on 23.09.2016	5475	0.01	77888	0.10
	Sale on 30.09.2016	4515	0.01	73373	0.09
	Purchase on 07.10.2016	2019	0.00	75392	0.10
	Sale on 14.10.2016	2325	0.00	73067	0.09
	Purchase on 21.10.2016	5941	0.01	79008	0.10
	Purchase on 28.10.2016	22678	0.03	101686	0.13
	Sale on 04.11.2016	5900	0.01	95786	0.12
	Sale on 11.11.2016	402	0.00	95384	0.12
	Purchase on 18.11.2016	2732	0.00	98116	0.12
	Purchase on 25.11.2016	300	0.00	98416	0.12
	Purchase on 16.12.2016	6310	0.01	104726	0.13

	Purchase on 23.12.2016	1896	0.00	106622	0.13
	Sale on 30.12.2016	1817	0.00	104805	0.13
	Sale on 06.01.2017	448	0.00	104357	0.13
	Purchase on 13.01.2017	2800	0.00	107157	0.14
	Sale on 20.01.2017	2596	0.00	104561	0.13
	Purchase on 27.01.2017	1000	0.00	105561	0.13
	Purchase on 03.02.2017	6650	0.01	112211	0.14
	Sale on 10.02.2017	2519	0.00	109692	0.14
	Purchase on 17.02.2017	16000	0.02	125692	0.16
	Purchase on 24.02.2017	900	0.00	126592	0.16
	Sale on 03.03.2017	100	0.00	126492	0.16
	Purchase on 10.03.2017	900	0.00	127392	0.16
	Sale on 17.03.2017	7600	0.01	119792	0.15
	Sale on 24.03.2017	4618	0.01	115174	0.15
	Sale on 31.03.2017	1650	0.00	113524	0.14
	At the End of the year			109542	0.14

(v) Shareholding of Directors and Key Managerial Personnel:

Sl no.	For Each of the Directors & KMP	Shareholding at the beginning of the year 01/04/2016		Shareholding at the end of the year 31/03/2017	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1.	Mr.Tapaas Chakravarti, CMD & CEO				
	At the beginning of the year	41	0	41	0
	At the End of the year			41	0
2.	Mr. Sanjay Choudhary, CFO				
	At the beginning of the year	1	0	1	0
	At the End of the year			1	0

No other Director/KMP holds any shares in the Company

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

INR in Lakhs

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	 7,136.98 0 82.38	 230.04 0 0	 0 0 0	 7,367.02 0 82.38
Total (i+ii+iii)	**7219.36**	**230.04**	**0**	**7,449.40**
Change in Indebtedness during the financial year • Addition • Reduction	 4927.63 203.41	 472.74 0	 0 0	 5400.37 203.41
Net Change	4724.22	472.74	0	5196.96
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	 11476.70 0 466.88	 702.78 0 0	 0 0 0	 12179.48 0 466.88
Total (i+ii+iii)	**11943.58**	**702.78**	0	**12646.36**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Amount in INR

Sl. No.	Particulars of Remuneration	Name of MD/ WTD/Manager
		Mr. Tapaas Chakravarti (CMD &CEO)
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	 9,586,663 1,008,000 -
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission - as % of profit - others, specify.	-
5.	Others, please specify	-
	Total (A)	**10,594,663**
	Ceiling as per the Act	11,526,926

B. Remuneration to other directors:

Amount in INR

Sl.	Particulars of Remuneration	Name of Directors			Total Amount
		Fee for attending board/ committee meetings	Commission	Professional fee	
1.	**Independent Directors**				
	Mr. S. Sundar	390,000	-	-	390,000
	Mr. B.N.Sirish	305,000	-	-	305,000
	Mr. Auknoor Goutam	270,000	-	-	270,000
	Total (1)	**965,000**	**-**	**-**	**965,000**
2.	**Professional Non-Independent Director**				
	Ms. Rashida Adenwala	-	-	1,20,000	1,20,000
	Total (2)	**-**	**-**	**1,20,000**	**1,20,000**
	Total (B)=(1+2)	**965,000**	**-**	**1,20,000**	**1,085,000**
	Total Managerial Remuneration	**965,000**	**-**	**1,20,000**	**1,085,000**
	Overall Ceiling as per the Act	-	-	-	NA

C. Remuneration to key managerial personnel other than MD/Manager/WTD

Amount in INR

Sl. no.	Particulars of	Company Secretary*	CFO	TOTAL
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	633,832	5,244,600	5,878,432
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	-	39,600	39,600
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total	**633,832**	**5,284,200**	**5,918,032**

**Resigned w.e.f. October 31, 2016*

VII. PENALTIES /PUNISHMENT/COMPOUNDING OF OFFENCES:

There are no penalties/punishment/compounding of offences against the Company and its Directors and Officers for the year ended on 31st March, 2017.

Tapaas Chakravarti
CMD & CEO

Hyderabad
August 11, 2017

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

As prescribed under Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014

1. A brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programmes:

As per the CSR Policy of the Company, currently the CSR focus area for DQE is - promotion within the broad theme, specific areas such as school education, work shop on parenting skill, women empowerment, free medical camps, support to old aged homes and orphanage.

2. The Composition of the CSR Committee during the year:

(i) Mr. Auknoor Goutam – Chairman*
(ii) Mr. Tapaas Chakravarti - Member
(iii) Ms. Rashida Adenwala – Member

*Mr. Auknoor Goutam was appointment as member of the CSR Committee in place of Mr. S Sundar in the Board meeting held on 23rd March, 2017.

3. Average net profit of the Company for last three financial years (2013-2014 to 2015-2016): Rs. 352,065,807/-

4. Prescribed CSR expenditure (two per cent of the amount as in item 3 above): Rs. 7,041,316/-

5. Details of CSR spend during the financial year:

(a) Total amount to be spent for the financial year: Rs. 7,041,316/-
(b) Amount unspent, if any: Refer Note 6
(c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No.	CSR Projects or Activities identified	Sector in which the Project is covered	Projects or programs (1) Local Area or other (2) Specify the state or district where projects or programs were undertaken	Amount outlay (Budget) projects or program wise	Amount spent on the projects of programs Direct expenditure / Overheads on programs or projects	Cumulative Expenditure upto the reporting period	Amount spent Directly or through Implementing agency
				(Rs.)	(Rs.)	(Rs.)	(Rs.)
	-	-	-	-	-	-	-

6. In case the Company has failed to spend two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report:

As part of the CSR activities, the Company intends to initiate projects aimed at promoting quality education and employability for vulnerable sections of society, either directly or through DQ Smile Foundation. Due to financial liquidity issues faced by the Company, the Board was unable to spend any amount on CSR activities during the year.

However, the Company has taken sessions on 'Right Parenting Skills' and 'Balika Suraksha' in various schools in Hyderabad. DQ Smile foundation and Lions club together organized a Blood Donation Drive in January, 2017. Please refer HR section of the Annual report for more details on CSR activities.

7. The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR Policy, would be in compliance with CSR objectives and Policy of the Company.

Hyderabad	**Tapaas Chakravarti**	**S. Sundar**
August 11, 2017	CMD & CEO	Chairman – CSR Committee

NOMINATION & REMUNERATION POLICY

1. OBJECTIVE AND PURPOSE OF THE POLICY:

• To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.

• To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the entertainment industry.

• To carry out evaluation of the performance of directors, as well as Key Managerial and Senior Management Personnel.

• To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.

• To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage

2. DEFINITIONS:

• **Board** means Board of directors of the Company.

• **Directors** means directors of the Company.

• **Committee** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

• **Company** means DQ Entertainment (International) Limited.

• **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013.

• **Key Managerial Personnel (KMP)** means-
(i) Executive Chairman and / or Managing director;
(ii) Whole-time director;
(iii) Chief Financial Officer;
(iv) Company Secretary;
(v) Such other officer as may be prescribed under the applicable statutory provisions / regulations.

• **Senior Management** means personnel of the Company occupying the position of Chief Operating Officer (COO) or Vice President including Vice President of any division of the Company. Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

3. APPLICABILITY

The Policy is applicable to
• Directors (Executive and Non- Executive)
• Key Managerial Personnel
• Senior Management Personnel

4. SCOPE OF THE COMMITTEE

The Committee shall:

• Formulate the criteria for determining qualifications, positive attributes and independence of a director.

• Identify persons who are qualified to become director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

• Recommend to the Board, appointment and removal of director, KMP and Senior Management Personnel.

5. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

• Appointment criteria and qualifications:

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director, KMP or at Senior Management level and recommend to the Board his / her appointment.

2. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

3. The Company shall not appoint or continue the employment of any person as Whole-time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

• Term / Tenure:

1. Managing director/Whole-time director:

- The Company shall appoint or re-appoint any person as its Executive Chairman, Managing director or Executive director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. Independent director:

- An Independent director shall hold office for a term up to a maximum of five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

- No Independent director shall hold office for more than two consecutive terms, but such Independent director shall be eligible for appointment after expiry of three years of ceasing to become an Independent director. Provided that an Independent director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent director for 5 years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he / she shall be eligible for appointment for one more term of 5 years only.

- At the time of appointment of Independent director it should be ensured that number of Boards on which such Independent director serves is restricted to seven listed companies as an Independent director and three listed companies as an Independent director in case such person is serving as a Whole-time director of a listed company.

• Evaluation:

The Committee shall carry out evaluation of performance of every director, KMP and Senior Management Personnel at regular intervals (yearly).

• Removal:

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

• Retirement:

The director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

6. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

• General:

1. The remuneration / compensation / commission etc. to the Whole-time director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

2. The remuneration and commission to be paid to the Whole-time director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013, and the rules made thereunder.

3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time director.

4. Where any insurance is taken by the Company on behalf of its Whole-time director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

• Remuneration to Whole-time / Executive / Managing director, KMP and Senior Management Personnel:

1. Fixed pay:

The Whole-time director / KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to Provident Fund, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

2. Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

3. Provisions for excess remuneration:

If any Whole-time director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

• Remuneration to Non- Executive / Independent director:

1. Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made thereunder.

2. Sitting Fees:

The Non- Executive / Independent director may receive remuneration by way of fees for attending meetings of Board or Audit Committee thereof. Provided that the amount of such fees shall not exceed Rs. One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

3. Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

4. Stock Options:

An Independent director shall not be entitled to any stock option of the Company.

FORM NO. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
DQ Entertainment (International) Limited
644, Aurora Colony,
Road No. 3, Banjara Hills,
Hyderabad, Telangana – 500034,

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **DQ ENTERTAINMENT (INTERNATIONAL) LIMITED** (hereinafter called "the company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2017 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;
(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder.
(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment. However there were no instances of External Commercial Borrowings.

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): —

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during the Audit period)**

(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October 2014; **(Not applicable to the Company during the Audit Period)**

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the Audit Period);**

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the Audit Period);** and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not applicable to the Company during the Audit Period).**

(vi) Relying on the representations given by the Company and its officers with regard to other laws specifically applicable to the Company and its compliance and the limited review done by us, we opine that the Company has complied with the following laws;

- Software Technology Parks Scheme;
- Special Economic Zones Act, 2005;
- The Special Economic Zone Rules, 2006;
- Copyright Act, 1957;
- Trademarks Act, 1999;
- Information Technology Act, 2000;

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India
(ii) The Securities and Exchange board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to following observations.

1. There are certain instances of delays in circulating the minutes of the Board / Committees to the Directors/ Members as required under Secretarial Standards 1 issued by Institute of Company Secretaries of India.

2. There are instances of delays in submission of monthly/ quarterly and annual performance reports with STPI and the Softex forms with the authorised dealer bank.

We further report that;
The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice of at least seven days is given to all directors to schedule the Board Meetings, the agenda and detailed notes on agenda were generally sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period no specific events/actions took place having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

For and Behalf of
PI & Associates

R. Ramakrishna Gupta
Partner
FCS No.: 5523
C P No.: 6696
Office No. T 202, Technopolis,
1-10-74/B, Above Ratnadeep Super Market,
Chikoti Gardens, Begumpet, Hyderabad - 500 016.

Date: 11th August, 2017
Place: Hyderabad

This report is to be read with our letter of even date, which is annexed as "Annexure – A" and forms an integral part of this report.

To,
The Members,
DQ Entertainment (International) Limited,
644, Aurora Colony, Road No. 3,
Banjara Hills, Hyderabad,
Telangana – 500 034.

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of **DQ Entertainment (International) Limited** (“the Company”). Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

7. We have relied up on the information provided by the Management with respect to related party transactions for its compliance.

8. Mr. S. Sundar, Chairman of the Audit Committee could not attend the Ninth Annual General Meeting due to unforeseen emergency. Mr. B. N Suresh, Chartered Accountant and Member of the Audit Committee was represented as the chairman of the Audit Committee on his behalf.

For and Behalf of
PI & Associates

R. Ramakrishna Gupta
Partner
FCS No.: 5523
C P No.: 6696
Office No. T 202, Technopolis,
1-10-74/B, Above Ratnadeep Super Market,
Chikoti Gardens, Begumpet, Hyderabad - 500 016.

Date: 11th August, 2017
Place: Hyderabad

Information required under Section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended

a. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

Non - Executive Directors	Ratio to median remuneration
Mr. S. Sundar	-
Mr. B.N.Sirish	-
Mr. Auknoor Goutam	-
Professional Director	
Ms. Rashida Adenwala	3.48
Executive Director	
Mr. Tapaas Chakravarti	307

b. The percentage increase in remuneration of each Director, chief executive officer, chief financial officer, company secretary in the financial year :

Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary	% increase in remuneration in the financial year
Mr. S. Sundar	-
Mr. B.N.Sirish	-
Mr. Auknoor Goutam	-
Mr. Tapaas Chakravarti	-
Ms. Rashida Adenwala	-
Mr. Sanjay Choudhary, Chief Financial Officer	-
Mr. Sachin Guha *	-

***Resigned w.e.f. October 31, 2016**

c. The percentage increase in the median remuneration of employees in the financial year: 13%

d. The number of permanent employees on the rolls of Company as on March 31, 2017: 1234 including consultants.

e. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: Salaries for Artists group were revised during the period. Hence, there has been an annual increase of 2% in the remuneration of the employees in FY 2016-17.

f. The Key parameters for any variable component of remuneration availed by the Directors: **NA**

g. Affirmation that the remuneration is as per the remuneration policy of the Company: The Company affirms remuneration is as per the remuneration policy of the Company.

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules,2014 as amended)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

1. Name of the subsidiary	: **DQ Entertainment (Ireland) Limited**
2. The date since when subsidiary was acquired	: November 12, 2008
3. Reporting period for the subsidiary concerned, if different from the holding company's reporting period	: March 31, 2017
4. Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	: Euro & INR 69.14
5. Share capital	: INR1,167,503,270 (17,266,315 Shares of Euro 1 each)
6. Reserves & Surplus	: INR (1,372,802,699)
7. Total assets	: INR 5,704,478,599
8. Total Liabilities	: INR 5,909,778,028
9. Investments	: NIL
10. Turnover	: INR 280,962,712
11. Profit/(Loss) before taxation	: INR (1,644,209,161)
12. Provision for taxation	: NIL
13. Profit/(Loss) after taxation	: INR (1,644,209,161)
14. Proposed Dividend	: NIL
15. Extent of shareholding	: 100%

NOTES:
1. DQ Entertainment USA LLC, a wholly owned subsidiary company of DQ Entertainment (Ireland) Limited was incorporated during the year and has not yet commenced any operations.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of Associates/Joint Ventures	DQ Entertainment (International) Films Limited (Joint Venture)
1. Latest audited Balance Sheet Date	March 31, 2017
2. Date on which the Associate or Joint venture was associated or acquired	November 19, 2012
3. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares	1,155,553 Shares of Euro 1 each
Amount of Investment in Associates/Joint Venture	Rs. 89,245,345
Extend of Holding %	29%
4. Description of how there is significant influence	DQ Entertainment (International) Films Limited is a Joint Venture between DQ Entertainment (International) Limited and DQ Entertainment plc.
5. Reason why the associate/joint venture is not Consolidated	Consolidated
6. Networth attributable to Shareholding as per latest audited Balance Sheet	Rs.(374,964)
7. Profit / Loss for the year	Rs.19,238
i. Considered in Consolidation	YES
i. Not Considered in Consolidation	NO

For MZSK & Associates
Chartered Accountants
FRN 105047 W

For and on behalf of the Board

Ananthakrishnan G
Partner
(M.No 205226)

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 11th August, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. INDUSTRY STRUCTURE & DEVELOPMENT

The narrative in the animation industry is changing. Story-telling technique is evolving. Consumption is increasing. Quality and throughput is rising. Technology in media creation is transforming. Distribution landscape is expanding. Economics of content creation is rationalising. The paradigm is shifting – ***A K Madhavan**, Founder and CEO, Assemblage Entertainment*.

The rapid advancement of technology has made computer animation available to the masses and the animation industry is one of the fastest growing industries. The demand for animated entertainment has expanded with the increase in broadcasting hours by cable and satellite TV along with the growing popularity of the Internet. In the past, animation series were aimed at children aged nine and below. In recent years however, TV stations have been producing animation series for teenagers, adults and the whole family. Animation series like The Simpsons and King of the Hill have been successfully aired on primetime TV. The major markets include the United States, Canada, Japan, France, Britain and Germany. The current animation industry is influenced by large multinational studios as well as TV broadcast companies and cable channel companies. They are engaged in activities from pre-production to distribution, as well as new sources of revenue such as DVD sales and intellectual property licensing.

The multinational studios leverage various forms of partnership, coproduction and joint ventures with global partners. Several countries subsidize their national film industries, including animation and therefore, strategies such as co-production have been adopted to explore global market opportunities and production subsidies. Co-production has emerged as a popular strategy for studios in many countries. Funding flows for co-production, from Hollywood to other countries and vice versa are very common.

As co-production has increased, animation studios in China and India have become popular co-production partners of studios in Europe, Japan, and North America. From the point of view of the major studios, co-production can provide flexibility while working with small studios and bring new and fresh creativity from other countries.

The global economy has been sluggish in 2016 with a growth rate of 2.6 percent, hampered by slow pick up in the U.S. economy and slowdown in growth rates in China. Political uncertainties and the rise in protectionist policies following Brexit and the Republican win in the U.S. Presidential elections further adversely impact global economic momentum and business sentiment.

Box office collection of animated movies worldwide

The chart below lists the highest-grossing animated films.

Movie	Year	Gross collection (in USD million)	Movie	Year	Gross collection (in USD million)
Finding Dory	2016	486	Inside out	2015	356
The Secret Life of Pets	2016	368	Minions	2015	336

Zootopia	2016	341	Home	2015	177
Sing	2016	270	Hotel Transylvania 2	2015	170
Moana	2016	249	The SpongeBob Movie: Sponge out of water	2015	163
Trolls	2016	154	The Peanuts Movie	2015	130
Kung Fun Panda 3	2016	144	The Good Dinosaur	2015	123
The Angry Birds Movie Course	2016	107			

INDIAN ANIMATION SECTOR

The first film by the Indian Animation Industry was produced in 1957!! Yes, even before the Indian Market introduced the color television! 'The Banyan Deer' (1957) was made by a group of Indian animators under the guidance of Disney Animator Clair Weeks, who had worked on 'Bambi' (1942) and was on a mission to establish and train India's first animation studio as part of the American Technical Co-operation mission. Out of this group, 2 people went on to be animation pioneers in India. Ram Mohan, known as the veteran in the Indian animation industry today, worked as an animator till the late 1960's, thereafter, establishing a production of his own in 1972. Bhimsain Khurana, known as the father of Indian animation, became independent in 1971 and made another animated film 'Ek Anek aur Ekta' (1974), which was the first animation film aired on the famous local channel, Doordarshan. His son Kireet Khurana would go on to walk in his father's footsteps.

Animation continues to endow substantial opportunities for imaginative filmmakers. Technology and creativity are continuously improving and becoming a pervasive vehicle that drives the use of animation and computer-generated imagery in live-action films. The year 2016 saw the Indian animation industry touching new heights. However, animation's primary market continued to be for kids in the age group of zero to 14 years in the country.

Indian animation film space has seen only a handful of domestic productions like Motu Patlu King of Kings and Chhota Bheem: Himalayan Adventure, over the last few years. Production houses have been giving animated features a cold shoulder owing to limited returns. Domestic animated features struggle at the box office due to under-penetration of screens and direct competition with high quality Hollywood animated content.

Regional animation film space is also starting to pick up in India- positive reviews from audience for Chaar Sahibzaade 2 being an example. Punyakoti, currently under production, is likely to be India's first-ever animation feature in Sanskrit, with 30 independent animators working on it.

Visual Effects (VFX) also managed to grab considerable eyeballs with a number of big-budget Bollywood titles, such as 'Sultan', 'Dangal', 'Fan' and 'M.S. Dhoni: The Untold Story', which performed remarkably well at the box office. Further, 'The Jungle Book' raised the bar for the depiction of photorealistic animated animals and registered a remarkable box office performance in India.

With VFX extending its reach to formats other than films (such as television and advertising) and locally produced animation content making it big on traditional broadcasting as well as digital platforms such as YouTube and Amazon Prime, 2017 promises to be an eventful year for the Indian animation and VFX industry, offering an even bigger slate of experiential viewing for the audience.

ANIMATION INDUSTRY'S PERFORMANCE

Segments	2012	2013	2014	2015	2016	Y-o-Y Growth in 2016	Growth in 2015	2017p	2018P	2020P	2021P	CAGR% 2016-2021
Animation services	7.6	8.0	8.1	8.3	8.9	7.3%	9.7	10.8	12.1	13.2	14.2	9.8%
Animation IP production	4.5	4.7	5.1	5.6	6.1	8.7%	6.8	7.5	8.2	8.7	9.5	9.3%
Total	12.1	12.7	13.2	13.9	15.0	7.9%	16.5	18.3	20.2	21.9	23.7	9.6%

Source: *KPMG in India's analysis and estimates, 2016-17*

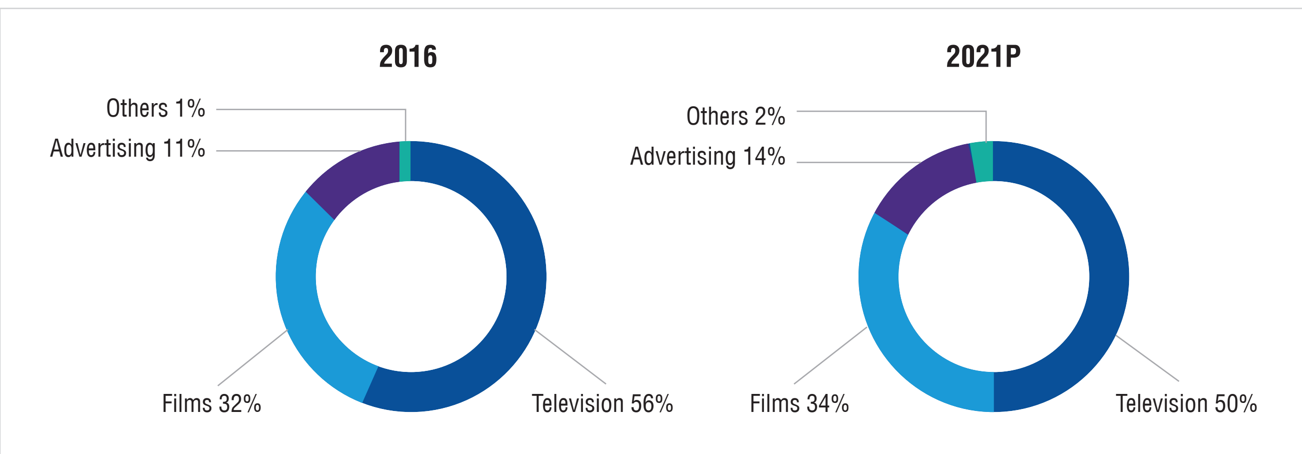
The animation industry in India registered a growth of 8 per cent in 2016, with revenues amounting to INR15 billion. Although animation services have always accounted for a lion's share of the revenue, animation IP production is fast coming to the forefront growing at a Compound Annual Growth Rate (CAGR) of close to 8 per cent during 2011 to 2016. In 2016, animation Intellectual Property (IP) production recorded a year-on-year (y-o-y) growth of 8.7 per cent. Though, over the next five years, animation services would continue to dominate the animation industry, the domestic content production would also pick up owing to the growing demand of IPs, new characters and storylines.

ANIMATION SERVICES

Inflow of projects from international television (TV) patrons drove the animation services space in 2016 while animation services for international films also witnessed a healthy increase. Together, revenues from outsourced TV and film projects accounted for around 85 per cent of the total animation service turnover in India. Conversely, the domestic animation services market remained tepid, with there being a dearth of projects outsourced internally. Going forward, the trend is likely to continue as growth will come from internationally commissioned projects, with the domestic services market also exhibiting strong growth – albeit on a smaller scale.

In 2016, TV projects continued to dominate the animation services markets on the back of outsourced work. However, films and digital advertising segments are expected to gain share in the total animation services pie over the next five years. As India makes further investment in the sector and strengthens its place in the global animation space, higher number of outsourcing work is expected to flow from international film industries and growing digital advertising domain.

Break-up of India's animation services – by segments (2016, 2021P)



Source: *KPMG in India's analysis and estimates, 2016-17*

Further, miscellaneous categories such as gaming, Augmented Reality (AR), Virtual Reality (VR), simulation trainings, etc. could collectively see a CAGR of over 35 per cent during 2016 to 2021, while animation service for digital advertising would register a CAGR of more than 24 per cent in the same period.

ANIMATION IP PRODUCTION

Domestic animation IP production has started to prove its mettle. Production of local IPs across TV and digital domains has picked up dramatically. While broadcasters such as Viacom 18 and Disney have been vying for new content and partnerships with animation studios, the digital space has seen a massive demand of kids content with the introduction of channels such as ChuChu TV, CVS 3D Rhyme, Wow Kidz, etc. and increase in the amount of time spent by kids online. Additionally, advent of global VOD players such as Netflix, Amazon Prime, and YouTube Kids in India is further proliferating the demand for original content. Over the past few months, Amazon Prime has signed exclusive content licensing deals with a number of animation studios in India, while Netflix is aggressively looking for more partners to be able to feature more kids content not only in Hindi but regional languages too.

The growth of broadband and e-commerce has augured well for the licensing and merchandising of animation products. Despite playing second fiddle to animation services in terms of revenue, the animation IP production market has grown at a CAGR of close to 8 per cent over 2011-2016.

ANIMATION ON TV

Broadcasters have been on the continuous look out to have more channels and programmes for kids in their portfolio. With more than 30 per cent of India's population being below the age of 15, there is an abundance of Indian broadcasters that can cater to this significant proportion of young audience — falling between the preschool and teenager categories.

Some of the major networks operating kids channels in the country are:

Kids TV channels by major broadcasters

Broadcasters	Channels	Target audience age group
Disney	Disney	9 to 16
	Disney XD	Under 8
	Disney Junior	Pre-teens and young teenagers
	Hungama	4 to 14
Viacom18	Nickelodeon	8 to 17
	Sonic	10 to 17
	TeenNick	Pre-teens and teenagers
	Nick Jr	2 to 6
Turner	Cartoon Network	7 to 15
	POGO	3 to 14
	Toonami	8 to 14
Sun TV	Chutti TV	3 to 14
	Kochu TV	4 to 14
	Chintu TV	NA
	Kushi TV	3 to 14

Source: *FICCI-KPMG India Report 2017*

LICENSING AND MERCHANDISING (L&M)

The recognition and brand awareness of several IPs has paved the way for growth in merchandising as well as the increase in the number of collaborations and cross promotions in the animation industry.

Animation giants are scaling up their merchandising offerings by launching new product categories and expanding their distribution network. For instance, in 2016, Disney collaborated with DLF to open about 50 stores in India. Further, for the Indian animation studios engaged in production of original content, the focus on licensing and merchandising business has been a natural progression. Animation studios have been launching a wide variety of products, such as apparels, toys, collectibles and stationery, through a multitude of licensing deals.

Indian animation properties such as 'Chota Bheem' and 'Motu Patlu' and Japanese shows such as 'Doremon', 'Ninja Hattori' and 'Pokémon', which have tasted huge success on the viewership front, have also been taking big strides in the licensing space. Another segment that has performed well in terms of licensing is the language agnostic properties, including 'Tom and Jerry', 'Shaun the Sheep' and 'Oggy' which present an easy appeal for kids.

However, issues pertaining to distribution and piracy still impose a major barrier for the merchandising business. Infrastructural bottlenecks such as inadequate retail space and poor conditions of roads have created supply chain constraints and increased inventory holding and carrying cost for players. While online marketplaces (which support the 'reseller model') have created ample opportunities for L&M space, they have also acted as a nucleus for counterfeit products, with players finding it difficult to deal with non-legit products being continuously listed for sale.

C. BUSINESS STRATEGY

DQE group is a premier next generation global content leader whose feature films, television programing and original products touch consumers around the World. Over the years, the Company has become one of the independent studios of choice for leading intellectual property owners, broadcasters and distributors all over the world. Led by powerful brand strategy along with the creation of strong original intellectual properties which includes super hit titles like 3 seasons of The Jungle Book, 2 seasons, The new adventures of Peterpan and Peterpan feature film which has generated good interest Worldwide from broadcasting distribution and licensing in over 100 countries. DQE's animation business includes more than 40 shows including very well-known and popular iconic brands such as The Jungle Book franchise, Peterpan franchise, Ironman, Little Prince, Robinhood, Playmobil's, Super 4, Charlie Chaplin, 7 Drawfs and Me, Lassie & Friends and many more. Very popular and iconic Miraculous Lady bug is now in second and third season production and is backed by Master Toy deal with Bandai.

At DQ Entertainment, we believe that nothing beats a great story. We are committed to develop and produce the most compelling and appealing stories with memorable characters to create a wonderful and magical experience for the audience. That is why we are creating movies and television series that inspire audiences all over the world, spark the imagination, and delight all generations. Above all, we aim to foster cultural diplomacy by transmitting noble and positive values through entertainment, for our children audience to become wonderful grown-ups.

At the heart of DQ Entertainment strategy is the desire to tell stories for the world. With its production centers along with partner company, Method animation in Hyderabad, Kolkata, Manila, Montreal and Paris the group has developed a wide international network and continuous to expand on acquiring best skillsets where ever available. DQ Entertainment production ambition allows the Company to identify and to develop talents, but first and foremost to benefit from a large professional network made up of the main players in broadcasting, distribution and financing from all over the globe.

Technology and innovation are at the forefront of DQE's philosophy. Since its inception, our own Animation studio is at the leading edge of developing innovative tools such as Gateway, ERP's etc. Because we always want to better serve our talents and the universes they are creating, our in-house tools are conceived artist-friendly. 17 years ago, DQE and Method opened the Animation market in Europe by positioning itself to create full CGI series for television. Today, the Company is still one step ahead of the other actors and leader in the European Animation field, by being the first to ever produce a full hybrid TV sitcom (7 Drawfs & Me) thanks to the powerful in-house tools that we continue to develop.

"ANIMATION ISN'T THE ILLUSION OF LIFE; IT IS LIFE"

- Chuck Jones

D. OUR BUSINESS DIVISIONS

In order to map our specialized offerings better with the market opportunities, we have streamlined our business divisions broadly into Animation and Licensing & Distribution.

I. ANIMATION

DQE's animation division creates, designs, and produces animation content for feature films, television, video (in 2D and 3D), and digital and online media. DQE is focused on providing higher-margin services by gradually shifting from production services towards content providing and intellectual property (IP) development.

DQE has co-produced with numerous major players in the media & entertainment (M&E) industry in Europe, US and Asia, some of which include: Walt Disney Group, Rai Commercial, ZeeQ Network India, Zag Toons, Method Animation, Saban Group, Wild Canary, France TV Group, ZDF (Zweites Deutsches Fernsehen) TV, JCC (Al Jazeera Children's Channel) TV, Telequebec, De Agostini, Cartoon Network group, and many others.

In the FY 2016-17 we concluded the production of several high quality shows and also commenced several new productions.

Production successfully completed and delivered

- **Miles From Tomorrow Land** – Season II, TV Series 30x22' with Wild Canary, USA
- **Sammy 2** - TV Series 52x12' being produced by Zag Toons S.A.R.L, USA and Method Animation France
- **Seven Dwarfs & Me** - TV Series 26x23' Hybrid Show with Method Animation, France
- **Peter Pan** 90 mins Digital Feature Film

Projects in production

- **Robin Hood – Mischief in Sherwood** – Season II, TV Series 52x11' with Method Animation, France; De Agostini Italy
- **5 & IT** - TV Series 52x11' with Disney Germany, Disney France and Method Animation, France
- **The Jungle Book** - Season III, TV Series 52x11' with Elipsanime France and ZDF Germany
- **Mickey Mouse Roadster Racer** – Season I & II, TV Series 26x22' with Disney Junior, USA
- **Zak Storm** - TV Series 39x23' with Zag Toons S.A.R.L., USA and Method Animation, France
- **Super 4** – TV Series 52x12' with Method Animation, France
- **Miles From Tomorrow Land** – Season III, TV Series 30x22' with Wild Canary USA
- **Puppy Dog Tales** - TV Series 19x23' with Wild Canary USA
- **Peter Pan X Mas Special** - 32' Feature Film with Method Animation France
- **Pulcino Pio** - TV Series 52x11' with RAICOM Italy and Gruppo Alcuni

In addition to the above projects we have more than 8 Projects in pipeline which are in the advances stage of negotiation and likely to commence production in the next 6 to 12 months.

b. DQE's feature film division:
DQE's first 3D 90 " Digital Feature " The Quest For Never Book" produced for Theatrical Release as a spin-off of its own IP Peter Pan is nearing completion and will be released in early 2018. The said movie is already attracting a lot of distributors globally and is being well received.

Amasia Entertainment LLC, USA, an independent motion picture entertainment company owned by Michael Helfant and Bradley Gallo has been signed up as Executive Producer to flagship 3D Stereoscopic Feature Film Mowgli's Adventure. Negotiations are on with a US Distributor for distribution of in the US and Canada as well as with other European and Asian Distributors. Once the deals are in place and necessary finances are arranged the production is expected to commence by the end of 2017 and release is expected in summer of 2019.

II. LICENSING AND DISTRIBUTION

a. Broadcasting/ Merchandising / Licensing:
DQE established partnerships for product licensing, merchandising, broadcasting & distribution world-wide. It has revenues globally while retaining higher share of IP rights. Major agencies include Amazon, Netflix, Discovery Family Channel USA, TF1 France, ZDF Germany, Planeta Jr. Spain, Planeta Jr Italy KIKA and WDR Germany, RAI Television Italy DEA Kids Italy and may more Worldwide.

The following are the major licensing deals concluded in the year 2016:

Party	Property	Territory
Amazon Video	Multiple properties like Jungle Book, Peter Pan, Iron Man, Charlie Chaplin, etc.	India
Netflix	Jungle Book Safari	Worldwide
Discovery	Charlie Chaplin	India
JCG Korea	Robin Hood and Peter Pan 2	South Korea
Global TV	Charlie Chaplin and Robin Hood	Indonesia
Canal+	Jungle Book Safari, Jungle Book 60 min TV Feature and Jungle Book Christmas	France
Telequebec	Jungle Book Season 1	Canada
Sony Pictures	Twisted Whiskers and Casper	India

b. Digital
YouTube channels, Power Kids and Tiny Toonz, have been performing well with steady revenues. Power Kids showcases animated content for children 5 years and above while Tiny Toonz TV is for kids less than 5 years of age. The channels have collectively received over 62 million views in the year with the combined total number of watch time in minutes on both these channels being well over 427 million.

DQE also plans to launch its content and games on other popular digital platforms such as the Google play store, Amazon, and iTunes. After the launch of The Jungle Book and Peter Pan games, Intel Inc. has shown interest in DQE's app portfolio and has offered to port DQE applications on to their platform. Intel has also given DQE access to their pre-launch platforms for this purpose. Opera, which now has over 60 million monthly visitors, has asked DQE to distribute their games through the Opera Mobile store.

E. RISKS AND CONCERNS

Some of DQE's key risks and their corresponding mitigation strategy have been highlighted below.

(i) Global economy risk

Since, DQE's more than 90% of the revenues are generated from global sales it is exposed to various risks and uncertainties and also has access to opportunities through its global presence. The Group's performance, future prospects and cash flow generation could be materially impacted by any of these risks or opportunities.

- Our revenues are cyclical while expenses mostly fixed hence there could be significant fluctuations in the profitability on a quarter on quarter basis.
- We may not be able to sustain our previous profit margins or levels of profitability.
- The economic environment, pricing pressures, and decreased employee utilization rates could negatively impact our revenues and operating results.
- Our revenues are highly dependent on clients primarily located in the North America and Europe an economic slowdown or other factors that affect the economic health these countries may affect our business.
- Foreign exchange rates fluctuations and variation in interest rates may affect the results of our operations.

DQE has been operating in Volatile business environment for more than a decade and its business model has evolved to deal with changes in the business outlook of its clients. Global clients prefer outsourcing and India is a preferred destination for outsourcing because of its compelling value proposition across people and technology.

(ii) Regulatory risk

Political ideologies, Government term and change, Government Legislation and policy changes are faced by an Animation industry.

DQE has operations in other countries as well. Any changes in local regulations can impact the profitability and growth of the Company.

DQE has been able to mitigate this risk quite well. DQE has a robust legal and secretarial team which has been complying with the required local regulations across multiple jurisdictions and till date the Company did not face any compliance issues. Further, the animation sector is not excessively regularized and hence there is no threat in terms in such risk. However, the Company adequate and well defined business contingency plans to deal with changing regulatory environment.

(iii) Competition risk

Animation companies including DQE have been operating under competitive environment for several years. The said risks has been largely mitigated on account of the business model adopted by DQE whereby the reliance on pure outsourcing work has considerably been reduced and the focus has been shifted to the development its own content and through co-production deals.

The Company has deep domain knowledge, skilled workforce, delivery capabilities and efficient sales force, and relationship managers to help retain its competitive position amongst peers.

DQE has received production, pre-production, and distribution work for animation and other content by several major media conglomerates such as Disney and other large European Studios. DQE aims to encompass more functions in the animation industry value chain through backward and forward integration to include pre- and post-production services, in addition to its traditional production services business. By integrating vertically, DQE can leverage its talent and expertise more effectively, lowering overall production costs and increasing profit margins.

A huge chunk of animation work is moving to China, where language used to be a barrier but is not an issue anymore. In terms of the nature of work, China as an animation destination is prominent for budget conscious companies. While India has the upper hand in 3D animation, a lot of 2D animation work is flowing to China. Further, the Philippines has also emerged as a major outsourcing competitor to India. Though relatively expensive, the Philippines studios provide good quality and consistent animation services.

(iv) Technological risk

Failure to access the newest technology or insufficient level of technology and poor/ inadequate internet infrastructure are the insecurity faced by Animation companies which leads to failure to complete the deliveries of projects within budget and on time.

DQE is perhaps the first, multi-product, multi-national & multi location animation production company, which has developed & implemented ERP solutions for production management - production scheduling, technical break down & costing, production process management, production tracking management scheme & wage management, purchase & inventory pipeline management. This software ensures optimum utilization of all resources as a common pool, for different divisions at multiple locations in India and contracted facilities in Philippines. The ERP solution is DQE's proprietary software and is derived from programmes like PERT and CPM. It helps to handle complex Production Pipeline Management with ease.

With technology, the Company deep domain knowledge, skilled workforce, delivery capabilities and efficient sales force, and relationship managers to help retain its competitive positioning amongst peers. DQE's content creation is managed via a highly efficient and proprietary production and tracking system that significantly improves resource optimization. Against the backdrop of shrinking budgets and the recent global economic crisis, the Company has sustained qualitative growth in terms of content production and distribution, and has capitalized on opportunities in the global entertainment market place.

F. OPPORTUNITIES & THREATS

Animation industry in India is no longer kids' affair. Given the scale, technological innovation and stark improvement in content, India's animation industry today is the most self-sufficient in terms of providing interesting films which also appeal to mature viewers.

One of the major changes in India's animation industry is focus on original International shows. This is the foundation of the new business model as everything is now about the characters. E-commerce is bringing in more viability for merchandising and thereby adding that much more diversification and monetization to the industry. The future will be about more intellectual properties (IPs) and their effective monetization and brand consolidation. So there is a huge scope the industry. Newer business models like Co-Productions, limited license windows among others will evolve as the industry evolves.

The demand of animation content from TV as well as digital channels has been on the rise globally. In light of this, studios are upping their efforts in developing high quality shows and utilising them to create a perpetual revenue stream. Animation content has an extensive shelf life that provides a strong Return on Investment (RoI). With the growing allure towards IP and content, developing a complete network around the key characters — through movies, web series and consumer products — is helping create additional revenue streams for some studios.

Further, investment and collaboration opportunities between animation studios and broadcasters have picked up, with the latter paying as high as USD 1.8 mn to USD 2,5 per TV series of 26 episodes of 22 minutes each.. Digital players in the kids content space are also seeing increasing revenues basis the number of views as well as the ads driven by their channels.

The animation industry has come a long way and now enjoys shows across genres ranging from slapstick comedy to superhero series to chase comedies to action adventures and musical comedies. With the audience group ranging from toddlers to teenagers, different genres allow animation studios and broadcasters to differentiate their offerings and attract larger audience base. To this end, we are currently working on fantasy adventure and an epic action adventure series.

With a string of successes in the animation space, the next big thing on radar is the AR/VR space. Maintaining the targets that we have set for ourselves and pushing the creative boundaries with every new production is critical for success. Blending the passion within the established scale both vertically and horizontally; across creative parameters and production volumes, while collapsing the hitherto known boundaries of geography will cumulatively drive the growth of this industry going forward.

The government is playing an active role to promote the animation industry

With the AVGC industry rising high globally, India is on its way of joining the list of countries that boast a robust animation landscape. Initiatives for the furtherance of the industry in India are being undertaken by the central and a number of state governments. Some of the major initiatives are:

- The Government of Maharashtra has proposed several provisions in its IT/ITeS policy to encourage the growth of the AVGC sector, including inviting global companies and concentrating on legal framework for IP creation and protection. India's first training institute devoted to animation, visual effects, gaming and comics is going to be established in Mumbai. In 2017, the government authorised to allot 20 acre of land in Goregaon Film City to set up the National Centre for Excellence for Animation, VFX, Gaming and Comics.

- Karnataka's AVGC Policy comprises developing a Centre of Excellence for stimulating AVGC education in the state and establishing Digital Art Centres to carry out digital art and animation curriculum in certain fine art schools across Karnataka.

- Government of Telangana is also aggressively supporting AVGC sector and is planning to set-up an incubation centre called 'Innovation in Multimedia, Animation, Gaming and Entertainment' (IMAGE) in Hyderabad, which would provide an ideal environment for businesses in the animation, visual effects, gaming and comics industry.

- The Government of Gujarat is pursuing investments to launch an AVGC lab in the state that would provide a number of facets in the Gujarat AVGC sector a technological boost.

Key challenges faced by Animation Industry

Animation films not doing well at the box office

Despite India being among the most flourishing markets in the world in terms of the number of films produced, animation is yet to make an impact, particularly in the domestic content category. The number of animated films that have both enthused the imagination of Indian viewers and made it big at the box office are few. Conversely, Hollywood films have performed much better with several releases, such as the 'Kung Fu Panda 3', 'Minions' and 'Inside Out', registering handsome box office collections, even weeks after their initial release date in India. For studios in India, despite having access to technology, manpower and infrastructure, the budgets to make quality animated movies are not available. For instance, 'Kung Fu Panda 3' was made on a budget of around INR 9.4 billion (USD140 million), a figure unfathomable for an animated film production in India. However, this could change going forward as the market grows, cinema screen penetration increases, animated content finds acceptance beyond the audience below 14 years, storylines appeals to universal audience and Indian films get the opportunity to travel to new international markets'

No set standard for animation education

Currently, there is no benchmark for animation education and training in India. The country is in a dire need of a guidance centre, either funded by the government or privately-run, to establish benchmarks for animation education. Such a centre is likely to tighten up the entry and exit barriers resulting in better quality of talent placement. Furthermore, there needs to be more diversity and innovation in the delivery of education, something that the current education system lacks.

Indian talent, not production ready

A major proportion of animation studios in India have been working on the principle of quantity rather than quality. This has led to Indian animation lagging behind more developed markets in terms of sharpening the budding talents. Students graduating of institutes along with those coming from smaller studios fail to match the expectation of production houses. There is a significant gap between what is being taught in academies and what is required to execute animation projects. This is turning animation studios in India into pseudo-universities. To bridge the mentioned gap and overcome the system inadequacy, some studios in India have chosen to invest in creating their own means for identifying, training, mentoring, and up-scaling local talent, and readying them to work on shows that test their skills.

Animation audience base still restricted to kids
Hollywood's animation content is widely accepted across various age groups in India. Films backed by blockbuster banners such as Disney have performed increasingly well owing to storylines that make for a family viewing. However, the audience base for the Indian animation content has been largely restricted to kids in the age group of 0 to 14 years. While limited budget has been a constraint, mediocre story writing has also made it hard for the Indian animation content to gain traction beyond kids segment.

Globally, the animation genre is developing into a medium that connects with both kids and adults. As the Indian animation film space continues to evolve further over the coming years, it is expected that people from all ages will exhibit interest in animation content. Producers would be required to choose characters/stories and figure out ways to focus these on different sects of target audience. Storytelling, which has been a lingering issue in the animation space, would take the centre stage.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The adequacy of the internal control systems in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company is monitored by the Internal Audit team both internal and external. Based on the report, the Internal Audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The Audit Committee also met the Company's Statutory Auditors to ascertain their views on financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the Company. The Management acted upon the observations and suggestions of the Audit Committee.

DQE has policies, procedures, control frameworks and management systems in place that map into the definition of Internal Financial Controls as detailed in the Companies Act, 2013. These have been established at the entity and process levels and are designed to ensure compliance to internal control requirements, regulatory compliance and appropriate recording of financial and operational information.

Internal Financial Controls that encompass the policies, processes and monitoring systems for assessing and mitigating operational, financial and compliance risks and controls over related party transactions, substantially exist. The Board reviews and certifies the effectiveness of the internal control mechanism over financial reporting, adherence to the code of conduct and Company's policies for which they are responsible and also the compliance to established procedures relating to financial or commercial transactions.

The CEO & CFO certification provided in the CEO & CFO certification section of the Annual Report discusses the adequacy of internal control system and their adequacy.

H. HUMAN RESOURCES

Please refer to the HR Section of the Annual Report for a detailed discussion on human resources.

I. OUTLOOK FOR THE FUTURE

The Indian animation industry has started to chart out a successful route for itself and has been gaining grounds in nearly all forms of content consumed by the audience. The future of the industry would see the number of intellectual properties increasing, with companies focusing on monetization and brand consolidation of these properties. Broadcasters, whose content portfolios currently comprise majorly of international content would start to acquire more domestic content to stay pertinent in the animation space. Increasing the private sector participation would also take the industry places. For instance, in 2016, Reliance Entertainment announced that it would invest in 20 Indian gaming start-ups on account of the increasing smartphone penetration in the country.

This could be a significant opportunity of animation studios as the ominous growth in local mobile gaming market would create demand for more animation work.

The animation business is gradually being acquainted with the potential that India has from a creative standpoint. However, the industry is faced with a talent crunch, with production-ready and capable people being the need at this point in time. With the shifting mind set of viewers, animation holds the potential to develop into one of the most desirable avenues for entertainment and storytelling in India. On the other hand, this would require a major impetus from the government in the form of incentives for talent and IP development along with an evolved approaches and attitude on the part of content creators.

DQE has robust order book for service projects, own IP's are also gaining traction and are being well received in the international markets. Given the current IP development pipeline it is expected to see at least 2 new TV series being produced for the international markets every year. The company relies on quality partnerships with overseas studios, benefitting from their creative skills, financial incentives, coproduction treaties and subsidies in partner countries -thereby broadening its funding base. We look forward to communicating with shareholders on the future success of the organization.

J. CONSOLIDATED FINANCIALS - SEGMENTAL ANALYSIS

A. EQUITY AND LIABILITIES

I. Shareholder funds

a. Share Capital: The authorized share capital is Rs.800.00 million divided into 80,000,000 equity shares of Rs.10/- each. The issued, subscribed and paid up equity share capital is Rs.792.83 million divided into 79,283,000 equity shares of face value Rs.10/- each as at March 31, 2017. During the year there is no movement in share capital.

b. Reserves and Surplus: The Reserves and Surplus has decreased from Rs. 4,302.29 million to Rs. 768.56 million, a decrease of Rs.3,533.73 million. The decrease is majorly on account of the loss for the year Rs. 3,504.77 million which includes the impact of provision for bad and doubtful debts of Rs. 1,978.96 million and drop in total revenue by Rs. 1,612.58 million. The balance impact is on account of Foreign currency translation reserve (FCTR) of Rs. 57.81 million.

II. Non-current Liabilities

a. Long term borrowings: The borrowings are classified based on its maturity period. Loans that are due for repayment within one year from 31 March 2017 are classified under current liabilities as 'current maturity of long term borrowings' and the balance are placed under 'long term borrowings'. The total amount of long term borrowings including current maturity value are Rs.4065.42 million as on 31st March 2017 as against Rs.3516.17 million for the corresponding period in previous year a net increase by Rs.549.25 million. This increase is on account of new loans from banks obtained to the tune of Rs. 183.68 million, fresh inflow bonds including bonds issued in lieu of PIK of Rs. 665.07 million. These additional borrowings are offset by repayments made during current year to the extent of Rs.511.27 million, and the differential movement is due to the impact of foreign exchange difference on reinstatement of loans and translation adjustment.

b. Other Long term liabilities: The opening balance of minimum guarantee payable of Rs. 12.48 million was discharged during the current year as the rights given to the parties towards the Minimum Guarantee have been cancelled, and further there is no accumulation of new liability in current year.

c. Long term provisions: The long term provisions consist of the provisions for employee benefits viz., gratuity, leave encashment and sick leave which are valued as per Accounting Standard 15.

III. Current Liabilities

a. Short term borrowings: The short term borrowings are towards working capital needs as on 31st March 2017 and the outstanding amount stands at Rs. 1,169.95 million.

b. Trade Payable: It mainly includes the Sundry creditors for services and expenses

c. Other current liabilities: It consists of Current maturities of long term borrowings to the extent of Rs. 615.61 million, Unearned revenue of Rs. 322.77 million, Statutory dues payable of Rs. 150.04 million, Income received in Advance of Rs. 168.27 million, Salary payable - Rs. 64.58 million, Other current liabilities for services - Rs. 151.39 million, Advance from customers of Rs. 0.39 million, Interest accrued of Rs. 38.95 million.

d. Short term provisions: It consists of current portion of employee benefits, provision for taxation (net) and provision for retakes.

B. ASSETS

I. Non-current Assets

a. Fixed Assets:

i. Tangible Assets: Tangible assets consist of Plant & Machinery, Office equipment's, Furniture, Fixtures & Interiors, Vehicles and Leasehold improvements. The Net block of tangible assets as on 31 March 2017 is Rs. 94.47 million as against Rs. 116.89 million in previous year. During the year the Company added assets worth of Rs. 4.81 million and sold/written off of assets worth Rs. 5.64 million.

ii. Intangible Assets: Intangible assets Gross block consists of distribution rights to the extent of Rs. 4,564.09 million and computer software to the extent of Rs. 274.50 million. During the year the company capitalized intangible assets to the extent of Rs. 773.79 million. The Net block of intangible assets is Rs. 2,330.58 million as against Rs. 2,161.05 million in previous year.

iii. The capital work in progress is towards land development and there is no movement in it during current year.

iv. Intangible asset under construction – It consists of intangible assets in development / production. These assets once fully developed / produced, they shall be capitalized and then amortized. As on 31 March 2017 Rs. 3,713.86 millions are in Intangible assets under construction as against Rs. 4,783.94 million in the previous year.

b. Deferred Tax Asset: There is a deferred tax asset of Rs. 677.11 million as on 31 March 2017 as against Rs. 67.56 million for the corresponding period in previous year. The increase in the deferred tax asset of Rs. 609.55 million is mainly due to recognition of deferred tax asset on provision for doubtful debts as on 31st March 2017.

c. Long term loans and advances: It consists of capital advances to vendors, security deposits, long term prepaid expenses, claims receivable and MAT credit entitlement. Long term loans and advances as on 31 March 2017 is Rs. 191.22 million as against Rs. 202.83 million during the previous year.

II. Current Assets

a. Trade Receivable: All receivables are good and where ever required management has provided for provision for doubtful debts (trade receivables are net of provision for bad and doubtful debts). Total receivables as on 31 March 2017 is Rs. 623.03 million as against Rs. 3,169.18 million in the previous year. Receivables more than 180 days for the current year amounted to Rs. 2,584.51 million. Out of said receivables the Company has provided for bad and doubtful debts to the extent of Rs. 2,096.25 million and remaining debtors of Rs. 134.77 million are good and are less than six months.

b. Cash and bank balances: Consists of balances with banks in current account & monies held in deposit against guarantees to customs authorities, Remittance in transit, Cash on hand. The balance as at 31 March 2017 is Rs. 213.45 million as against the balance of Rs. 204.33 million of previous year.

c. Short term loan and advances: It consists of interest accrued on deposits, advance tax paid other advances and current portion of prepaid expenses. The balance as at March 2017 is Rs. 108.09 million as against Rs. 285.26 million of previous year.

d. Other current assets: It consists of unbilled revenue of Rs. 254.21 million which contains revenue pertaining to projects for which work is in progress, but invoice is not raised as the prescribed milestones as per the agreement are not achieved.

RESULT OF OPERATIONS

1. Segmental Analysis
Revenue and expenses directly attributable to segments are reported under each reportable primary segment. The following table presents each segment's revenue as a percentage of total revenue and each segments result i.e. operating profit (excluding unallocated expenses) as a percentage of total segment result.

	Segmental revenue				Segment results			
	Fiscal 2017	Fiscal 2016	Fiscal 2017	Fiscal 2016	Fiscal 2017	Fiscal 2016	Fiscal 2017	Fiscal 2016
	₹ in millions		% of revenue		₹ in millions		% of segmental results	
Animation	722.75	1,642.85	76.92	78.08	(2,484.72)	729.38	62.07	122.86
Distribution	216.88	461.14	23.08	21.92	(1,518.13)	(135.71)	37.93	(22.86)
Total	939.63	2,103.99	100.00	100.00	(4,002.85)	593.67	100.00	100.00
Unallocated expenses	-	-	-	-	521.30	378.63	-	-
Interest and finance expense	-	-	-	-	(635.27)	(590.89)	-	-
Profit before tax	-	-	-	-	(4,116.82)	381.41	-	-

2. Revenue
In the year 2016-17, the revenues have decreased by 55% to Rs.939.63 million from Rs. 2,103.99 million in financial year 2015-16.

Animation revenue has decreased by 56.01% from Rs. 1,642.85 million in 2015-16 to Rs. 722.75 million in 2016-17 and distribution revenue has decreased by 52.97% from Rs. 461.14 million in 2015-16 to Rs. 216.88 million in 2016-17.

3. Expenses:
Production expenses: Production expenses have decreased from Rs. 110.55 million in financial years 2015-16 to Rs. 57.57 million in the financial year 2016-17. The decrease is mainly as the projects outsourced to third parties have decreased.

Personnel Costs: The breakup of personnel costs is as follows

Personal Costs	31 March 2017	31 March 2016
Salaries and wages	438.33	478.60
Contribution to provident fund	26.73	29.44
Staff welfare expenses	4.13	5.46
Gratuity	13.10	22.86
Compensated absences	3.01	4.96
Total	**485.30**	**541.32**

The average headcount during the previous year was 1,068 where as in current year it is 842, thus, there is a dip in head count by around 226, hence there was a decrease in salary and related employee benefit cost in current year.

Administrative and Other Expenses:

Primarily consist of Professional and consultancy charges, Repairs and Maintenance, Rates and taxes, Auditors remuneration, Selling and distribution expenses, Directors remuneration, Travelling and conveyance expenses etc. While there is a foreign exchange loss in the current year which is grouped in administrative expenses, there was a gain in previous year which is grouped in other income. The increase in administrative expenses is mainly due to bad debts and provision for bad and doubtful debts of Rs. 2,524.58 million as at 31 March 2017 as against Rs 373.01 million as at 31 March 2016 and the professional and consultancy charges have gone up by Rs. 21.59 millions.

Interest and Financial Charges:

Consist of Interest on borrowings (both term loans and working capital loans), Bank charges etc.

Interest and Financial Charges have increased from Rs. 590.89 million in 2015-16 to Rs. 635.27 million in 2016-17. The increase is on account of, new loans and interest on bond issued.

Depreciation and Amortization:

Depreciation and Amortization	31 March 2017	31 March 2016
Tangible Assets	26.25	34.89
Intangible Assets	795.50	417.45
Total	821.75	452.34

The decrease in depreciation on tangible assets is mainly due to assets which have got depreciated completely during the previous year and are no longer part of gross block in current year. The depreciation on intangible assets is considerably increased mainly due to increase in impairment of assets. During the year ended 31 March 2017 Rs.452.66 million is the impairment charge in intangible assets as against Rs.130.90 million in previous years. The remaining increase is on account of amortization of intangible assets.

4. Profit before interest, depreciation and tax ("PBIDT")

The PBIDT for the year under review stands at Rs. (2,659.79) million as compared to Rs. 1,424.64 million in the previous year. PBIDT as a % of total revenue has decreased from 54.02% in the previous year to (259.57) % for the current year ended 31 March 2017. The decrease in PBIDT is mainly due to decrease in revenues by around 55% over the previous year ended 31 March 2016 and on account of substantial provision has been provided towards bad and doubtful debts of Rs.1,978.96 million.

5. Profit after tax:

During the year there is a loss after tax of Rs. 3,504.77 million, as against a profit of Rs. 299.37 million in 2015-16. The loss during the year is on account of reasons quoted as above.

Disclosure of Accounting Treatment:

In the preparation of financial statements, no treatment different from that prescribed in the Accounting Standards has been followed.

NOTE: Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

HUMAN RESOURCES

HUMAN RESOURCES AT DQE

Trouble results when the speed of growth exceeds the speed of nurturing human resources. To use the analogy of growth rings in a tree, when unusually rapid growth caused the rings to grow abnormally thick, the tree trunk weakens and is easily broken.

Akio Toyoda

The DQE Performance Incentive Scheme has proved our capabilities in terms of speed and now, our focus is to nurture more resources in achieving high quality and speed to reinforce our competences.

Hatim Adenwala

HR @ DQE

The HR department at DQE has been a catalyst for maximizing the value that Associates can contribute towards DQE's Success. We have evolved to the role of a Business Partner with key emphasis on optimized resources and working with lean and mean teams to attain higher Project & Organizational profitability's. Our manpower planning has matured in establishing process that ensures all steps from business requirements to sourcing and staffing are seamlessly aligned. Our distinct people integration model, not only ensures faster time-to-productivity, but it also integrates culturally diverse professionals into the organization by fostering a behavior based on a shared set of common values.

Our motive is to keep Systems and Practices as transparent as possible so that the workforce is well-informed and clear on what is expected from them and are confident on what they would gain for their efforts and hard work. We are successful in setting up real time dashboards and performance monitors at individual and team level that enable them to self-measure their performance from time-to-time and work towards achieving better results.

HR STRATEGY:

- The Animation Industry has witnessed unprecedented growth rates in recent times with more and more Projects and global studios entering India. On the other hand, the training institutes were found to be serene in last few years and there was a huge gap of trained manpower to meet the current and future requirements. We at DQE, have revived our DQ School of Visual Arts (Training School) and initiated courses for free of cost so as to attract the best creative talent towards Animation Industry. Currently we have 200+ students getting trained to meet the Organizational requirements of our world class productions. We have a robust screening process which ensures that only the best of the talent pool shall enter into our Production house.

- The higher project execution costs are demanding higher productivity and thus resulting in increased individual and team targets followed by an Associate turnover. To ensure the right equilibrium among the goals of business and the desires of the workforce, we have been successful in identifying and adopting alternate techniques that resulted in a smooth pipeline flow and thus enabling the individuals to achieve better and thus creating a happy environment.

INITIATIVES & ACCOMPLISHMENTS:

REVIVAL OF DQ SCHOOL OF VISUAL ARTS & EMPANELED BY PMKVY

In view of the current and future need of trained manpower in Animation, we have revived our DQ School of Visual Arts with the state of the art training facility that can train 200 students at any given time.

Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this Skill Certification Scheme is to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood. Individuals with prior learning experience or skills will also be assessed and certified under Recognition of Prior Learning (RPL). DQ School of Visual Arts is empaneled with PMKVY under the National Skill Development Corporation.

UP GRADATION TO ISO STANDARDS 9001:2015

DQE has been the first Animation Company in the world to comply with the ISO standards and was certified since 2008. Once in every five years, standards will be revised to respond to the latest trends and be compatible with other management systems. The crucial change in the new standard is the introduction of Risk Based Thinking.

In view of the increasing Competition, Complexity of Markets, Customer Demands and decreasing Product Life Cycles, Risk Based Thinking has emerged as the need of the hour. DQE has initiated trainings to adapt to the revised quality standards 9001:2015. The expected key benefits due to this transition are improved governance, establishment of a proactive culture of improvement, better assistance with compliance, assured consistency of quality of products and services and improved customer confidence and satisfaction.

ACHIEVEMENT BASED AUTO REVIEWS:

It's always been the motive of HR at DQE to bring better transparency in performance reviews from time to time. It is a continuous process at DQE that the actual achievement by an Artist is updated in tracker on a daily basis against his/her target. Hence, the actual Productivity will be given the highest importance in measuring the performance of artists. At the end of every month, the Productivity Achievement and Tentative (Auto) Ratings for each Artist shall be displayed in their respective Production Tracking System Login with all related productivity details.

This helped the organization in eliminating the wrong feedback while creating a mechanism of auto feedback against the actual efforts and contribution by Artists.

ASSOCIATE WELFARE ACTIVITIES FY2016-17 :

- An ESI Health camp was conducted in July'2016 by Insurance Medical Services (ESI) team. Around 550 Associates attended the same and benefited through this health camp. Tests for BP, RBS, EYE, ECG, HIV, HBSAG, HCV, HB, WBC were conducted along with free diagnosis and medicines.

- A Free Eye Checkup Camp with help of Lenskart is organized in July'2016 and 200 Associates utilized this facility

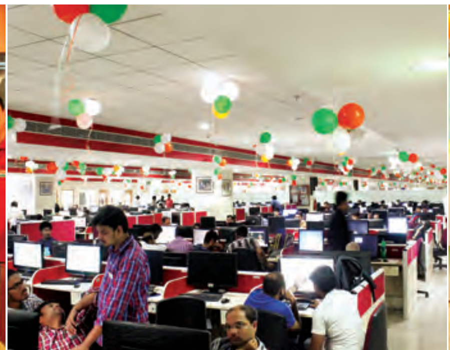
- A General Health Checkup Camp with the support of Sunshine Hospitals is organized for Associates in September'2016. The Para Medical Team checked Height, Weight, Blood Pressure, and Blood Sugar to 120 Employees. The Specialist Doctors examined all the Associates, Counseled and prescribed Medicines for the health complaints of the Associates. All prescribed Medicines also have been distributed for free of cost.

- A General health camp was conducted at Kolkata Production facility in October'2016 with support of Medica Super Specialty Hospital. Around 125 Associats attended this health camp and received free medical consultation.

TRAINING & DEVELOPMENT – ILEAD FY 2016-17 :

- A Workshop on "Personal Leadership Skills" was conducted for Middle Management Group, covering 24 Associates.
- A Workshop on "Acting Skills for Animators" was conducted in DLF business unit where 25 Animators were imparted training.
- A session on "Balancing Work & Personal Life" was organized by Dr. Yandamoori Veerendranath, for 26 Senior Associates.
- 12 Associates from Middle Management group attended a Workshop on "You Can Do More" conducted in ICRISAT, Hyderabad.
- A Training Session on "Lighting Skills" was conducted for all Lighting Artists where they were trained about the tips and different perspectives on Lighting.
- A session on "Stress Management" was organized by the world renowned Brahma Kumari's for the Middle & Senior Management.
- A Workshop on "Managing Corporate Social Responsibility for High Impact" was conducted for Middle Management Associates at IPE, OU Campus, Hyderabad.
- A Workshop on "Great Place to Work Fundamentals" was conducted for Middle Management Associates at Hotel Trident, Hyderabad.

ASSOCIATE ENGAGEMENT ACTIVITIES FY2016-17


Independence Day Celebrations @ DLF, LT & HOA

Carroms Tournamanet @ HOA

DQE Championship Trophy 2016

Carroms Tournamanet @ DLF



Ugadhi, Holi, Ganesh Pooj @ DQE

Ethnic Day @ AC1

System Administrator Day @ DLF

Womens Day @ DLF

CORPORATE SOCIAL RESPONSIBILITY – DQ SMILE FOUNDATION ACTIVITIES FY2016-17

DQ SMILE FOUNDATION 8TH ANNIVERSARY CELEBRATIONS

DQ Smile Foundation celebrated its 8th Anniversary on 23rd Dec 2016. The main stay of the program was the felicitation of Teachers and Head Masters of Government schools of Hyderabad for their exemplary work in the area of Education.

The Chief Guest for the occasion was Shri Jayesh Ranjan, Secretary Information Technology, Electronics & Communications Department, Government of Telangana. The Guests of Honour are Shri Sagar, who is a well-known TV Artist and Film Actor and Tapaas Chakravarthy, CEO & MD of DQ Entertainment.

DQ Smile Foundation felicitated Mrs. Manjula Kalyan, founder of Swayamkrushi, an NGO which specializes in Special Education. DQSF felicitated 4 Lady Teachers – Smt. Madhavi Baaghi & Smt. Nurjehan Begum of Govt. Primary School, Mekalmandi, Secunderabad and Smt. S Kalyani & Smt. D. Nandini of Govt. Primary School, Shaikpet, Hyderabad and 3 Head Masters – Shri Badarinarayana of Govt. Primary School, Malakpet, Shri Sowry CH. of Govt. Primary School, Shaikpet and Shri Venugopalachary of Govt. School, Nallakunta that evening. All of them were given personal Citations, a Memento and a gift, which was handed over to them by the Chief Guests.

RIGHT PARENTING SKILLS AT GOVERNMENT SCHOOLS IN HYDERABAD

DQSF has been conducting many workshops at various Government Schools on “Importance of Right Parenting Skills”. Till date, more than 2200 parents have been benefited through these workshops.

These sessions are initiated to train the parents of lower income group on all life skills for betterment in their living standards. The most common topics that are addressed are importance of personal hygiene in children, significance and importance of breakfast for children, good manners, discipline at home and school, value and importance of saving money, saying ‘No’ to bad habits like smoking and drinking. The topics even include, compulsory education for girl children, sibling rivalry, anger management, creating a suitable atmosphere for kids to study and grow, maintaining good relations within the family and neighbors, spending quality time with children and telling them about the good things in life, to develop as role models. Certain necessary stress bursting exercises are also taught in these sessions.

In this current financial year, these workshops were conducted in different Government Schools at Mekalmandi – Secundrabad, NBT Nagar – Banjara Hills, BJR Nagar – Film Nagar, Shaikpet and Ambedkar Nagar in Hyderabad where around 520 parents participated.

BALIKA SURAKSHA SESSIONS AT GOVERNMENT GIRLS HIGH SCHOOLS

DQSF has been conducting many sessions at various Government Girls High Schools on “BALIKA SURAKSHA”. This session is for girl students on preventing abuse, assault and sexual harassment and educating them about good and bad touch. Till date, more than 1200 girl students have been benefited by these sessions.

In this current financial year, these sessions were conducted in different Government Girls High Schools at Bhoiguda- Nallagutta, Mekalmandi, Balamrai -Secundrabad, and Rasoolpura, NBT Nagar, Malakpet in Hyderabad .

CSR ACTIVITY AT KOLKATA :

DQSF visited Hope Foundation Kolkata on May 2016. The Hope Kolkata Foundation (HKF) was established in February 1999 for the protection and safety of children on the streets. It works by giving shelter, education, health and medical care as well as life skills training to most of them. A team of 20 members from DQSF spent some time with the children and conducted few cultural programs and also donated rice bags and essential provisions as requested by them.

Drawing Competitions at Government Schools to Encourage the Young Talent

DQSF Conducted Drawing Competitions at Government High school, NBT Nagar, Banjara Hills, Hyderabad and Govt. Primary School, Shaikpet, Hyderabad in the month of December’2016.

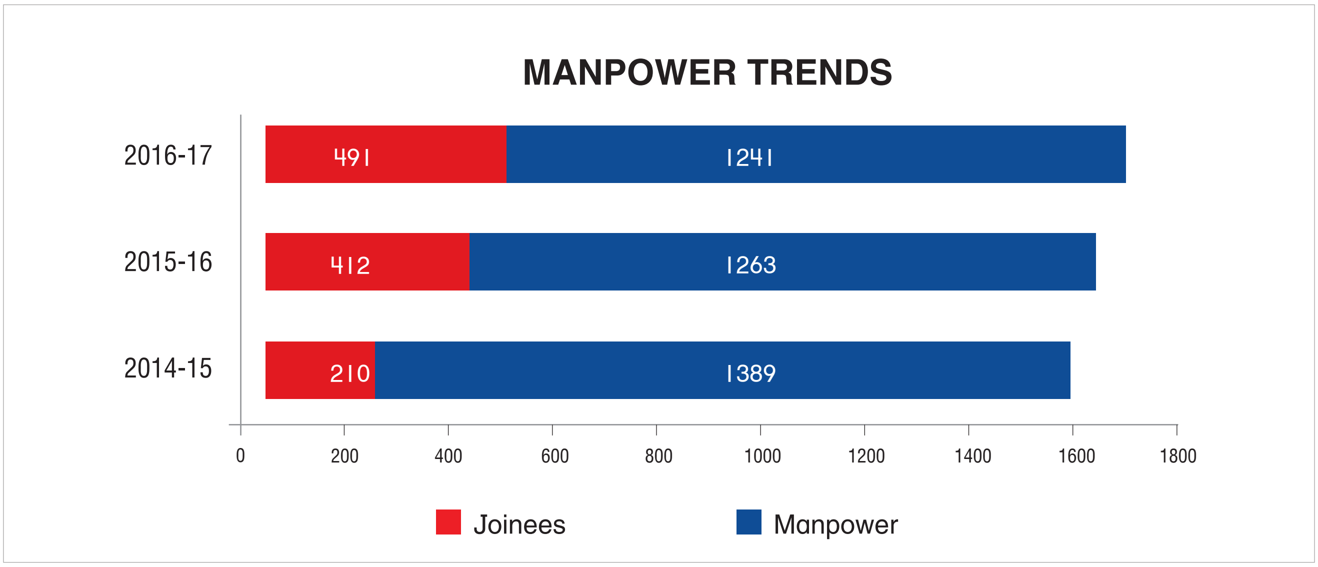
This was initiated as a part of Smile Foundation 8th Anniversary Celebrations so as to encourage the artistic talent in school children. The theme for the Competition was to protect the Environment, and create awareness on eco-friendly habits and practices. Around 100 kids took part in this with a lot of enthusiasm. DQSF recognized the efforts of these children and awarded them with the prizes.

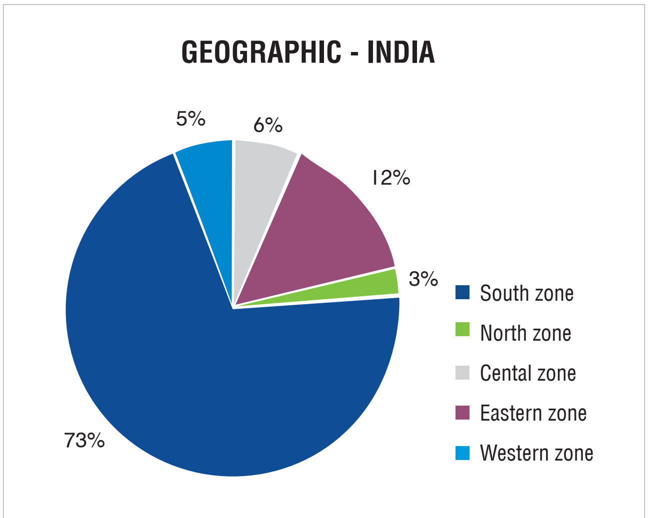
Blood Donation Camp

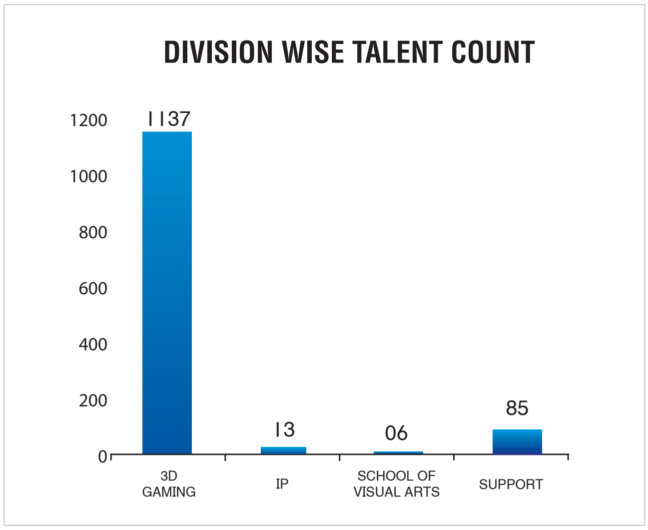
DQSF and Lions Club of Hyderabad Cosmo together organized a Blood Donation Camp at DQE, DLF in January’2017. A good number of 300 Associates donated blood on this occasion. All the donors were felicitated with Certificates. The Lions Club of Hyderabad Cosmo appreciated the efforts of DQSF.

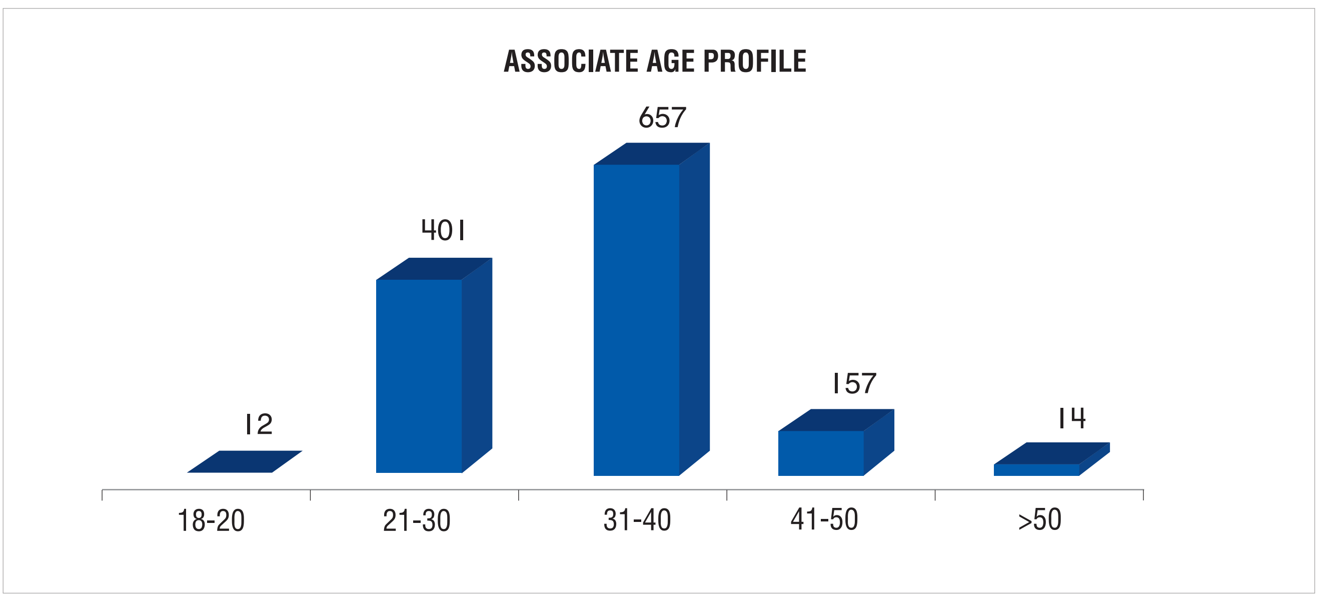
Blood Donation Camp at DQE, DLF in January’2017

DEMOGRAPHICS (AS ON MARCH 31ST 2017):









CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance is essentially a system by which Companies are governed and controlled by the management under the direction and supervision of the Board in the best interest of all stakeholders. It is not mere compliance of laws, rules and regulations, but also the application of best management practices and adherence to the highest ethical principles in all its dealings, to achieve the objects of the Company, enhance stakeholder value and discharge its social responsibility. Above all, it is a way of life, rather than merely a legal compulsion.

These are articulated through Company's Code of Conduct, Corporate Governance Guidelines and charters of various sub-committees of the Board. The Company is in compliance with the requirements stipulated under SEBI (LODR) Regulations, 2015 with regard to corporate governance.

2. CODE OF CONDUCT:

In its pursuit for excellence, the Company has a code of conduct for Board Members and Senior Management team and a code of conduct for prevention of Insider Trading in securities of the Company. All the Board members and Senior Management personnel have affirmed compliance with the code for the financial year ending 31st March 2017.

3. BOARD OF DIRECTORS:

(i) As on March 31, 2017, the Company has 5 Directors. Of the 5 Directors, three (i.e. 60%) are Independent and Non-Executive Directors. The composition of the Board is in conformity with SEBI (LODR) Regulations, 2015.

(ii) None of the Directors on the Board hold Directorships in more than ten public companies. Further, none of them is a member of more than ten committees or chairman of more than five committees across all the public companies in which he is a Director. Necessary disclosures regarding committee positions in other public companies as on March 31, 2017 have been made by the Directors.

(iii) Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of SEBI (LODR) Regulations, 2015. The maximum tenure of the Independent Directors is in compliance with the Companies Act, 2013 ("Act"). All the Independent Directors have confirmed that they meet the criteria as mentioned under SEBI (LODR) Regulations, 2015 and Section 149 of the Act.

(iv) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company and there are no inter-se relationships between any of the Directors.

(v) Six (6) Board Meetings were held during the year and the gap between two meetings did not exceed one hundred and twenty (120) days. The dates on which the said meetings were held are as follows: April 26, 2016; May 30, 2016; August 12, 2016; November 14, 2016; February 09, 2017 and March 23, 2017. The Board has periodically reviewed compliance reports of all laws applicable to the Company, prepared by the Company and appropriate steps taken by the Company, where applicable.

(v) None of the independent Directors are serving as independent Directors in more than seven listed companies.

(vi) Except for Mr. Tapaas Chakravarti, who holds 41 shares as nominee of DQ Entertainment (Mauritius) Limited, none of the Directors hold any shares in the Company. The Company has not issued any shares or convertible debentures to Directors.

(vi) The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and committee chairmanships / memberships held by them in other public companies as on March 31, 2017 are given herein below:

Name of Director	Category	Number of Board meetings during the year 2016-17		Whether attended last AGM held on September 30, 2016	Number of Directorships in other Public Companies ^	Number of Committee position held in other Public Companies #	
		Held	Attended			Chairman	Member
Mr. Tapaas Chakravarti DIN 00559533	Promoter, Executive	6	6	Yes	Nil	Nil	Nil
Ms. Rashida Adenwala DIN 00008212	Non Independent, Professional	6	6	Yes	Nil	Nil	Nil
Mr. S. Sundar DIN 03170456	Independent, Non- Executive	6	5	No	Nil	Nil	Nil
Mr. B.N.Sirish DIN 02023568	Independent, Non- Executive	6	5	Yes	Nil	Nil	Nil
Mr. Auknoor Goutam DIN 02652304	Independent, Non- Executive	6	5	Yes	Nil	Nil	Nil

^ Other Directorships do not include Directorships of private limited companies, Section 8 companies and of companies incorporated outside India.

Chairmanships / memberships of Board committees shall include only audit committee and stakeholders' relationship committee.

4. AUDIT COMMITTEE:

The Audit Committee met four times during the year on May 30, 2016; August 12, 2016; November 14, 2016 and February 9, 2017. The gap between two meetings did not exceed 120 days and the necessary quorum was present for all the meetings.

The composition of the Audit committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2016-17	
		Held	Attended
Mr. S. Sundar (Chairman)	Independent, Non-Executive	4	4
Mr. B.N.Sirish	Independent, Non-Executive	4	3
Ms. Rashida Adenwala	Non - Independent, Professional	4	4

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management financial reporting process, to ensure accurate and timely disclosures with transparency, integrity and quality.

All the Audit Committee members are financially literate and bring in expertise in the fields of finance, economics and management. Also, the Chief Financial Officer, the Statutory Auditors and Internal Auditors attend the Committee meetings as invitees.

The Audit Committee shall carry out role and review of information as stipulated in Part C of Schedule II of SEBI (LODR) Regulations, 2015. The scope of activity of the Committee is also in consonance with the provisions of Section 177 of the Companies Act, 2013. The role of the Audit Committee is broadly as under:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

   a. Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013

   b. Changes, if any, in accounting policies and practices and reasons for the same

   c. Major accounting entries involving estimates based on the exercise of judgment by management

   d. Significant adjustments made in the financial statements arising out of audit findings

   e. Compliance with listing and other legal requirements relating to financial statements

   f. Disclosure of related party transactions

   g. Modified opinion(s) in the draft audit report

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

8. Approval or any subsequent modification of transactions of the Company with related parties;

9. Scrutiny of inter-corporate loans and investments;

10. Valuation of undertakings or assets of the Company, wherever it is necessary;

11. Evaluation of internal financial controls and risk management systems;

12. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

14. Discussion with internal auditors of any significant findings and follow up there on;

15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

18. To review the functioning of the Whistle Blower mechanism;

19. Approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

5. NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee met three times during the year on May 30, 2016; August 12, 2016 and February 9, 2017. Necessary quorum was present for all the meetings.

The composition of the Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2016-17	
		Held	Attended
Mr. S. Sundar (Chairman)	Independent, Non-Executive	3	3
Mr. B.N.Sirish*	Independent, Non-Executive	3	1
Mr. Goutam Auknoor	Independent, Non-Executive	3	2
Ms. Rashida Adenwala	Non - Independent, Professional	3	3

*Mr. B.N Sirish expressed his inability to continue as member of Nomination & remuneration Committee and hence it was re-constituted in the Board meeting held on May 30, 2016.

The Nomination and Remuneration Committee has been empowered with the role and functions as per the provisions specified under sub-part A of Part D of Schedule II of SEBI (LODR) Regulations, 2015 including the appointment and finalizing the remuneration of senior level employees of our Company. The purpose of the Committee is to monitor the Company's nomination process of the senior level management and to identity and review the individuals capable of serving in the Board level or senior management team of the company.

The terms of reference of Nomination and Remuneration Committee include:

1. Formulation of the criteria for determining qualifications, positive attributes and Independence of a Director and recommend to the Board a policy, relating to the remuneration of the Directors, key managerial personnel and other employees;

2. Formulation of criteria for evaluation of Independent Directors and the Board;

3. Devising a policy on Board diversity;

4. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Performance evaluation criteria for Independent Directors:

The Nomination & Remuneration Committee and the Board evaluated the performance of Independent Directors in terms of the provisions of the Act, the SEBI (LODR) Regulations, 2015 and the policy adopted by the Company for performance evaluation. The criteria for evaluation included attendance, level of participation, commitment, effective management of relationship with stakeholders, independence of judgement, integrity and maintenance of confidentiality by Independent Directors.

6. DETAILS OF REMUNERATION TO DIRECTORS:

(i) All the non-executive Directors of the Company are paid sitting fees in the following manner*.

Type of Meeting	Sitting Fees (per meeting)
Board Meeting	Rs. 1,00,000/-
Audit Committee	Rs. 30,000/-
Nomination & Remuneration Committee	Rs. 30,000/-
Corporate Social Responsibility Committee	Rs. 40,000/-
Stakeholders Relationship Committee	Rs. 10,000/-
Separate Meeting of Independent Directors	Rs. 75,000/-

*Sitting fees was revised in the Board meeting held on March 23, 2017. Prior to the meeting, all the non-executive Directors of the Company were paid sitting fees @ Rs. 25,000/- (Rupees twenty five thousand) for attending every meeting of the Board of Directors and Rs. 15000/- (Rupees fifteen thousand) for committee meeting.

(ii) The criteria for making payment to Non-executive Directors are contained in Nomination & Remuneration policy of the Company, which forms part of the Board's report as **Annexure III**.

(iii) The details of the salary paid to the executive/non-executive Directors of the Company are as follows:

(a) Remuneration to whole-time Director of the Company:

Name of the Director	Salary and allowances (Rs.)	Other perquisites (Rs.)	Commission (Rs.)	Total (Rs.)
Mr. Tapaas Chakravarti	9,586,663	1,008,000	Nill	10,594,663

(b) Remuneration paid to non-whole time Directors of the Company:

Name of the Director	Sitting fees (Rs.)	Professional fees (Rs.)	Total (Rs.)
Mr. S. Sundar	390,000	-	390,000
Mr. B. N. Sirish	305,000	-	305,000
Mr. Auknoor Goutam	270,000	-	270,000
Ms. Rashida Adenwala	-	120,000	120,000
Total	**965,000**	**120,000**	**1,085,000**

(iv) No stock options were granted to the Directors during the financial year 2016-17.

7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Corporate Social Responsibility Committee of the Company comprises of the following members:

(i) Mr. Auknoor Goutam - Chairman (Independent, Non-Executive)
(ii) Mr.Tapaas Chakravarti - Member (Promoter, Executive)
(iii) Ms.Rashida Adenwala - Member (Non - Independent, Professional)

The committee was re-constituted in the Board meeting held on March 23, 2017. Prior to re-constitution, Mr. S. Sundar was holding the chairmanship in place of Mr. Auknoor Goutam.

One meeting of the Committee was held during the year on May 30, 2016 which was attended by all the committee members.

The terms of reference of Corporate Social Responsibility Committee include:

1. Demonstrate commitment to the common good through responsible business practices and good governance.

2. Set high standards of quality in the delivery of services in the social realm.

3. Engender a sense of empathy and equity among employees of DQE to motivate them to give back to the society

8. STAKEHOLDERS' RELATIONSHIP COMMITTEE:

The Committee is entrusted with the responsibility to resolve the grievances of stakeholders and strengthening of Investor relations. The Committee comprises:

(i) Mr. S. Sundar - Chairman(Non-Executive Director)
(ii) Mr. Tapaas Chakravarti - Member
(iii) Ms. Rashida Adenwala - Member

The Committee performs inter alia the role/functions as set out in sub-part B of Part D of Schedule II of SEBI (LODR) Regulations, 2015 and includes:

(i) Investor relations and redressal of shareholders grievances in general and relating to non-receipt of dividends, interest, non- receipt of balance sheet etc.;

(ii) Oversee the performance of Registrar and Transfer Agents; and

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

Details of investor complaints received and resolved from April, 2016 to March, 2017 are as follows:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
0	0	0	0

9. GENERAL BODY MEETINGS:

(i) Location and time where last three Annual General Meetings held:

Year	Date	Venue	Time	Special Resolution(s) passed
2015-16	30.09.2016	Hotel 'The Plaza', 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad – 500 016	3.15 p.m.	1) To approve revision in remuneration of Mr. Tapas Chakravarti, CMD & CEO 2) To approve material related party transaction with Method Animation S.A.S
2014-15	30.09.2015	Hotel 'The Plaza', 6-3-870, Tourism Plaza, Greenlands, Begumpet, Hyderabad – 500 016	2.30 p.m.	Alteration of Articles of Association.
2013-14	30.09.2014	Hotel Haritha Plaza 6-3-870, Balayogi Paryatak Bhavan,Greenlands,Begumpet	2.30 p.m.	Nil

(ii) Postal Ballot: No resolution was passed through postal ballot during the year.

(iii) No resolution is proposed to be conducted through postal ballot at the ensuing AGM.

10. MEANS OF COMMUNICATION:

The quarterly, half-yearly and annual financial results are generally published in Financial Express/Business Standard (national dailies) and in Nava Telangana (vernacular (Telugu) daily).

The official press releases of the Company are sent to all the stock exchanges where the shares of the Company are listed through e-mail for information of the public at large.

11. GENERAL SHAREHOLDER INFORMATION:

(i) Annual General Meeting
Date: Thursday, September 28, 2017
Time: 2.30 p.m.
Venue: 'The Plaza', 6-3-870,
Tourism Plaza, Begumpet,
Hyderabad - 500 016.

(ii) The financial year of the Company is from April 01 to March 31 of the following year.

(iii) Listed at:
BSE Limited, Floor 25, P. J. Towers, Dalal Street, Mumbai 400 001.
National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

Listing fees for the financial year 2016-17 has been paid to all the Stock Exchanges, where the shares of the Company are listed.

(iv) Stock Codes/Symbol at BSE Limited: 533176 and National Stock Exchange of India Limited: DQE

(v) Date of Book Closure: 22nd day of September 2017 to 28th day of September 2017.

(vi) Market Price Data & Performance in comparison to Broad based indices i.e., SENSEX, NIFTY

The equity shares of the Company were listed on the BSE Limited (BSE) on March 29, 2010.

The equity shares of the Company were listed on the National Stock Exchange of India (NSE) Limited on June 20, 2011.

The monthly high and low of the market price of the equity shares of the Company having a face value of Rs.10/- each on the BSE & NSE for the period from April 1, 2016 to March 31, 2017 and comparison of performance to broad based indices i.e., SENSEX, NIFTY are as follows:

	BSE SENSEX		DQ share price on BSE		No. of shares traded	Turnover (Rs.)
Month	High Price	Low Price	High Price	Low Price		
April 2016	26,100.54	24,523.20	24.85	20.35	5,392	3,56,31,497
May 2016	26,837.20	25,057.93	28.80	22.40	10,568	3,51,60,425
June 2016	27,105.41	25,911.33	28.00	23.25	3,915	1,41,36,752
July 2016	28,240.20	27,034.14	28.50	23.50	3,957	1,50,57,573
August 2016	28,532.25	27,627.97	26.00	19.55	4,761	1,59,74,115
September 2016	29,077.28	27,716.78	24.80	20.2	3,693	1,44,15,690
October 2016	28,477.65	27,488.30	29.85	22.00	8,935	9,11,78,669
November 2016	28,029.80	25,717.93	29.85	20.20	3,357	1,69,04,890
December 2016	26,803.76	25,753.74	23.35	21.15	1,198	64,73,732
January 2017	27,980.39	26,447.06	24.50	21.45	1,230	69,64,404
February 2017	29,065.31	27,590.10	23.95	19.60	1,726	90,94,046
March 2017	29,824.62	28,716.21	23.60	18.50	2,976	1,15,03,352

	NSE NIFTY		DQ share price on NSE		No. of shares traded	Turnover (Rs.)
Month	High Price	Low Price	High Price	Low Price		
April 2016	7992	7516.85	24.85	19.9	3,430,201	80,959,253.95
May 2016	8213.6	7678.35	28.75	22.55	3,733,825	96,331,474.10
June 2016	8308.15	7927.05	27.9	22.15	1,757,192	45,686,547.40
July 2016	8674.7	8287.55	28.6	23.5	1,787,463	46,634,184.60
August 2016	8819.2	8518.15	25.65	19.6	1,886,362	42,934,295.20
September 2016	8968.7	8555.2	24.85	20.2	1,369,362	31,557,329.30
October 2016	8806.95	8506.15	29.85	21.9	3,648,921	98,923,940.65
November 2016	8669.6	7916.4	29.7	20	1,598,784	39,281,433.10
December 2016	8274.95	7893.8	23.5	21	487,641	10,800,107.60
January 2017	8672.7	8133.8	23.95	21.3	744,605	16,955,920.95
February 2017	8982.15	8537.5	23.95	19.8	864,519	17,858,993.00
March 2017	9218.4	8860.1	23.65	18	1,716,960	35,752,499.75

(vii) Registrar and Transfer Agents & Place for Acceptance of Documents
Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot No 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad – 500 032, Telangana
Tel No. +91-40-67161585 Facsimile: +91 40 2342 0814
Email: einward.ris@karvy.com
Website: www.karvycomputershare.com

(viii) Share Transfer System
Transfer of demat shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with Karvy at the above mentioned address.

Transfer of shares in physical form is normally processed within fifteen days from the date of receipt, if the documents are complete in all respects.

(ix) Shareholding Pattern of the Company & Distribution of shareholding as on March 31, 2017

Shareholding pattern as on March 31, 2017

Category code	Category of shareholder	No. of shareholders	Total No. of shares	As a percentage of (A+B+C)
(A)	Promoter And Promoter Group			
(1)	Indian	6	246	0.00
(2)	Foreign	1	59461972	75.00
	Total shareholding of promoter and promoter group	**7**	**59462218**	**75.00**
(B)	Public Shareholding			
(1)	Institutions	3	787622	0.99
(2)	Non-Institutions	14374	19033160	24.01
	Total public shareholding	**14377**	**19820782**	**25.00**
(C)	Shares held by custodians, against which Depository Receipts have been issued			
(1)	Promoter and Promoter Group	-	-	-
(2)	Public	-	-	-
	GRAND TOTAL (A+B+C) :	**14384**	**79283000**	**100.00**

Distribution of shareholding as on March 31, 2017

S. No.	Category	Cases	% of Cases	Amount	% Amount
1	upto 1 - 5000	11334	78.80	16000220	2.02
2	5001 - 10000	1350	9.39	11531780	1.45
3	10001 - 20000	737	5.12	11673470	1.47
4	20001 - 30000	264	1.84	6985790	0.88
5	30001 - 40000	153	1.06	5599990	0.71
6	40001 - 50000	140	0.97	6665660	0.84
7	50001 - 100000	210	1.46	15853540	2.00
8	100001 & ABOVE	196	1.36	718519550	90.63
	Total:	14384	100.00	792830000	100.00

(x) Dematerialisation of shares & liquidity

As on March 31, 2017, 79,154,373 equity shares amounting to 99.84% of the paid-up equity capital of the Company are held in dematerialized form. The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's equity shares are regularly traded on BSE & NSE, in dematerialised form. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE656K01010.

(xi) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on March 31, 2017, the Company did not have any outstanding GDRs /ADRs /Warrants or any Convertible instruments.

(xii) Location of offices/production centers

Sr.No	Type of Property/Location	Primary Use
1.	Municipal Nos. 8-2-268/1/A and 8-2-268/1/A/2N, Plot No. 644, Road No 3, Aurora colony, Banjara Hills, Hyderabad 500034	Registered/ Corporate office
2.	Municipal No. 8-2-268/10/D/1, Plot No 554, Road No 3, Banjara Hills, Hyderabad 500034	Finance & Accounts
3.	Plot No. 5, Survey No. 403/151/2, Shaikpet Village, Women's Co-operative Housing, society, Road No. 2 Banjara Hills, Hyderabad -500039.	Production Centre
4.	DLF Cybercity, SEZ Zone, Block-3, Ground floor, APHB Colony, Gachibowli, Hyderabad – 500 019	Production Centre
5.	Module No 312-315, SDF Building, Salt Lake Electronics Complex, Software Technology Park Zone, Sector V, Bidhan Nagar, Kolkata 700091	Production Centre
6.	Plot No.5, Block-BP, Sector V, Salt Lake, Bidhannagar, Kolkata-7000 91.	DQ School of Visual Arts

(xiii) Name and designation of Compliance Officer:

Mr. Sachin Guha was the Company Secretary and Compliance officer and he resigned w.e.f October 31, 2016. The Company has now appointed Ms. Annie Jodhani as the Company Secretary and Compliance Officer in the Board meeting held on June 5, 2017.

(xiv) Address for correspondence:
DQ Entertainment (International) Limited
644, Aurora Colony,
Road No.3, Banjara Hills,
Hyderabad - 500 034,
Telengana, India.
Ph. No: 0091-40-23553726 & 27,
Fax: 0091-40-23552594.
Email ID: investors@dqentertainment.com

12. OTHER DISCLOSURES:

(i) All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis.

There were no materially significant related party transactions that may have potential conflict with the interests of the company at large.

(ii) There were no instances of non-compliance of any matter relating to the capital markets during the year under review. Hence, there have been no penalties, strictures imposed by SEBI / Stock Exchanges or any other statutory authorities on matters related to capital market during the last three years.

(iii) The Company has formulated a Whistle Blower Policy to provide Vigil Mechanism for employees including Directors of the Company to report genuine concerns. We affirm that no personnel have been denied access to the Audit Committee during the year under review.

(iv) We have complied with the mandatory requirements of the Corporate Governance as specified hereinabove. The following non-mandatory requirements were also complied with:

(a) The company is in the regime of financial statements with unmodified audit opinion.

(b) The Internal auditor of the company reports directly to the audit committee.

NOTE: Disclosures with respect to Demat suspense account/unclaimed suspense account are not applicable as there are no shares in demat suspense account/unclaimed suspense account.

DECLARATION

As provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I, Tapaas Chakravarti, CMD & CEO of the Company hereby declare that all members of the Board of Directors and Senior Management Personnel have affirmed compliance with DQ Entertainment (International) Limited Code of Conduct for the year ended March 31, 2017.

Hyderabad
August 11, 2017

Tapaas Chakravarti
CMD & CEO

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

To
The Members of
DQ Entertainment (International) Limited
644, Aurora Colony,
Road No. 3, Banjara Hills,
Hyderabad, Telangana – 500034,

We have examined the compliance of conditions of Corporate Governance by M/s. DQ Entertainment (International) Limited (hereinafter called as "the Company") for the year ended 31st March, 2017 as stipulated in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) pursuant to listing agreement of the said company with the Stock Exchanges.

The Compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as specified in Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 pursuant to listing agreement of the said company with the Stock Exchanges.

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 and Behalf of
PI & Associate

Date: August 11, 2017
Place: Hyderabad

(R.Ramkrishna Gupta)
FCS No : 5527
CP No : 6696

CEO & CFO CERTIFICATION

To
The Board of Directors
DQ Entertainment (International) Limited
Hyderabad.

We, Tapaas Chakravarti, Chairman, Managing Director and Chief Executive Officer, and Sanjay Choudhary, Chief Financial Officer of DQ Entertainment (International) Limited, to the best of our knowledge and belief, certify that:

A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2017 and that to the best of our knowledge and belief:

(1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(2) these statements together present a true and fair view of the listed entity'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 violative of the listed entity's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such 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

(1) significant changes, if any, in internal control over financial reporting during the year;

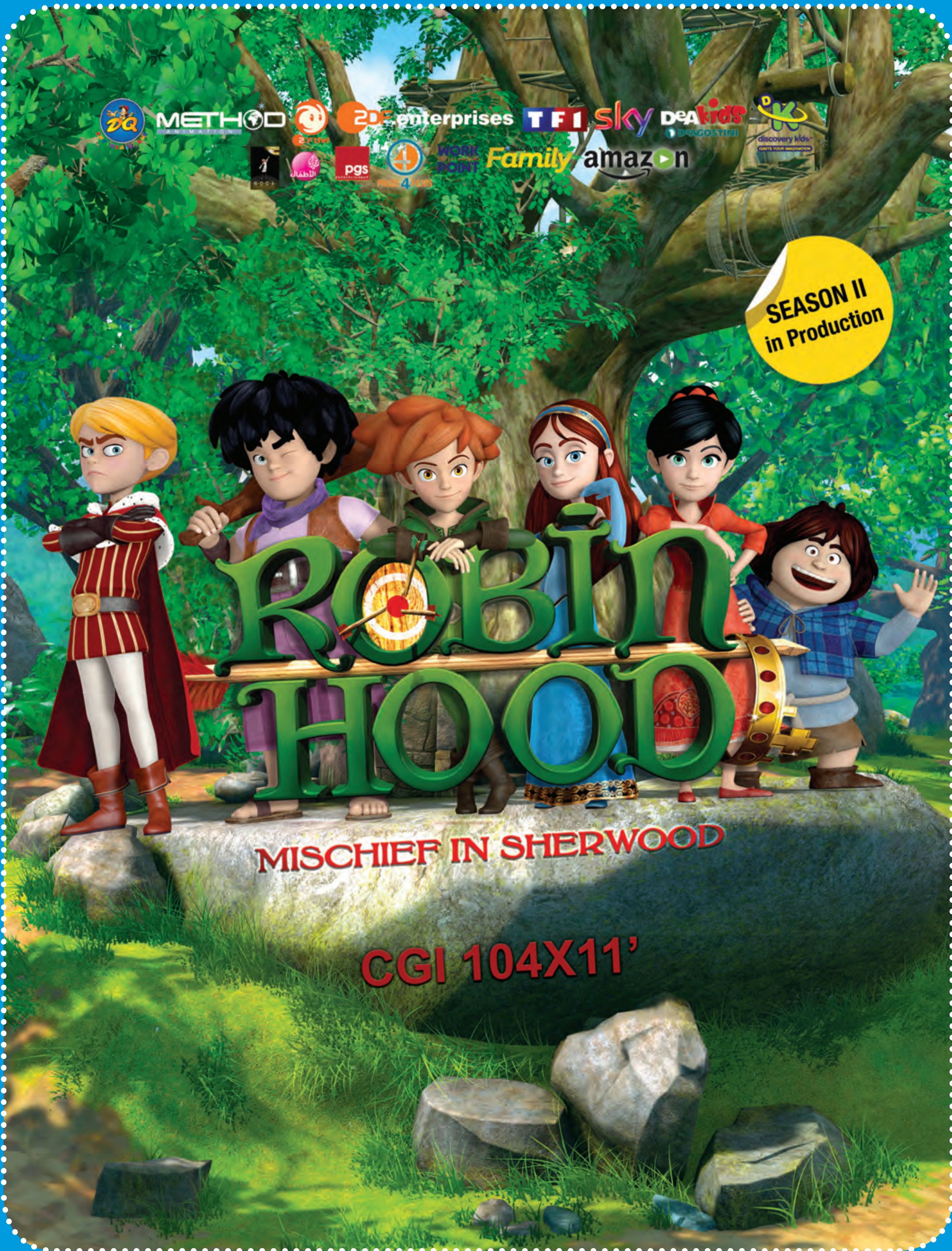
(2) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

(3) instances of significant fraud of which we 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 over financial reporting.

Hyderabad
August 11, 2017

Tapaas Chakravarti
CMD & CEO

Sanjay Choudhary
Chief Financial Officer



AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To
The Members of DQ Entertainment (International) Limited

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of DQ Entertainment (International) Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its loss and its cash flows for the year ended on that date.

EMPHASIS OF MATTERS

We draw attention to note 15 to the Standalone Financial Statements in relation to provision for doubtful debts against trade receivables outstanding for more than one year amounting to Rs. 1,992.93 Million.
Our opinion is not modified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) The matter described in sub-paragraph (a) under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

(f) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) The emphasis of matter relating to the maintenance of accounts and other matters connected therewith are as stated in the paragraph above.

(h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'

(i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 25(c) to the standalone financial statements.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 16.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of sub-section 11 of section 143 of the Act, we give in the 'Annexure B', a statement on the matters specified in paragraphs 3 and 4 of the Order.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Place : Hyderabad
Date : 06th June, 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF DQ ENTERTAINMENT (INTERNATIONAL) LIMITED ("the Company")

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

To the Members of DQ Entertainment (International) Limited ("the Company")

We have audited the internal financial controls over financial reporting of DQ Entertainment (International) Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

EXPLANATORY PARAGRAPH

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act, the standalone financial statements of the Company, which comprise the Balance Sheet as at March 31, 2017, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated 06th June, 2017 expressed an unqualified opinion.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Place : Hyderabad
Date : 06th June, 2017

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of DQ Entertainment (International) Limited on the financial statements for the year ended March 31st 2017]

i. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) All the fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.

ii. The Company is involved in the business of rendering services. Accordingly, the requirements of paragraph 3(ii) of the Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured to Companies, firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans, investments, guarantees and security made.

v. In our opinion and according to the information and explanations given to us, there are no amounts outstanding which are in the nature of deposits as on 31st March, 2017 and the Company has not accepted any deposits during the year.

vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the order are not applicable to the Company.

vii. (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have not been regularly deposited with the appropriate authorities and there has been a delay in few cases.

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues which were outstanding, as at 31st March, 2017 for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Due Date	Date of Payment
Income Tax Act 1961	Income Tax	78,308,540	AY 2015-16	March 2015	Not yet paid
Income Tax Act 1961	Income Tax	133,442,131	AY 2016-17	March 2016	Not yet paid
Income Tax Act 1961	TDS U/S 92B	4,149,496	AY 2017-18	Jul-16,Aug-16,Sep-16	Paid in Apr-2017
Provident fund Act	Provident fund	12,192,834	FY 2016-17	Jul-16,Aug-16,Sep-16	Paid in Apr-2017
	TOTAL	**228,093,001**			

(b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and any other statutory dues on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (`)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act 1961	Transfer Pricing	10,511,254	AY 2008-09	Hon'ble High Court
Income Tax Act 1961	Withholding tax on International Transactions	9,642,147	AY 2005-06, 2006-07 & 2007-08	Hon'ble High Court
Income Tax Act 1961	Transfer Pricing	8,395,971	AY 2010-11	ITAT
Income Tax Act 1961	Transfer Pricing	35,523,316	AY 2013-14	Filed before DRP
Service Tax	Service tax on import of services & Disallowance of ITC	14,277,431	FY 2009-10 to 2010-11	Commissioner, Service tax commissioner ate
Service Tax	Service tax on import of services	80,554,815	FY 2012-13, 2013-14 & 2014-15	office of the Commissioner (Audit) , Central excise & Service tax
Provident fund	Default in payment of contributions	34,928,878	FY 2013-14 to 2016-17	Assistant regional provident fund commissioner
	Total	193,833,812		

viii. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to the financial institution, bank or debenture holders. The details of such default are as follows:

Particulars	Amount of default as at 31st March, 2017	Period of default	Remarks, if any
i) Name of the lenders in case of:			
Bank:			
1. Andhra Bank FITL	7,253,333	April 2016 to January 2017	Default of Principal repayment
	3,104,092	April 2016 to March 2017	Default of Interest repayment
2. Andhra Bank TL	109,500,000	March 2016, to March 2017	Default of Principal repayment
	35,694,964	April 2016 to March 2017	Default of Interest repayment
3.Exim Bank SBLC	165,257,827	March 2017	Default of Principal repayment
	871,304	March 2017	Default of Interest repayment
TOTAL	**321,681,520**		

Also the company had overdrawn cash credit limits in case of Indian Overseas Bank and Andhra Bank

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees during the course of our audit.

xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Place : Hyderabad
Date : Date : 06th June 2017

Balance Sheet as at 31 March, 2017

Amount in ₹

	Notes	As at 31 March 2017		As at 31 March 2016	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	3	792,830,000		792,830,000	
(b) Reserves and Surplus	4	2,067,299,824		3,930,984,152	
			2,860,129,824		4,723,814,152
(2) Non-Current Liabilities					
(a) Long-Term Borrowings	5	17,151,548		112,721,434	
(b) Long Term Provisions	7	153,712,388		127,901,484	
			170,863,936		240,622,918
(3) Current Liabilities					
(a) Short Term Borrowings	8	822,068,752		504,163,157	
(b) Trade Payables	9	32,976,588		117,266,864	
(c) Other Current Liabilities:					
(i) Current maturity of long term borrowings		378,727,327		119,817,431	
(ii) Others	10	805,006,511		703,256,671	
(d) Short Term Provisions	11	223,487,804		336,400,320	
			2,262,266,982		1,780,904,443
Total			**5,293,260,742**		**6,745,341,513**
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed assets	12				
(i) Tangible assets		94,448,735		116,850,378	
(ii) Intangible assets		615,537,602		836,820,240	
(iii) Capital work-in-progress		1,891,736		1,166,745	
(iv) Intangible asset under construction	12.1	41,749,844		100,744,301	
(b) Non-current investments	13	1,167,503,270		1,167,503,270	
(c) Deferred tax Assets (Net)	6	677,112,096		67,561,341	
(d) Long-term loans and advances	14	191,219,335		202,831,681	
(e) Other non-current assets		-		-	
			2,789,462,618		2,493,477,956

(2) Current Assets					
(a) Trade receivables	15	1,648,119,306		3,830,156,112	
(b) Cash and bank balances	16	30,862,936		89,502,526	
(c) Short-term loans and advances	17	611,418,759		8,489,717	
(d) Other Current Assets - Unbilled revenue		213,397,123		323,715,202	
			2,503,798,124		4,251,863,557
Total			**5,293,260,742**		**6,745,341,513**
Significant accounting policies	1				
Notes to accounts	2 - 38				

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Statement of Profit and Loss for the year ended 31 March 2017

Amount in ₹

	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
Income:			
Revenue from operations	18	860,035,536	1,710,437,139
Other income	19	88,399,627	195,565,246
Total revenue		**948,435,163**	**1,906,002,385**
Expenses:			
Production expenses	20	53,282,003	90,672,638
Personnel cost	21	481,436,885	537,686,411
Administrative and other expenses	22	2,380,965,207	443,520,007
Finance cost	23	160,706,984	144,594,290
Depreciation and amortisation expenses	12	347,774,585	366,107,276
		3,424,165,664	**1,582,580,622**
Profit before tax		**(2,475,730,501)**	**323,421,763**
Tax expense:			
Current tax		-	(133,442,131)
Earlier year taxes		-	-
Less: MAT credit entitlement		2,495,418	5,483,406
Less: MAT credit entitlement earlier year		-	-
Deferred tax		609,550,755	45,915,857
Profit after Tax		**(1,863,684,328)**	**241,378,895**
Earnings Per Equity Share (Refer Note 33)			
Basic -		(23.51)	3.04
Diluted -		(23.51)	3.04
Significant accounting policies	1		
Notes to accounts	2 - 38		

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Cash Flow Statement for the year ended 31 March 2017

Amount in ₹

		31 March 2017		31 March 2016	
A	**Cash flow from Operating Activities**				
	Profit Before Tax		(2,475,730,501)		323,421,763
	Adjustments for				
	Depreciation and amortisation	347,774,585		366,107,276	
	Interest income	(1,949,461)		(6,227,566)	
	Liabilities no longer required written back	(73,740,815)		(1,402,596)	
	Provision for bad and doubtful debts and other non cash items	1,978,964,290		192,976,971	
	Loss on investment in subsidiary	-		199,980	
	Interest expenses	131,849,317		108,579,826	
	(Profit) / Loss on sale of fixed assets	(1,244,252)		(315,781)	
	Unrealised (gain)/loss due to exchange differences	103,467,787		(157,995,312)	
			2,485,121,451		501,922,798
	Operating profit before working capital changes		9,390,950		825,344,561
	Adjustments for changes in				
	Trade and other receivables	*(370,538,487)*		*(426,352,041)*	
	Trade payables, other liabilities and provisions	51,223,473		(3,787,443)	
		(319,315,014)		(430,139,484)	
	Income tax paid	(102,000,000)		(56,500,000)	
			(421,315,014)		(486,639,484)
	Net Cash(used in)/from Operating activities		**(411,924,064)**		**338,705,077**
B	**Cash flow from Investing Activities**				
	Purchase of fixed assets - Tangibles	(5,535,531)		(65,264,287)	
	Purchase of fixed assets - Intangible	(41,255,849)		(31,561,844)	
	Proceeds from Sale of fixed assets	2,214,794		400,011	
	Proceeds/(Investments) in maturity of long term deposits	-		-	
	Interest received on deposits with banks and other deposits etc.,	2,097,700		6,079,327	
	Net Cash used in Investing activities		**(42,478,886)**		**(90,346,793)**

C	**Cash flow from Financing Activities**				
	Interest and financing charges paid	(93,399,170)		(100,341,659)	
	Proceeds from borrowings of unsecured loan from ultimate holding company	-		-	
	Proceeds from borrowings from term loans	233,680,990		-	
	Repayment of term loans	(15,149,835)		(124,003,946)	
	Inflow/(outflow) on account of working capital Loans (Net)	270,631,375		(4,370,229)	
	Net Cash from/(used in) Financing activities		**395,763,360**		**(228,715,834)**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		**(58,639,590)**		**19,642,450**
	Cash and cash equivalents as at the beginning of the year		**89,502,526**		**69,860,076**
	Net foreign exchange difference		**-**		**-**
	Cash and cash equivalents as at the end of the year (refer note 16)		**30,862,936**		**89,502,526**
	Cash and cash equivalents as per Balance Sheet		-		-

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Accounting Policies and Notes on Accounts

I. Significant Accounting Policies

a) Basis for Preparation of Financial Statements:
These financial statements are prepared under the historical cost convention on accrual basis in accordance with accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b) Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed Assets:
Fixed assets are stated at cost, less accumulated depreciation / amortization and impairment if any. Costs include all expenses incurred to bring the assets to its present location and condition.

Distribution rights represent the cost incurred on acquisition /development of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Capital work-in-progress also includes Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media, as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

d) Depreciation and Amortization:
Depreciation on fixed assets other than leasehold improvements is provided on straight-line method based on useful life as per schedule II of the Companies Act 2013 are as follows:

Hardware & Software (CGI*)	3 years
Hardware & Software (Others)	3 years
Generators	10 years
Office Equipment	5 years
Furniture & Fixtures	10 years
Vehicles	8 years

*Computer Generated Imagery

Individual assets costing less than Rs.5,000 are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.5, 000 or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortized over the primary period of lease.

Distribution Rights are amortized over the period of the rights or ten years whichever is lower.

e) Investment:
Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost and fair value.

f) Revenue Recognition:

(i) Production Revenue :

Revenue represents amounts receivable for production and is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the date of the balance sheet. The stage of completion can be measured reliably and is assessed by reference to work completed as of the date of the balance sheet. The company uses the services performed to date as a percentage of total services to be performed as the method for determining the stage of completion. Where services are in progress and where the amounts invoiced exceed the revenue recognised, the excess is shown as advance from customers. Where the revenue recognized exceeds the invoiced amount, the amounts are classified as unbilled revenue.

The stage of completion for each episode is estimated by the management at the onset of the series by breaking each episode into specific activities and estimating the efforts required for the completion of each activity. Revenue is then allocated to each activity based on the proportion of efforts required to complete the activity in relation to the overall estimated efforts. Management's estimates of the efforts required in relation to the stage of completion, determined at the onset of the series, are revisited at the date of the balance sheet and any material deviations from the initial estimate are recognised in the profit and loss account. The company's services are performed by a determinable number of acts over the duration of the project and hence revenue is not recognised on a straight-line basis. Contract costs that are not probable of being recovered are recognised as an expense immediately.

(ii) Distribution Revenue:

Revenue from the licensing of distribution rights where there is an ongoing performance obligation is recognized on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee. Revenue from the licensing of distribution rights under a non-cancellable contract, which permits the licensee to freely exploit those rights and where the Company has no remaining obligations to perform, is recognised at the time of sale.

(iii) Training Revenue:

Training Revenue is recognized over the period of instruction.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iv) Dividends and Interest income:

Dividends are recorded when the right to receive payment is established. Interest income is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

(g) Foreign Currency Transactions:

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(h) Employee benefits

i) Post-employment benefit plans

Post-employment benefits are recognized as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

(i) Public Issue related expenses

Public issue related expenses are recognised as an expense in the profit and loss account in the year in which the expenses are incurred.

(j) Taxation

i) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10AA of the Income-tax Act, 1961 up to 31st March 2015. The Company has provided tax on its other taxable income earned during the year.

ii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

iii) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

(k) Provision for retakes

Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

(l) Leases

Lease payments for assets taken on Operating Lease are recognized in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

(m) Earnings per Share

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

- Basic Earnings per Equity Share has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period.

- Diluted Earnings per Equity Share has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

(n) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

(o) Impairment

The carrying amounts of the Company's assets, other than Unbilled Revenue and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes on accounts for the year ended 31 March 2017

2. Company overview:

The company is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The Company also does licensing of programmed distribution rights to broadcasters, television channels and home video distributors.

3. Share Capital:

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Authorised		
80,000,000 Equity shares of Rs.10/- each (31.03.2016: 80,000,000 shares of Rs.10/- each)	800,000,000	800,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid up		
79,283,000 Equity shares of Rs.10/- each fully paid up (31.03.2016: 79,283,000 Equity shares of Rs.10/- each fully paid up)	792,830,000	792,830,000
	792,830,000	**792,830,000**

3.1 Reconciliation of the number of shares

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Opening balance	79,283,000	79,283,000
Closing balance	**79,283,000**	**79,283,000**

3.2 Rights, preferences and restrictions attached to shares:

The company has one class of equity shares having a par value of Rs. 10 per share. Each share holder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subjected to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. Further, 75% of the shares of DQ Entertainment (Intl.) Ltd., have been pledged with the Bond Holders i.e. OL Masters at DQ Mauritius Limited.

3.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.4 Details of shares held by holding company and ultimate holding company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.5 Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2017):

Particulars	Year (Aggregate No. of Shares)				
	31 March 17	31 March 16	31 March 15	31 March 14	31 March 13
Bonus shares	Nil	Nil	Nil	Nil	Nil

4. Reserves and Surplus

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Capital redemption Reserve	1,763,860	1,763,860
Securities premium Account	1,946,676,687	1,946,676,687
General reserve	5,487,393	5,487,393
Profit and loss Account		
Balance brought forward	1,976,256,212	1,734,877,317
Add: Profit for the year	(1,863,684,328)	241,378,895
Closing balance	112,571,884	1,976,256,212
Other Reserves		
Capital subsidy *	800,000	800,000
	2,067,299,824	**3,930,984,152**

* Erstwhile DQ Entertainment Limited was sanctioned a Capital subsidy of Rs. 800,000 (31.03.2016: Rs.800,000) under clause 7(f) of ICT Incentive policy of the Government of Andhra Pradesh.

5. Long Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Term loans - Secured		
From banks	17,151,548	112,721,434
	17,151,548	**112,721,434**

5.1 Nature of Security and terms of repayment for secured borrowings:

Nature of Security	Terms of Repayment
The term loans from bank for Rs.12,860,595 (31.03.2016: Rs. 100,460,595) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles) Including Distribution Rights of the company, Second pari-passu charge on the current assets of DQ India and guarantee of a director	14 Qtrly Installments from Mar 2015. BR Plus 3.70%+.50% P.A payable monthly
The term loans from bank for Rs.36,26,666 (31.03.2016: Rs. 10,879,997) are secured by First pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	15 Qtrly Installments from Jan 2015. BR Plus 3.70%+.50% P.A payable monthly
The term loans from bank for Rs. 6,64,287 (31.03.2016: Rs. 1,380,842) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loan is 9.65% p.a. Effective

6. Deferred Tax

The major components of the Deferred Tax (net) are as under :

Amount in ₹

Timing Differences	(Liability) / Asset at 31 March 2016 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2017 (Rs.)
Depreciation	(25,630,814)	4,906,690	(20,724,124)
Gratuity	39,787,470	(1,966,188)	37,821,282
Leave encashment	10,855,459	584,957	11,440,416
Sick leaves	745,042	88,938	833,980
Provision for doubtful debts	41,804,184	605,936,358	647,740,542
Deferred Tax (Liability)/Assets - Net	**67,561,341**	**609,550,755**	**677,112,096**

Note: Deferred tax assets and deferred tax liabilities have been offset wherever the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

7. Long Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Provision for employee benefits (Refer Note 33)	153,712,388	127,901,484
	153,712,388	**127,901,484**

8. Short Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Working capital loans repayable on demand from banks - Secured	751,790,696	481,159,321
Loans and advances - Un-secured		
-from related parties	20,278,056	23,003,836
-from Others	**50,000,000**	**-**
	822,068,752	**504,163,157**

8.1 Nature of Security and terms of payment for secured short term borrowings:

Nature of Security	Terms of Repayment
The working capital loans from bank for Rs. 39,148,147 (31.03.2016: Rs. 13,430,431) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base rate plus 4.70% P.A. Payable monthly
The working capital loans from bank for Rs. 115,275,692 (31.03.2016: Rs. 116,172,940) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base Rate plus 3.95% p.a. payable monthly
The working capital loans from bank for Rs. 27,378,113 (31.03.2016: Rs. Nil) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base Rate plus 5.95% p.a. payable monthly
The working capital loans from bank for Rs. 569,988,744 (31.03.2016: Rs. 351,555,950) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with SBAR plus 3.25%

9. Trade Payables

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Sundry creditors		
for services	32,567,894	116,969,602
for others	408,694	297,262
	32,976,588	**117,266,864**

10. Other Current Liabilities - Others

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Others:		
Interest accrued but not due	-	22,478
Interest accrued and due to banks	46,688,314	8,215,689
Other Payables:		
Statutory dues payable	157,660,298	91,864,146
Income received in advance	168,270,467	188,399,180
Advance from customers	387,843	1,048,768
Unearned revenue	322,765,485	306,099,909
Employee benefits payable	64,579,010	60,991,513
Services	44,655,094	46,614,988
	805,006,511	**703,256,671**

11. Short Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Provision for employee benefits (Refer Note: 33)	8,409,548	20,584,330
Others:		
Taxation (Net of TDS receivables/with holding tax of Rs.20,753,697 (31.03.2016: Rs. 18,488,584))	190,783,097	295,048,210
Retakes (Refer Note 1(k)		
Opening balance	20,767,780	13,360,897
Add: Additional provision for the year	3,527,379	7,406,882
Less: Utilised during the year (including reversals)	-	-
Closing balance	24,295,159	20,767,780
	223,487,804	**336,400,320**

12. Please refer page number 114 for schedule on Fixed Assets.

13. Non Current Investment

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Other Investments:		
Investment in Equity Instruments- at cost - Unquoted		
In 100% wholly owned subsidiary company -DQ Entertainment (Ireland) Limited	1,167,503,270	1,167,503,270
(17,266,315 (31.03.2016 : 17,266,315) ordinary shares of face value Euro 1, fully paid)		
Investment in DQ Entertainment (International) Films Limited	89,245,345	89,245,345
(1,155,553 (31.03.2016 : 1,155,553) ordinary shares of face value Euro. 1/- fully paid)		
Less: Provision for diminution in value of investment in DQE Films	(89,245,345)	(89,245,345)
	1,167,503,270	1,167,503,270
Aggregate amount of quoted investments and Market Value thereof	-	-
Aggregate amount of unquoted investments	1,167,503,270	1,167,503,270
Aggregate provision for diminution in the value of investments	(89,245,345)	(89,245,345)

14. Long Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
(Unsecured, Considered Good)		
Security deposits	11,461,570	11,394,265
Other advances:		
Prepaid expenses	-	1,259
Claims receivable	25,607,204	39,781,014
MAT credit entitlement	154,150,561	151,655,143
	191,219,335	**202,831,681**

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15. Trade Receivable

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
(Unsecured)		
A) Debts outstanding for a period exceeding six months		
Considered good	1,438,853,258	3,062,341,092
Considered doubtful	2,096,247,709	120,793,414
B) Other debts	-	-
Considered good	209,266,048	767,815,020
Considered doubtful	-	-
	3,744,367,015	3,950,949,526
Less: Provision for bad and doubtful debts	(2,096,247,709)	(120,793,414)
	1,648,119,306	3,830,156,112

During the year, the company had made a provision of Rs. 1,992.93 Mn for doubtful debts. The company's revenues are primarily generated from Europe and US regions. The animation industry worldwide had experienced huge slowdown, thereby impacting the collections of the company. The provision relates to 23 projects, the outcome of which were clearly evident during the financial year 2016-17 (since inception, the company was able to successfully execute 200 plus projects and was able to collect the money from the customers). The management has during the year stopped working on these projects and are convinced that the monies from these projects are not recoverable. The management is also in the process of filing the application with the Reserve Bank of India for permission to write-off the bad debts.

The balances due from the subsidiary as at the balance sheet date amounts to Rs. 1,659.53 Mn. These represent dues from services rendered and monies provided to the subsidiary for development of IPs. Considering the present situation, the company is approaching the Reserve Bank of India for permission to convert an amount of Rs 1,415.54 Mn into investments in the subsidiary. This will enable the subsidiary to tide over the recession and complete the development activity.

16. Cash and Bank Balances

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
a) Cash and Cash Equivalents:		
Balances with Banks		
Current Accounts	10,885,317	925,268
Deposit Accounts	19,944,003	88,477,301
Cash on hand	33,616	99,957
	30,862,936	**89,502,526**
Balances with bank held as margin money deposits against guarantees and customs authorities	19,944,003	88,477,301

Cash and cash equivalants as of 31 March 2017 and 31 March 2016 includes restricted bank balances of Rs. 19,944,003 and Rs. 88,477,301 respectively. The restrictions are primarily on account bank balances held as margin money deposits against guarantees and customs authorities.

Details of Specified Bank Notes (SBN) held and transacted during the period 8th November 2016 to 30th December 2016:

Amount in ₹

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	7,500	14,160	21,660
(+) Permitted receipts		120,025	120,025
(-) Permitted payments		102,706	102,706
(-) Amount deposited in Banks	7,500		7,500
Closing cash in hand as on 30.12.2016	-	31,479	31,479

Amount in ₹

17. Short Term Loans and Advances

Particulars	As at	
	31 March 2017	31 March 2016
(Unsecured considered good)		
Interest accrued on deposits	-	148,239
Other advances	608,774,971	4,969,897
Prepaid expenses	2,643,788	3,371,581
	611,418,759	**8,489,717**

Amount in ₹

18. Revenue from Operations

Particulars	For the year ended	
	31 March 2017	31 March 2016
Production : Export	806,901,075	1,627,126,687
: Domestic	5,550,031	18,075,742
Distribution income	47,584,430	65,234,710
	860,035,536	**1,710,437,139**

19. Other Income

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Interest Income and others (including TDS of Rs.3,07,669 (31.03.2016: Rs.619,629))	1,949,461	6,227,566
Profit on sale of fixed assets	1,244,252	315,781
Liabilities no longer required written back	73,740,815	14,928,691
Foreign exchange fluctuation gain (net)	-	168,863,717
Miscellaneous income	11,465,099	5,229,491
	88,399,627	**195,565,246**

20. Production Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Production expenses - Direct	25,267,413	64,159,391
Power and fuel	28,014,590	26,513,247
	53,282,003	**90,672,638**

21. Personnel Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Salaries and wages	434,468,902	474,973,827
Contribution to provident fund	26,722,194	29,440,757
Staff welfare expenses	4,128,520	5,459,754
Gratuity*	13,103,657	22,855,600
Compensated absences*	3,013,612	4,956,473
	481,436,885	**537,686,411**

* Please refer note 33

22. Administrative and Other Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Communication expenses	3,934,546	4,526,856
Printing and stationery	2,807,100	2,483,559
Professional and consultancy charges	159,946,308	101,895,931
Repairs and Maintenance		-
Building	6,815,378	7,240,082
Plant and Machinery	3,945,772	12,069,071
Others	1,726,424	8,870,413
Insurance	1,819,557	1,694,573
Business promotion	7,903,784	6,168,066
Rates and taxes	2,108,128	9,758,150
Rent	47,274,702	50,571,747
Auditors remuneration	2,650,000	2,900,000
Directors remuneration	11,679,663	13,331,165
Selling and distribution expenses	788,262	4,309,820
Travelling and conveyance expenses	18,707,851	17,388,735
Bad debts written off	17,249,447	28,772
Diminution in Value of Investment	-	89,245,345
Provision for bad and doubtful debts (net)	1,978,964,290	103,731,626
Foreign Exchange Fluctuation Loss (net)	105,745,364	-
Miscellaneous expenses	6,898,631	7,306,096
	2,380,965,207	**443,520,007**

23. Finance Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Interest on borrowings		
Terms loans	36,355,823	41,704,461
Working capital loan	95,493,494	66,875,365
Loss on Forward Contract	-	998,234
Bank charges	4,655,435	1,998,460
Interest on Others	24,202,232	33,017,770
	160,706,984	**144,594,290**

24. The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from SEZs is fully exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions. Currently tax provision on book profit is provided as per the provisions of section 115JB (MAT) of the Income tax act, 1961.

25. Disclosure required by clause 32 of the Listing Agreements

Amount in ₹

Amount of loans & advances outstanding from subsidiaries as at 31 March 2017	Outstanding as at 31 March 2017	Maximum amount out-standing during the year	Outstanding as at 31 March 2016	Maximum amount out-standing during the year
Wholly Owned Subsidiary company - DQ Entertainment (Ireland) Limited	558,500,966	410,286,227	-	-

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Contingent Liabilities (to the extent not provided for)		
a) Bonds executed in favour of customs and excise authorities	500,000	866,250
b) Standby Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs. 518,402,662 (31.03.2016: 1,066,729,152)	518,402,662	1,066,729,152
c) Demand Disputed on appeal		
1. Income Tax	80,842,372	38,970,382
2. Service Tax	94,832,246	44,709,336
3. Provident Fund	34,928,878	-
The company has fair chances of succeding in the appeals and therefore doesnot expect any liability to materialise		

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Earnings in Foreign Currency - Accrual basis		
Income from production (net of unbilled)	806,901,075	1,627,126,687
Other income	4,365,839	5,056,040
Distribution Income	45,472,250	62,271,448

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Expenditure in Foreign currency - Accrual basis		
(Subject to deduction of tax where applicable)		
Overseas business travel	3,588,971	3,240,388
Production Expenses	9,525,250	14,818,925
Consultancy, commission, storage systems and other expenses	338,899	21,293,228
Financial Charges	-	-
TOTAL	**13,453,120**	**39,352,540**

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Payment to auditors as:		
Audit fees	2,250,000	2,250,000
Tax audit	150,000	150,000
Others	-	50,000
Audit of internal controls over financial reporting	250,000	450,000
	2,650,000	**2,900,000**

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Directors remuneration		
Salaries and allowances	9,586,663	4,032,000
Other perquisite	1,008,000	1,008,000
Commission	-	7,791,165
	10,594,663	**12,831,165**
Remuneration to Non - Whole-time Director		
Sitting fees	965,000	380,000
Professional fees	120,000	120,000
Total remuneration	**11,679,663**	**13,331,165**

The above figure does not include provision for gratuity and leave encashment liability actuarially valued as separate figure are not available

31. Related party disclosures

31.1 Related parties and their relationships

i) Holding and Subsidiary Companies

a. DQ Entertainment (Mauritius) Limited - Holding company
b. DQ Entertainment Plc - Parent of holding company
c. DQ Entertainment (Ireland) Limited - Subsidiary company
d. DQ Entertainment USA, LLC - Subsidiary of Subsidiary company
e. DQ Entertainment (International) Films Limited - Joint Venture company by DQE India and DQE Plc.

ii) Key Management Personnel

Mr. Tapaas Chakravarti - Managing Director & Chief Executive Officer
Mr. Sanjay Choudhary - Chief Financial Officer

iii) Relatives of Key Management Personnel with whom the Company had transactions during the year -

Mrs. Rashmi Chakravarti (wife of Mr. Tapaas Chakravarti)
Ms. Nivedita Chakravarti (Daughter of Mr. Tapaas Chakravarti)

iv) Associate of the Ultimate Holding Company

Method Animation SAS

v) Firm in which a Director is a partner

R & A Associates

vi) Relative of a Director

Hatim Adenwala - Senior Vice president Human Resources

31.2 Transactions with above in the ordinary course of business

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
i) Subsidiary Company		
Production consultancy provided to DQ Entertainment (Ireland) Limited	181,029,501	507,383,699
Professional consultancy & Others to DQ Entertainment (Ireland) Limited	4,365,839	4,889,355
ii) Key Management Personnel		
Loan (re-paid)/ taken - Managing Director & Chief Executive Officer	(2,725,780)	(30,600,000)
Remuneration	10,594,663	12,831,165
iii) Relative of Key Management Personnel and Director		
Remuneration	8,572,000	8,592,000
iv) Associate of the Ultimate Holding Company		
Revenue from Animation	188,233,714	349,649,577
Revenue from Distribution	5,733,485	6,203,610
v) Professional fee to a Director	120,000	120,000
Professional fee to a Firm in which a Director is a partner	4,200,000	4,200,000

31.3 Balances outstanding

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
i) Ultimate Holding Company		
Amount receivable at year end - DQ Entertainment Plc	1,634,825	1,634,825
ii) Subsidiary Company		
Amount receivable at year end - DQ Entertainment (Ireland) Limited	1,659,531,511	1,217,131,042
iii) Key management personnel		
Amount payable to Managing Director & Chief Executive Officer	20,278,056	23,003,836
iv) Associate of the Ultimate Holding Company		
Amounts receivable	242,087,561	232,942,189

32. Leases

The Company's leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 29,385,290 (31.03.2016: Rs. 28,087,293).

33. Employee benefits as required under Accounting Standard 15:

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

Amount in ₹

Particulars	Year ending 31 March 2017		Year ending 31 March 2016	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present Value of DBO at the beginning of the year	27,953,011	85,179,252	29,941,362	85,808,457
Current Service Cost	1,639,047	9,695,033	(1,988,351)	9,678,700
Interest Cost	2,208,288	6,729,161	2,335,427	6,693,060
Actuarial Losses /(Gains)	(833,723)	(3,320,537)	2,609,397	3,483,840
Benefits paid	(1,374,565)	(7,034,984)	(4,944,824)	(20,484,805)
Present Value of DBO at the end of the year	**29,592,058**	**91,247,925**	**27,953,011**	**85,179,252**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	1,639,047	9,695,033	(1,988,351)	9,678,700
Interest Cost	2,208,288	6,729,161	2,335,427	6,693,060
(Gain) / Actuarial Losses	(833,723)	(3,320,537)	2,609,397	3,483,840
Expense recognized in the Statement of Profit and loss account	**3,013,612**	**13,103,657**	**2,956,473**	**19,855,600**
Actual Contribution and Benefit Payments				
Actual Benefit Payments	1,374,565	7,034,984	4,944,824	20,484,805
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	7.45%	7.45%	7.90%	7.90%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

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Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Earnings Per Share (EPS)		
a) Net Profit available for Equity Shareholders	(1,863,684,328)	241,378,895
b) Nominal Value Per Share	10	10
c) Basic Earning Per Share	(23.51)	3.04
d) Diluted Earning Per Share	(23.51)	3.04
	No's	No's
e) Weighted Average number of Equity Shares for Basic EPS	79,283,000	79,283,000
f) Weighted Average number of Equity Shares for Diluted EPS	79,283,000	79,283,000

35. Segmental Reporting as per Accounting standard 17:

35.1 Business Segment

The Company comprises the following main business segments:

Animation:
The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.

Distribution:
The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The segment information for the year ended 31 March 2017 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	812,451,106	47,584,430	860,035,536
	1,645,202,429	*65,234,710*	*1,710,437,139*
Total Revenue	**812,451,106**	**47,584,430**	**860,035,536**
	1,645,202,429	*65,234,710*	*1,710,437,139*
Depreciation and Amortisation	30,218,244	313,134,159	343,352,403
	39,111,301	*322,609,659*	*361,720,960*
Segment result	(1,862,366,490)	(370,091,836)	(2,232,458,326)
	751,601,127	*(260,773,836)*	*490,827,291*
Unallocated expenses			(82,565,191)
			(22,811,238)

Operating Profit			(2,315,023,517)
			468,016,053
Net financing costs			(160,706,984)
			(144,594,290)
Income Tax expense			612,046,174
			(82,042,868)
Profit after tax			**(1,863,684,327)**
			241,378,895
Segment assets	2,672,150,000	679,910,000	3,352,060,000
	4,281,839,448	*1,093,684,356*	*5,375,523,804*
Unallocated assets			1,941,200,743
			1,369,817,709
Total assets			**5,293,260,743**
			6,745,341,513
Segment liabilities	1,525,130,000	169,170,000	1,694,300,000
	1,111,588,877	*189,057,204*	*1,300,646,081*
Unallocated liabilities			738,830,918
			720,881,281
Total liabilities			**2,433,130,918**
			2,021,527,362
Capital expenditure			
Tangible Fixed Assets			4,810,540
			65,264,287
Intangible Assets			30,953,739
			269,969,782

Note: Figures in italics represent previous year

35.2 Geographical Segment

Revenue from geographic segments based on domicile of the customers is outlined below:

Amount in ₹

	America	Europe	Others	Total
Revenue from operation				
Animation	297,471,640	509,291,952	5,687,514	812,451,106
	729,093,740	*740,101,575*	*176,007,114*	*1,645,202,429*
Distribution	2,602,386	25,048,777	19,933,267	47,584,430
	11,196,203	*27,647,967*	*26,390,540*	*65,234,710*
Total Revenue	300,074,026	534,340,729	25,620,781	860,035,536
	740,289,943	*767,749,542*	*202,397,654*	*1,710,437,138*
Total Assets	1,089,045,228	1,640,633,392	2,563,582,123	5,293,260,743
	1,189,620,305	*1,670,984,721*	*3,884,736,486*	*6,745,341,513*
Capital expenditure				
Tangible Fixed Assets				4,810,540
				65,264,287
Intangible Assets				30,953,739
				269,969,782

Note: Figures in italics represent previous year

36. Commitments

Amount in ₹

Particulars	**For the year ended**	
	31 March 2017	**31 March 2016**
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	52,354,233	349,488,527

37. Amount Spent on Corporate Social Responsibility

Amount in ₹

Particulars	**For the year ended**	
	31 March 2017	**31 March 2016**
(a) Gross amount required to be spent by the company during financial year.	7,041,316	6,821,324
(b) Amount spent during the financial year.	-	-

The company has not spent 2% of the average net profit of the last three financial years towards its CSR expenditure for the year. The Company has formulated the CSR policy and constituted the CSR committee. The company has also identified the activities proposed to be undertaken. The company expects to spend the amount on its CSR activities during the FY 2017-18

38. Figures of previous year have been regrouped/rearranged/reclassified wherever necessary to conform to the current year presentation.

For MZSK & Associates
Chartered Accountants
FRN 105047 W

For and on behalf of the Board

Ananthakrishnan G Partner (M.No 205226)	**Tapaas Chakravarti** (CMD & CEO)	**S.Sundar** (Director)
Place: Hyderabad Date: 06.06.2017	**Annie Jodhani** (Company Secretary)	**Sanjay Choudhary** (Chief Financial officer)

FINANCIALS

Schedules forming part of the Balance Sheet

12. Fixed Assets.

Amount in ₹

Particulars	Gross Block				Depreciation/Amortisation					Net Block	
	As at 1 April 2016	Additions	Deletions/ write off	As at 31 March 2017	As at 1 April 2016	For the year	Deletions/ write off	Adjus- ment*	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
Tangible Assets											
Leasehold land	14,350,000	-	-	**14,350,000**	3,233,877	413,065	-	-	**3,646,942**	**10,703,058**	11,116,123
Leasehold improvements	18,407,040	15,000	-	**18,422,040**	15,285,754	998,626	-		**16,284,380**	**2,137,660**	3,121,286
Plant & Machinery	781,817,693	2,834,560	-	**784,652,253**	698,542,084	20,195,374			**718,737,458**	**65,914,795**	83,275,609
Office equipments	12,101,129	132,820	-	**12,233,949**	9,216,460	1,590,325			**10,806,785**	**1,427,164**	2,884,669
Furniture, Fixtures & Interiors	32,059,174	64,406	-	**32,123,580**	22,052,080	1,914,303	130	-	**23,966,253**	**8,157,327**	10,007,094
Vehicles	13,939,023	1,763,754	5,644,619	**10,058,158**	7,493,426	1,129,872	4,673,871	-	**3,949,427**	**6,108,731**	6,445,597
Total	872,674,059	4,810,540	5,644,619	**871,839,980**	755,823,681	26,241,565	4,674,001	-	**777,391,245**	**94,448,735**	116,850,378
Intangible Assets											
Distribution rights*	2,268,726,444	29,777,933	-	**2,298,504,377**	1,446,812,328	243,699,399		-	**1,690,511,727**	**607,992,650**	821,914,116
Computer software	273,327,629	1,175,806	-	**274,503,435**	258,421,505	8,537,054	76		**266,958,483**	**7,544,952**	14,906,124
Total	2,542,054,073	30,953,739	-	**2,573,007,812**	1,705,233,833	252,236,453	76	-	**1,957,470,210**	**615,537,602**	836,820,240
Intangible Asset Under Construction	100,744,301	48,250,043	37,947,933	**111,046,411**	-	69,296,567			**69,296,567**	**41,749,844**	100,744,301
Total	100,744,301	48,250,043	37,947,933	**111,046,411**	-	69,296,567	-	-	**69,296,567**	**41,749,844**	100,744,301
Grand Total	3,515,472,433	84,014,322	43,592,552	**3,555,894,203**	2,461,057,514	347,774,585	4,674,077	-	**2,804,158,022**	**751,736,181**	1,054,414,919
Previous year figures	*3,419,557,112*	*366,681,803*	*270,766,482*	***3,515,472,433***	*2,095,776,818*	*366,107,276*	*826,580*	-	***2,461,057,514***	***1,054,414,919***	-

Distribution Rights*

Distribution rights represent the costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 42 series (31.03.2015: 41) of Animation rights have been acquired for different territories across the globe. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs. 157,680,291 (31.03.2016: Rs.130,902,337) on account of recoverable amount of distribution rights being less than its carrying amount. The accumulated Impairment Loss as at 31.03.2017 on distribution rights amounted to Rs. 615,904,756 (31.03.2016: Rs.527,521,032).

12.1

(a) Intangible assets under construction are the projects under development to be exploited as Television Series/Films and others. Based on review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortized cost and consequently no provision for impairment is considered necessary by the management at this stage.

(b) The company has not borrowed specific borrowings (term loans) for development of distribution rights in respect project (2016: Nil project).

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE MEMBERS OF DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of DQ Entertainment (International) Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and jointly controlled entities comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates and jointly controlled entities in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and jointly controlled company as at 31st March, 2017, and their consolidated loss and their consolidated cash flows for the year ended on that date.

EMPHASIS OF MATTERS

We draw attention to the following matters in the Notes to the consolidated financial statements:

a) Note 15 in relation to provision for doubtful debts against trade receivables outstanding for more than one year amounting to Rs. 1,992.93 million in DQ Entertainment (International) Limited and write off of bad debts of Rs. 528.36 Mn in DQ Entertainment (Ireland) Limited (subsidiary).

b) Note 13 with regard to significant degree of uncertainty and judgement involved in estimating projected revenue streams of Intangible Assets of DQ Entertainment (Ireland) Limited which is a subsidiary of the Company.

Our opinion is not modified in respect of this matter.

OTHER MATTER

We did not audit the financial statements of DQ Entertainment (Ireland) Limited (subsidiary), whose financial statements reflect total assets of Rs. 5,704,478,599 as at 31st March, 2017 and total revenues of Rs. 280,926,712 and net cash flows amounting to Rs 67,746,304 for the year ended on that date and DQ Entertainment (International) Films Limited (Joint Venture), whose financial statements reflect total assets of Rs.519,004 as at 31st March, 2017 and total revenues of Nil and net cash flows amounting to Rs. (32,932) for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by the other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled company, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities, is based solely on the report of other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) The matter described in sub-paragraph (a) under the Emphasis of Matters paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

(f) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group companies disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act. In respect of the foreign subsidiary and the foreign joint venture the provisions of Section 164(2) of the Act are not applicable.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'

(h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities– Refer Note 25(c) to the consolidated financial statements.

ii. The Group, its jointly controlled entities did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and jointly controlled companies incorporated in India.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Place : Hyderabad
Date : 06th June,2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF DQ ENTERTAINMENT (INTERNATIONAL) LIMITED ("the Company")

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of DQ Entertainment (International) Limited ("the Company") (hereinafter referred to as "the Holding Company").

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies, its associate companies and jointly controlled companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Holding Company, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

OTHER MATTERS

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to only holding company and the company does not have any subsidiary companies and jointly controlled companies, which are incorporated in India.

For MZSK & Associates
Chartered Accountants
Firm Registration No.105047W

Ananthakrishnan G
Partner
Membership No.205226

Place : Hyderabad
Date : 06th June, 2017

Consolidated Balance Sheet as at 31 March 2017

Amount in ₹

	Notes	As at 31 March 2017		As at 31 March 2016	
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	3	792,830,000		792,830,000	
(b) Reserves and Surplus	4	768,560,996		4,302,286,695	
			1,561,390,996		5,095,116,695
(2) Non-Current Liabilities					
(a) Long-Term Borrowings	5	3,449,843,067		2,634,696,541	
(b) Other Long Term Liabilities	7	-		12,480,020	
(c) Long Term Provisions	8	153,712,388		127,901,484	
			3,603,555,455		2,775,078,045
(3) Current Liabilities					
(a) Short Term Borrowings	9	1,169,951,664		1,034,607,902	
(b) Trade Payables	10	137,546,884		488,602,149	
(c) Other Current Liabilities:					
(i) Current Maturity of Long Term Borrowings		615,609,678		881,469,821	
(ii) Others	11	896,376,481		741,290,591	
(d) Short Term Provisions	12	223,487,804		335,846,975	
			3,042,972,511		3,481,817,438
Total			**8,207,918,962**		**11,352,012,178**
II. ASSETS					
(1) Non-Current Assets					
(a) Fixed Assets	13				
(i) Tangible Assets		94,474,524		116,893,317	
(ii) Intangible Assets		2,330,580,705		2,161,048,814	
(iii) Capital Work-in-Progress		1,891,736		1,166,745	
(iv) Intangible Asset under Construction	13.1	3,713,856,764		4,783,944,663	
(b) Deferred Tax Assets (Net)	6	677,112,096		67,561,341	
(c) Long Term Loans & Advances	14	191,219,335		202,831,681	

(d) Other non-current assets		-		-	
			7,009,135,160		7,333,446,561
(2) Current Assets					
(a) Trade receivables	15	623,031,636		3,169,182,292	
(b) Cash and bank balances	16	213,452,113		204,334,885	
(c) Short-term loans and advances	17	108,094,057		285,264,994	
(d) Other Current Assets - Unbilled revenue		254,205,996		359,783,446	
			1,198,783,802		4,018,565,617
Total			**8,207,918,962**		**11,352,012,178**
Significant accounting policies	1				
Notes to accounts	2-37				

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Consolidated Statement of Profit and Loss for the year ended 31 March 2017

Amount in ₹

		For the year ended	
	Notes	31 March 2017	31 March 2016
Income:			
Revenue From Operations	18	939,631,976	2,103,989,327
Other Income	19	85,063,726	533,287,036
Total Revenue		**1,024,695,702**	**2,637,276,363**
Expenses:			
Production Expenses	20	57,567,135	110,547,173
Personnel Cost	21	485,300,568	541,315,487
Administrative and Other Expenses	22	3,220,461,161	707,753,273
Finance Cost	23	635,268,159	590,890,177
Depreciation and Amortisation Expenses	13	821,752,400	452,339,540
Expenditure Transferred to Capital Account		(78,838,165)	(146,981,174)
		5,141,511,258	**2,255,864,475**
Profit Before Tax		**(4,116,815,556)**	**381,411,888**
Tax Expense:			
Current Tax		-	(133,442,131)
Earlier Year Taxes		-	
Less: MAT Credit Entitlement		2,495,418	5,483,406
Less: MAT Credit Entitlement Earlier Year		-	
Deferred tax		609,550,755	45,915,857
Profit After Tax		**(3,504,769,383)**	**299,369,020**

Earnings Per Equity Share (Refer Note 33)			
Basic -		(44.21)	3.78
Diluted -		(44.21)	3.78
Significant accounting policies	I		
Notes to accounts	2 - 37		

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
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Tapaas Chakravarti
(CMD & CEO)

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(Director)

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Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Consolidated Cash Flow Statement for the year ended 31 March 2017

Amount in ₹

		31 March 2017		31 March 2016	
A	**Cash flow from Operating Activities**				
	Profit Before Tax		(4,116,815,556)		381,411,888
	Adjustments for				
	Depreciation and amortisation	821,752,400		452,339,540	
	Depreciation transferred to capital account				
	Interest income	(1,949,461)		(6,309,053)	
	Liabilities no longer required written back	(73,818,139)		(283,947,500)	
	Provision for bad and doubtful debts and other non cash items	2,524,578,266		373,013,014	
	Interest expenses	584,217,626		513,241,038	
	(Profit) / Loss on sale of fixed assets	(1,244,252)		(315,781)	
	Unrealised (gain)/loss due to exchange differences	357,721,457		(311,277,873)	
			4,211,257,897		736,743,385
	Operating profit before working capital changes		94,442,341		1,118,155,273
	Adjustments for changes in				
	Trade and other receivables	393,276,579		(438,641,061)	
	Trade payables, other liabilities and provisions	(250,249,554)		391,243,265	
		143,027,025		(47,397,796)	
	Income tax paid	102,000,000		56,499,999	
			245,027,025		9,102,203
	Net Cash from Operating activities		**339,469,366**		**1,127,257,476**
B	**Cash flow from Investing Activities**				
	Purchase of fixed assets - Tangibles	(6,509,150)		(65,312,550)	
	Purchase of fixed assets - Intangible	(515,857,510)		(1,136,959,513)	
	Proceeds from Sale of fixed assets	2,217,871		399,656	
	Interest received on deposits with banks and other deposits etc.,	1,949,461		6,309,053	
	Net Cash used in Investing activities		**(518,199,328)**		**(1,195,563,354)**

C	**Cash flow from Financing Activities**				
	Interest and financing charges paid	(399,564,464)		(301,776,071)	
	Proceeds from borrowings from Banks / Bonds	677,573,597		184,516,055	
	Repayment of term loans	(233,422,629)		(318,280,536)	
	Proceeds on account of working capital Loans (Net)	135,343,762		(29,427,617)	
	Net Cash from Financing activities		179,930,266		(464,968,169)
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		1,200,304		(533,274,047)
	Cash and cash equivalents as at the beginning of the year		204,334,885		747,403,189
	Net foreign exchange difference		7,916,924		(9,794,257)
	Cash and cash equivalents as at the end of the year (refer note 17)		**213,452,113**		**204,334,885**
	Cash and cash equivalents as per Balance Sheet		-		-

The notes are an integral part of the financial statements

Vide our report of date attached

For and on behalf of the Board

For MZSK & Associates
Chartered Accountants
FRN 105047 W

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Accounting Policies and Notes on Accounts

I. Significant Accounting Policies

a) Basis for Preparation of Consolidated Financial Statements:
These financial statements are prepared under the historical cost convention on accrual basis in accordance with accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b) Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as at the date of financial statements. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed Assets:
Fixed assets are stated at cost, less accumulated depreciation / amortization and impairment if any. Costs include all expenses incurred to bring the assets to its present location and condition.

Distribution rights represent the cost incurred on acquisition /development of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Capital work-in-progress also includes Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media, as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

d) Depreciation and Amortization:
Depreciation on fixed assets other than leasehold improvements is provided on straight-line method based on useful life as per schedule II of the Companies Act 2013 are as follows:

Hardware & Software (CGI*)	3 years
Hardware & Software (Others)	3. years
Generators	10 years
Office Equipment	5 years
Furniture & Fixtures	10 years
Vehicles	8 years

*Computer Generated Imagery

Individual assets costing less than Rs.5,000 are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.5,000 or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortized over the primary period of lease.

Distribution Rights are amortized over the period of the rights or ten years whichever is lower.

Under certain distribution contracts, the company is required to make advance payments in order to acquire distribution rights. These payments have been capitalized as intangible assets on the basis that (i) they will be realized through future sales to be made by the company; (ii) they are separately identifiable and (iii) they are controlled through their legal rights.

The expectation is that these advance payments will be fully recouped by the company, however, the extent to which full value will be obtained is dependent on the ability of the company to generate sufficient sales on a go-forward basis under the various distribution contracts. On this basis, no systematic amortization is charged. However, at each reporting date the asset is assessed for impairment, based on the project sales.

e) Investment:
Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost and fair value.

(f) Revenue Recognition:

(i) Production Revenue :
Revenue represents amounts receivable for production and is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the date of the balance sheet. The stage of completion can be measured reliably and is assessed by reference to work completed as of the date of the balance sheet. The company uses the services performed to date as a percentage of total services to be performed as the method for determining the stage of completion. Where services are in progress and where the amounts invoiced exceed the revenue recognised, the excess is shown as advance from customers. Where the revenue recognized exceeds the invoiced amount, the amounts are classified as unbilled revenue.

The stage of completion for each episode is estimated by the management at the onset of the series by breaking each episode into specific activities and estimating the efforts required for the completion of each activity. Revenue is then allocated to each activity based on the proportion of efforts required to complete the activity in relation to the overall estimated efforts. Management's estimates of the efforts required in relation to the stage of completion, determined at the onset of the series, are revisited at the date of the balance sheet and any material deviations from the initial estimate are recognised in the profit and loss account. The company's services are performed by a determinable number of acts over the duration of the project and hence revenue is not recognised on a straight-line basis. Contract costs that are not probable of being recovered are recognised as an expense immediately.

(ii) Distribution Revenue:
Revenue from the licensing of distribution rights where there is an ongoing performance obligation is recognised on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee. Revenue from the licensing of distribution rights under a non-cancellable contract, which permits the licensee to freely exploit those rights and where the Company has no remaining obligations to perform, is recognised at the time of sale.

Royalties
Fees and royalties paid for the use of the company's assets (such as trademarks, patents, software, music copyright, record masters and motion picture films) are recognised in accordance with the substance of the agreement. This may be on a straight line basis over the life of the agreement, for example, when a licensee has the right to use certain technology for a specified period of time. An assignment of rights for a fixed fee or non-refundable guarantee under a non-cancellable contract which permits the licensee to exploit those rights freely and the licensor has no remaining obligations to perform is, in substance, a sale.

(iii) Training Revenue:
Training Revenue is recognized over the period of instruction.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iv) Dividends and Interest income:
Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

(g) Foreign Currency Transactions:

(i) Initial Recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion
Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined

(iii) Exchange Differences
Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise. Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

(iv) Forward Exchange Contracts not intended for trading or speculation purposes. The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of Non-integral foreign operation –
In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at the average exchange rate for the year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

(h) Employee benefits

(i) Post-employment benefit plans
Post-employment benefits are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

(ii) Short-term employee benefits
The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

(iii) Long-term employee benefits
Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

i) Taxation
(i) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10AA of the Income-tax Act, 1961 up to 31st March 2015. The Company has provided tax on its other taxable income earned during the year.

(ii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

(iii) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

j) Provision for retakes

Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

k) Leases

Lease payments for assets taken on Operating Lease are recognized in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

l) Earnings Per Share

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

- Basic Earnings per Equity Share has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period.

- Diluted Earnings per Equity Share has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

m) Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

n) Impairment

The carrying amounts of the Company's assets, other than Unbilled Revenue and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes on accounts for the year ended 31 March 2017

2. Company overview:

The company is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The Company also does licensing of programmed distribution rights to broadcasters, television channels and home video distributors.

3. Share Capital:

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Authorised		
80,000,000 Equity shares of Rs.10/- each (31.03.2016: 80,000,000 shares of Rs.10/- each)	800,000,000	800,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid up		
79,283,000 Equity shares of Rs.10/- each fully paid up (31.03.2016: 79,283,000 Equity shares of Rs.10/- each fully paid up)	792,830,000	792,830,000
	792,830,000	**792,830,000**

3.1 Reconciliation of the number of shares

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Opening balance	79,283,000	79,283,000
Closing balance	**79,283,000**	**79,283,000**

3.2 Rights, preferences and restrictions attached to shares:

The company has one class of equity shares having a par value of Rs. 10 per share. Each share holder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subjected to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend.

3.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.4 Details of shares held by holding company and ultimate holding company.

75% of the shares i.e.59,462,218 Equity Shares of Rs.10/- each fully paid up are held by the holding company DQ Entertainment (Mauritius) Limited. The ultimate holding company is DQ Entertainment Plc.

3.5 Shares allotted as fully paid up by way of bonus shares (during 5 years immediately preceding March 31, 2017):

Particulars	Year (Aggregate No. of Shares)				
	31 March 17	31 March 16	31 March 15	31 March 14	31 March 13
Bonus shares	Nil	Nil	Nil	Nil	Nil

4. Reserves and Surplus

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Capital redemption Reserve	1,763,860	1,763,860
Securities premium Account	1,946,676,702	1,946,676,703
General reserve	5,487,393	5,487,393
Profit and loss Account		
Balance brought forward	1,998,777,154	1,699,408,134
Add: Profit for the year	(3,504,769,383)	299,369,020
Closing balance	(1,505,992,229)	1,998,777,154
Other Reserves		
Foreign currency translation reserve	319,825,270	348,781,585
Capital subsidy*	800,000	800,000
	768,560,996	4,302,286,695

* Erstwhile DQ Entertainment Limited was sanctioned a Capital subsidy of Rs. 800,000 (31.03.2016: Rs.800,000) under clause 7(f) of ICT Incentive policy of the Government of Andhra Pradesh

5. Long Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Term loans - Secured		
From Banks	17,151,547	112,721,434
13 % Convertible Bonds	3,432,691,520	2,521,975,107
	3,449,843,067	**2,634,696,541**

5.1 Nature of Security and terms of repayment for secured borrowings:

Nature of Security	Terms of Repayment
The term loans from bank for Rs.12,860,595 (31.03.2016: Rs. 100,460,595) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles) Including Distribution Rights of the company, Second pari-passu charge on the current assets of DQ India and guarantee of a director	14 Qtrly Installments from Mar 2015. BR Plus 3.75%+.50% P.A payable monthly
The term loans from bank for Rs.36,26,666 (31.03.2016: Rs. 10,879,997) are secured by First pari passu charge on fixed assets of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director.	15 Qtrly Installments from Jan 2015. BR Plus 3.75%+.50% P.A payable monthly
The term loans from bank for Rs. 6,64,287 (31.03.2016: Rs. 1,380,842) is secured by hypothecation of vehicles.	Repayable over a period of 3 years from the date of disbursements. Interest rate on these loan is 9.65% p.a. Effective
The Bond holders have invested the funds at DQ Mauritius HO Level with a back to back issue of Bonds by DQ Ireland in favour of DQ Mauritius limited. The Bonds are secured by an assignments of all Registered IP's of DQ Ireland amounting to, a first fixed charge over all its present and future rights, titles and interests, including all Registered Intellectual Property acquired by it in the future. The unregistered IP's have been assigned as continuing security over all its present and future rights, titles and interests in and over all unregistered Intellectual Properties. Under this assignment agreement, the bondholders have granted DQ Entertainment (Ireland) Limited an exclusive, royalty-free licence to use all Intellectual Property assigned by it. Further 75% of the shares of DQ Entertainment (Intnl) Ltd (DQE India), have been pledged with the Bond Holders.	Half yearly interest and PIK @ 6.5% payable respectively and redemption at the end of 5th Anniversary.

6. Deferred Tax

The major components of the Deferred Tax (net) are as under :

Amount in ₹

Timing Differences	(Liability) / Asset at 31 March 2016 (Rs.)	Current year (Charge) / Credit (Rs.)	(Liability) / Asset at 31 March 2017 (Rs.)
Depreciation	(25,630,814)	4,906,690	(20,724,124)
Gratuity	39,787,470	(1,966,188)	37,821,282
Leave encashment	10,855,459	584,957	11,440,416
Sick leaves	745,042	88,938	833,980
Provision for doubtful debts	41,804,184	605,936,358	647,740,542
IPO expenses u/s 35 D	-	-	-
Deferred Tax(Liability)/ Assets - Net	**67,561,341**	**609,550,755**	**677,112,096**

Note: Deferred tax assets and deferred tax liabilities have been offset wherever the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

7. Other Long Term Liabilities

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Minimum Guarentee Payable & Others	-	12,480,020
	-	**12,480,020**

8. Long Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Provision for employee benefits (Refer Note 32)	153,712,388	127,901,484
	153,712,388	**127,901,484**

9. Short Term Borrowings

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Secured Working capital loans repayable on demand from banks	1,016,085,260	768,083,677
Loans and advances - Un-secured		
- from related parties	103,866,404	266,524,225
- from Others	50,000,000	
	1,169,951,664	**1,034,607,902**

9.1 Nature of Security and terms of payment for secured short term borrowings:

Nature of Security	Terms of Repayment
The working capital loans from bank for Rs. 39,148,147 (31.03.2016: Rs. 13,430,431) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base rate plus 4.70% P.A. Payable monthly
The working capital loans from bank for Rs. 115,275,692 (31.03.2016: Rs. 116,172,940) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base Rate plus 3.95% p.a. payable monthly
The working capital loans from bank for Rs. 27,378,113 (31.03.2016: Rs. Nil) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with base Rate plus 5.75% p.a. payable monthly

The working capital loans from bank for Rs. 569,988,744 (31.03.2016: Rs. 351,555,950) is secured by first charge on all current assets and second charge on all fixed Assets (excluding vehicles) both present and future of DQ India on pari-passu basis and guarantee of a director	Repayable on demand with SBAR plus 3.40%
The working capital loans for Rs.264,294,564 (31.03.2016: Rs. 286,924,926) is secured by SBLC issued by a bank which is in turn secured by first pari passu charge on fixed asstes of DQ India both present and future (excluding vehicles), Second pari-passu charge on the current assets of DQ India and guarantee of a director	Bullet maturity-Renewable every year for a period of Five Years and 2.75% plus 6 Months Euro Libor

10. Trade Payables

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Sundry creditors		
for services	137,138,190	488,304,887
for others	408,694	297,262
	137,546,884	**488,602,149**

11. Other Current Liabilities - Others

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Others:		
Interest accrued but not due	-	22,478
Interest accrued and due to banks	38,945,651	8,426,286
Other Payables:		
Statutory dues payable	150,040,165	91,864,146
Income received in advance	168,270,467	188,399,180
Advance from customers	387,843	20,338,876
Unearned revenue	322,765,485	306,099,909
Employee benefits payable	64,579,010	60,991,513
Services	151,387,860	65,148,203
	896,376,481	**741,290,591**

12. Short Term Provisions

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
Provision for employee benefits (Refer Note: 32)	8,409,548	20,584,330
Others:		
Taxation (Net of TDS receivables/with holding tax of Rs.20,753,697 (31.03.2016: Rs. 18,488,584))	190,783,097	294,494,865
Retakes (Refer Note 1(k)		
Opening balance	20,767,780	13,360,897
Add: Additional provision for the year	3,527,379	7,406,883
Closing balance	24,295,159	20,767,780
	223,487,804	**335,846,975**

13. Please refer page number 147 for schedule on Fixed Assets.

14. Long Term Loans and Advances

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
(Unsecured, Considered Good)		
Security deposits	11,461,570	11,394,265
Other advances:		
Prepaid expenses	-	1,259
Claims receivable	25,607,204	39,781,014
MAT credit entitlement	154,150,561	151,655,143
	191,219,335	**202,831,681**

15. Trade Receivable

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
(Unsecured)		
A)Debts outstanding for a period exceeding six months		
Considered good	488,260,573	2,736,959,173
Considered doubtful	2,096,247,709	120,793,414
B)Other debts	-	-
Considered good	134,771,063	432,223,119
Considered doubtful	-	-
	2,719,279,345	3,289,975,706
Less: Provision for bad and doubtful debts	(2,096,247,709)	(120,793,414)
	623,031,636	**3,169,182,292**

During the year the company had made a provision of Rs. 1,992.93 Mn for doubtful debts in DQ Entertainment (International) Limited and had written off bad debts of Rs. 528.36 Mn in DQ Entertainment (Ireland) Limited (subsidiary). The company's revenues are primarily generated from Europe and US regions. The animation industry worldwide had experienced huge slowdown, thereby impacting the collections of the company. The provision relates to 23 projects, the outcome of which were clearly evident during the financial year 2016-17 (since inception, the company was able to successfully execute 200 plus projects and was able to collect the money from the customers). The management has during the year stopped working on these projects and are convinced that the monies from these projects are not recoverable. The management is also in the process of filing the application with the Reserve Bank of India for permission to write-off the bad debts in DQ Entertainment (International) Limited.

16. Cash and Bank Balances

Amount in ₹

Particulars	As at	
	31 March 2017	**31 March 2016**
a) Cash and Cash Equivalents:		
Balances with Banks		
Current Accounts	193,474,494	115,757,627
Deposit Accounts	19,944,003	88,477,301
Cash on hand	33,616	99,957
	-	-
	213,452,113	**204,334,885**
Balances with bank held as margin money deposits against guarantees and customs authorities	19,944,003	88,477,301

Cash and cash equivalants as of 31 March 2017 and 31 March 2016 includes restricted bank balances of Rs. 19,944,003 and Rs. 88,477,301, respectively. The restrictions are primarily on account bank balances held as margin money deposits against guarantees and customs authorities

Details of Specified Bank Notes (SBN) held and transacted during the period 8th November 2016 to 30th December 2016:

Amount in ₹

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	7,500	14,160	21,660
(+) Permitted receipts		120,025	120,025
(-) Permitted payments		102,706	102,706
(-) Amount deposited in Banks	7,500		7,500
Closing cash in hand as on 30.12.2016	**-**	**31,479**	**31,479**

17. Short Term Loans and Advances

Amount in ₹

Particulars	For the year ended	
	31 March 2017	**31 March 2016**
(Unsecured considered good)		
Others:		
Interest accrued on deposits	-	148,239
Other advances	76,339,295	252,021,136
Prepaid expenses	31,754,762	33,095,619
	108,094,057	**285,264,994**

18. Revenue from Operations

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Production : Export	717,197,072	1,624,778,553
: Domestic	5,550,031	18,075,742
Distribution income	216,884,873	461,135,032
	939,631,976	**2,103,989,327**

19. Other Income

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Interest Income and others (including TDS of Rs. 3,07,669 (31.03.2016: Rs.619,629))	1,949,461	6,309,053
Profit on sale of fixed assets	1,244,252	315,781
Liabilities no longer required written back	73,818,139	1,396,438
Foreign exchange fluctuation gain (net)	-	311,778,542
Miscellaneous income	8,051,874	213,487,222
	85,063,726	**533,287,036**

20. Production Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Production expenses - Direct	29,552,545	84,033,926
Power and fuel	28,014,590	26,513,247
	57,567,135	**110,547,173**

21. Personnel Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Salaries and wages	438,332,585	478,602,903
Contribution to provident fund	26,722,194	29,440,757
Staff welfare expenses	4,128,520	5,459,754
Gratuity*	13,103,657	22,855,600
Compensated absences*	3,013,612	4,956,473
	485,300,568	**541,315,487**

* refer note 32.

22. Administrative and Other Expenses

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Communication expenses	3,939,255	4,526,856
Printing and stationery	2,807,100	2,483,559
Professional and consultancy charges	179,838,515	158,251,075
Repairs and Maintenance:		
Building	6,815,378	7,240,082
Plant and Machinery	3,945,772	12,069,071
Others	1,726,424	8,870,413
Insurance	1,819,557	1,694,573
Business promotion	8,041,353	6,369,612
Rates and taxes	2,108,128	9,758,150
Rent	47,664,440	51,381,717
Auditors remuneration	4,615,590	4,863,200
Directors remuneration	29,755,743	13,774,765
Selling and distribution expenses	11,803,740	23,690,913
Travelling and conveyance expenses	19,181,059	17,743,199
Bad debts written off	545,613,976	269,281,388
Provision for bad and doubtful debts (net)	1,978,964,290	103,731,626
Foreign Exchange Fluctuation Loss (net)	363,073,007	-
Miscellaneous expenses	8,747,834	12,023,074
	3,220,461,161	**707,753,273**

23. Finance Costs

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Interest on borrowings:		
Terms loans	481,153,231	438,160,627
Working capital loan	103,064,395	75,080,411
Loss on Forward Contract	-	998,234
Bank charges	26,848,301	43,633,135
Interest on Others	24,202,232	33,017,770
	635,268,159	**590,890,177**

24. The company's operations are conducted in units set up in Software Technology Parks (STPs) and Special Economic Zones (SEZs). Income from SEZs is fully exempt for the first five years, 50% exempt for the next five years and 50% exempt for another five years subject to fulfilling certain conditions. Currently tax provision on book profit is provided as per the provisions of section 115JB (MAT) of the Income tax act, 1961.

25.

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Contingent Liabilities (to the extent not provided for)		
a) Bonds executed in favour of customs and excise authorities	500,000	866,250
b) Standby Letters of Credit (includes guarantee on behalf of DQ Entertainment Ireland Rs.518,402,662 (31.03.2016: 1,066,729,152)	518,402,662	1,066,729,152
c) Demand Disputed on appeal		
1. Income Tax	80,842,372	38,970,382
2. Service Tax	94,832,246	44,709,336
3. Provident Fund	34,928,878	-
The company has fair chances of succeding in the appeals and therefore doesnot expect any liability to materialise		

26.

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Earnings in Foreign Currency - Accrual basis		
Income from production (net of unbilled)	717,197,072	1,624,778,553
Distribution Income	45,472,250	62,271,448

27.

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Expenditure in Foreign currency - Accrual basis		
(Subject to deduction of tax where applicable)		
Overseas business travel	3,588,971	3,240,388
Production Expenses	9,525,250	14,818,925
Consultancy and other expenses	338,899	21,293,228
TOTAL	**13,453,120**	**39,352,541**

28.

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Payment to auditors as:		
Audit fees	4,215,590	4,213,200
Tax audit	150,000	150,000
Others		50,000
Audit of internal controls over financial reporting	**250,000**	**450,000**
	4,615,590	**4,863,200**

29.

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Directors remuneration		
Salaries and allowances	27,662,743	4,475,600
Other perquisite	1,008,000	1,008,000
Commission	-	7,791,165
	28,670,743	**13,274,765**
Remuneration to Non - Whole-time Director		
Sitting fees	965,000	380,000
Professional fees	120,000	120,000
Total remuneration	**29,755,743**	**13,774,765**

The above figure does not include provision for gratuity and leave encashment liability actuarially valued as separate figure are not available.

30 Related party disclosures

30.1 *Related parties and their relationships*

i) Holding and Subsidiary Companies

a. DQ Entertainment (Mauritius) Limited - Holding company
b. DQ Entertainment Plc - Parent of holding company
c. DQ Entertainment (Ireland) Limited - Subsidiary company
d. DQ Entertainment USA, LLC- Subsidiary of Subsidiary company
e. DQ Entertainment (International) Films Limited - Joint Venture company by DQE India and DQE Plc.

ii) Key management personnel

Mr. Tapaas Chakravarti - Managing Director & Chief Executive Officer
Mr. Sanjay Choudhary - Chief Financial Officer

iii) Relatives of Key Management Personnel with whom the Company had transactions during the year -

Mrs. Rashmi Chakravarti (wife of Mr. Tapaas Chakravarti)
Ms. Nivedita Chakravarti (Daughter of Mr. Tapaas Chakravarti)

iv) Associate of the Ultimate Holding Company

Method Animation SAS

v) Firm in which a Director is a partner

R & A Associates

vi) Relative of a director

Hatim Adenwala - Senior Vice president Human Resources

30.2 *Transactions with above in the ordinary course of business*

Amount in ₹

Particulars	As at	
	31 March 2017	31 March 2016
i) Key management personnel		
Loan (re-paid)/ taken - Managing Director & Chief Executive Officer	(2,725,780)	(30,600,000)
Remuneration	28,670,743	13,274,765
ii) Relative of key management personnel and Director		
Remuneration	8,572,000	8,592,000
iii) Associate of the Ultimate Holding Company		
Revenue from Animation	188,233,714	349,649,577
Revenue from Distribution	5,733,485	6,203,610
iv) Professional fee to a director	120,000	120,000
Professional fee to a Firm in which a Director is a partner	4,200,000	4,200,000

30.3 *Balances outstanding*

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
i) Ultimate Holding Company		
Amount receivable at year end - DQ Entertainment Plc	1,634,825	1,634,825
ii) Key management personnel		
Amount payable to Managing Director & Chief Executive Officer	20,278,056	23,003,836
iii) Associate of the Ultimate Holding Company		
Amounts receivable	242,087,561	232,942,189

31. Leases

The Company's leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 29,385,290 (31.03.2016: Rs.28,087,293).

32. Employee benefits as required under Accounting Standard 15:

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

Amount in ₹

Particulars	Year ending 31 March 2017		Year ending 31 March 2016	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present Value of DBO at the beginning of the year	27,953,011	85,179,252	29,941,362	85,808,457
Current Service Cost	1,639,047	9,695,033	(1,988,351)	9,678,700
Interest Cost	2,208,288	6,729,161	2,335,427	6,693,060
Actuarial Losses /(Gains)	(833,723)	(3,320,537)	2,609,397	3,483,840
Benefits paid	(1,374,565)	(7,034,984)	(4,944,824)	(20,484,805)
Present Value of DBO at the end of the year	**29,592,058**	**91,247,925**	**27,953,011**	**85,179,252**
Expense Recognized in the statements of Profit & Loss account for the year ended				
Current Service Cost	1,639,047	9,695,033	(1,988,351)	9,678,700
Interest Cost	2,208,288	6,729,161	2,335,427	6,693,060
(Gain) / Actuarial Losses	(833,723)	(3,320,537)	2,609,397	3,483,840
Expense recognized in the Statement of Profit and loss account	**3,013,612**	**13,103,657**	**2,956,473**	**19,855,600**
Actual Contribution and Benefit Payments				
Actual Benefit Payments	1,374,565	7,034,984	4,944,824	20,484,805
Actual Contributions	-	-	-	-
Assumptions				
Discount Rate %	7.45%	7.45%	7.90%	7.90%
Salary Escalation %	4.00%	4.00%	4.00%	4.00%

33 Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Earnings Per Share (EPS)		
a) Net Profit available for Equity Shareholders	(3,504,769,383)	299,369,020
b) Nominal Value Per Share	10	10
c) Basic Earning Per Share	(44.21)	3.78
d) Diluted Earning Per Share	(44.21)	3.78
	No's	No's
e) Weighted Average number of Equity Shares for Basic EPS	79,283,000	79,283,000
f) Weighted Average number of Equity Shares for Diluted EPS	79,283,000	79,283,000

34 Segmental Reporting as per Accounting standard 17:

34.1 *Business Segment*

The Company comprises the following main business segments:

Animation:
The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.

Distribution:
The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The segment information for the year ended 31 March 2017 is as follows:

Amount in ₹

	Animation	Distribution	Total
Revenue from operation	722,747,103	216,884,873	939,631,976
	1,642,854,295	*461,135,032*	*2,103,989,327*
Total Revenue	**722,747,103**	**216,884,873**	**939,631,976**
	1,642,854,295	*461,135,032*	*2,103,989,327*
Depreciation and Amortisation	30,218,244	787,111,974	817,330,218
	39,111,302	*408,841,901*	*408,841,901*
Segment result	(2,484,720,155)	(1,518,128,845)	(4,002,849,000)
	729,378,459	*(135,709,536)*	*593,668,923*
Unallocated expenses			521,301,603
			378,633,142

Operating Profit			(3,481,547,397)
			972,302,065
Net financing costs			(635,268,159)
			(590,890,177)
Income Tax expense			612,046,173
			(82,042,868)
Profit after tax			**(3,504,769,383)**
			299,369,020
Segment assets	1,108,630,000	6,143,030,000	7,251,660,000
	3,208,225,864	*7,823,479,834*	*11,031,705,698*
Unallocated assets			956,258,962
			320,306,480
Total assets			**8,207,918,962**
			11,352,012,178
Segment liabilities	5,745,996,752	169,171,265	5,915,168,017
	4,925,661,120	*610,316,311*	*5,535,977,431*
Unallocated liabilities			731,359,949
			720,918,052
Total liabilities			**6,646,527,966**
			6,256,895,483
Capital expenditure			
Tangible Fixed Assets			4,810,540
			65,312,550
Intangible Assets			773,787,954
			918,062,939

Note: Figures in italics represent previous year

34.2 Geographical Segment

Revenue from geographic segments based on domicile of the customers is outlined below:

Amount in ₹

	America	Europe	Others	Total
Revenue from operation				
Animation	297,471,640	613,995,077	(188,719,614)	722,747,103
	729,093,740	*740,101,575*	*173,658,980*	*1,642,854,295*
Distribution	49,925,667	115,620,033	51,339,173	216,884,873
	143,958,577	*267,146,776*	*50,029,679*	*461,135,032*
Total Revenue	347,397,307	729,615,110	(137,380,441)	939,631,976
	873,052,317	*1,007,248,351*	*223,688,659*	*2,103,989,327*
Total Assets	1,089,045,228	613,876,283	6,504,997,452	8,207,918,963
	1,422,001,575	*583,119,713*	*9,346,890,890*	*11,352,012,178*
Capital expenditure				
Tangible Fixed Assets				4,810,540
				65,312,550
Intangible Assets				773,787,954
				918,062,939

Note: Figures in italics represent previous year

35. Commitments

Amount in ₹

Particulars	For the year ended	
	31 March 2017	31 March 2016
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances	245,946,233	349,488,527

Amount in ₹

36. Amount Spent on Corporate Social Responsibility

Particulars	For the year ended	
	31 March 2017	31 March 2016
(a) Gross amount required to be spent by the company during financial year.	7,041,316	6,821,324
(b) Amount spent during the financial year.	-	-

The company has not spent 2% of the average net profit of the last three financial years towards its CSR expenditure for the year. The Company has formulated the CSR policy and constituted the CSR committee. The company has also identified the activities proposed to be undertaken. The company expects to spend the amount on its CSR activities during the FY 2017-18

37. Figures of previous year have been regrouped/rearranged/reclassified wherever necessary to conform to the current year presentation.

For MZSK & Associates
Chartered Accountants
FRN 105047 W

For and on behalf of the Board

Tapaas Chakravarti
(CMD & CEO)

S.Sundar
(Director)

Ananthakrishnan G
Partner
(M.No 205226)

Annie Jodhani
(Company Secretary)

Sanjay Choudhary
(Chief Financial officer)

Place: Hyderabad
Date: 06.06.2017

Schedules forming part of the Balance Sheet
13. Fixed Assets in Consolidated level.

Amount in ₹

Particulars	Gross Block					Depreciation/Amortisation					Net Block	
	As at 1 April 2016	Additions	Deletions/ write off	Translation adjustment	As at 31 March 2017	As at 1 April 2016	For the year	Deletions/ write off	Translation /adjust-ment*	As at 31 March 2017	As at 31 March 2017	As at 31 March 2016
A. Tangible Assets												
Leasehold land	14,350,000	-	-		**14,350,000**	3,233,877	413,065	-	-	**3,646,942**	**10,703,058**	11,116,123
Leasehold improvements	18,407,040	15,000	-		**18,422,040**	15,285,754	998,626	-	-	**16,284,380**	**2,137,660**	3,121,286
Plant & Machinery	781,865,958	2,834,560	-		**784,700,518**	698,547,628	20,209,523	(1,395)	-	**718,758,546**	**65,941,972**	83,318,330
Office equipments	12,101,129	132,820	-		**12,233,949**	9,216,460	1,590,325	-	-	**10,806,785**	**1,427,164**	2,884,669
Furniture, Fixtures & Interiors	32,059,174	64,406	-		**32,123,580**	22,052,080	1,914,303	130	-	**23,966,253**	**8,157,327**	10,007,094
Vehicles	13,939,023	1,763,754	5,644,619		**10,058,158**	7,493,208	1,129,872	4,672,265	-	**3,950,815**	**6,107,343**	6,445,815
Total	**872,722,324**	**4,810,540**	**5,644,619**	**-**	**871,888,245**	**755,829,007**	**26,255,714**	**4,671,000**	**-**	**777,413,721**	**94,474,524**	**116,893,317**
B. Intangible Assets												
Distribution rights*	3,920,893,737	772,612,148	-	129,414,368	**4,564,091,517**	1,774,751,047	511,007,685	1,603	44,701,365	**2,241,055,764**	**2,323,035,753**	2,146,142,690
Computer software	273,327,629	1,175,806	-		**274,503,435**	258,421,505	8,537,054	76	-	**266,958,483**	**7,544,952**	14,906,124
Total	**4,194,221,366**	**773,787,954**	**-**	**129,414,368**	**4,838,594,952**	**2,033,172,552**	**519,544,739**	**1,679**	**44,701,365**	**2,508,014,247**	**2,330,580,705**	**2,161,048,814**
C. Intangible asset under construction & Minium Guarantee	**4,783,944,663**	**447,548,437**	**794,881,611**	**366,825,730**	**4,069,785,759**	**-**	**275,951,947**	**-**	**(79,977,048)**	**355,928,995**	**3,713,856,764**	**4,783,944,663**
	4,783,944,663	447,548,437	794,881,611	366,825,730	**4,069,785,759**	-	275,951,947	-	(79,977,048)	**355,928,995**	**3,713,856,764**	4,783,944,663
Grand Total	9,850,888,353	1,226,146,931	800,526,230	496,240,098	**9,780,268,956**	2,789,001,559	821,752,400	4,672,679	(35,275,683)	**3,641,356,963**	**6,138,911,993**	7,061,886,794
Previous year figures	*7,826,127,291*	*2,462,547,394*	*937,050,330*	*(499,263,998)*	*9,850,888,353*	*2,308,807,883*	*452,339,540*	*826,777*	*28,680,913*	*2,789,001,559*	*7,061,886,794*	-

Distribution Rights*

Distribution rights represent the costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 58 series (31.03.2016: 55) of Animation rights have been acquired for different territories across the globe. The Company has performed testing for impairment of distribution rights which resulted in an impairment loss of Rs. 452,658,337 (31.03.2016: Rs.130,902,337) on account of recoverable amount of distribution rights being less than its carrying amount. The accumulated Impairment Loss as at 31.03.2017 on distribution rights amounted to Rs. 910,882,802 (31.03.2016: Rs.697,824,189).

13.1

Intangible assets under construction are the projects under development to be exploited as Television Series/Films and others. Based on review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortized cost and consequently no provision for impairment is considered necessary by the management at this stage.

13.2

To support the carrying value of the intangible assets of DQ Entertainment (Ireland) Limited as at 31 March 2017, the management has prepared projected revenue streams from exploitation, discounted to their present values. There is a significant degree of uncertainty and judgement involved in estimating projected revenue streams of these assets. If sufficient revenue streams are not generated then a provision for impairment is required to reduce the carrying value of these assets to their recoverable amount. The management is of the opinion that the carrying value of the intangible assets of Rs. 5,390.78 Mn in DQ Entertainment (Ireland) Limited (subsidiary) as at 31 March 2017, on an individual title by title basis, are worth at least the net amount stated based on a combination of supporting discounted projected revenue streams and the management's knowledge and expectation of future sales contracts.

AGM NOTICE

AGM NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of **DQ Entertainment (International) Limited** will be held on Thursday, September 28, 2017, at 02.30 p.m. IST at Hotel 'The Plaza', 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016, to transact the following business:

ORDINARY BUSINESS

Item no.1 – Adoption of financial statements
To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the financial year ended 31st March, 2017 and the Reports of the Board of Directors and Auditors thereon

Item no.2 – Appointment of Director
To appoint a Director in place of Ms. Rashida Adenwala (DIN 00008212), who retires by rotation and, being eligible, seeks re-appointment.

Item no.3 – Appointment of Auditors
To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re- enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s. MZSK & Associates, Chartered Accountants (Firm Registration No. 105047W), as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the next AGM, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

SPECIAL BUSINESS:

Item no. 4 – Approval of re-appointment of Mr. Tapaas Chakravarti as CMD & CEO of the Company.

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

"RESOLVED THAT pursuant to Section 196, 197 and 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("including any statutory modification(s) or re-enactment thereof, for the time being in force) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and subject to other consents and permission as may be required, the approval of the Company be and is hereby accorded to the re-appointment of Mr.Tapaas Chakravarti, as CMD & CEO of the Company for a further period of three years with effect from September 1, 2017 to August 30, 2020, at the following remuneration:

Salary: Rs 8.33 lacs per month
Perquisites: Rs. 10.08 lacs per annum
Performance Incentive: Upto 3% of Profit after Tax (PAT)

PERQUISITES AND ALLOWANCES

CATEGORY - A

a) Reimbursement of Medical Expenses incurred for self and his family as permissible under the Income Tax Act, 1961.

b) Leave travel concession- for self and his family once in a year incurred in accordance with the rules of the Company.

c) Club fees shall be reimbursable subject to a maximum of two clubs and this fee will not include admission and life membership fees.

d) Personal Accident Insurance- the premium amount on such insurance cover shall be reimbursable.

e) Ex-gratia, Bonus & Incentive: In accordance with the rules of the Company.

f) Education Allowance for his children, as may be applicable.

g) Any other perquisites or allowances as applicable

CATEGORY – B

i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund will be as per rules of the Company. The same will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961

ii) The Managing Director shall be entitled to Gratuity as per the rules of the Company.

iii) Earned leave as per rules of the Company but not exceeding one (1) month leave for every eleven (11) months. Encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY – C

i) Free use of Company's car with driver for Company's business.

ii) Free telephone facility at residence.

iii) Reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

The above mentioned salary and perquisites shall be paid and allowed as a minimum remuneration during the currency of tenure of his office as the CMD & CEO, notwithstanding the absence or inadequacy of profits in any accounting year subject to the limits prescribed under Schedule V of the Companies Act, 2013;

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all such acts, deeds, matters and things as may be considered necessary, proper and expedient to give effect to this resolution."

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Tapaas Chakravarti
CMD & CEO

Hyderabad, August 11, 2017

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills,
Hyderabad - 500 034.
Telephone: +91-40-23553726 & 27,
Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

IMPORTANT NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") in respect of the business under Item No. 4 of the Notice, is annexed hereto.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

3. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than FORTY-EIGHT HOURS before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/ authority, as applicable.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 22nd September, 2017 to Thursday, 28th September, 2017 (both days inclusive).

5. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

6. Details under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of the Director seeking reappointment at the Annual General Meeting, forms integral part of the notice. The Director has furnished the requisite declarations for her re-appointment.

7. Electronic copy of the Notice of the 10th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 10th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Slip and Proxy Form is being sent in the permitted mode.

8. Members may also note that the physical copies of the aforesaid documents will also be available at the Company's Registered Office in Hyderabad for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post, free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: investors@dqentertainment.com.

9. Voting through electronic means

I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Reg. 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide the Members the facility to cast their vote electronically, through the e-voting services provided by Karvy Computershare Private Limited (Karvy) on all resolutions set forth in the Notice of the 10th Annual General Meeting, from a place other than the venue of the Meeting (Remote e-voting).

II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper. Members who have already cast their votes by Remote e-voting are eligible to attend the Meeting; however those Members are not entitled to cast their vote again in the Meeting.

III. A Member can opt for only single mode of voting i.e. through Remote e-voting or voting at the AGM. If a Member casts votes by both modes then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

IV. The remote e-voting period will commence from Monday, September 25, 2017 (9.00 am IST) and shall end on Wednesday, September 27, 2017 (5.00 pm IST). During this period, shareholders of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date of 21st September, 2017, may cast their vote electronically.

The e-voting module shall be disabled on September 27, 2017 at 5.00 pm.

V. The instructions for shareholders voting electronically are as under:

In case a Member receives an email from Karvy [*for Members whose email IDs are registered with the Company/Depository Participants (s)***]:**

i. Launch internet browser by typing the URL: https://evoting.karvy.com

ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN (E-Voting Event Number) xxxx followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.

iii. After entering these details appropriately, click on "LOGIN".

iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. You need to login again with the new credentials.

vi. On successful login, the system will prompt you to select the "EVENT" i.e., 'DQ Entertainment (International) Limited"

vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.

viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat accounts.

ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

x. You may then cast your vote by selecting an appropriate option and click on "Submit".

xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution (s), you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).

xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email ramakrishna.fcs@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_Event No."

In case of Members receiving physical copy of Notice [for Members whose email IDs are not registered with the Company/Depository Participants (s)]:

i. E-Voting Event Number – XXXX (EVEN), User ID and Password is provided in the Attendance Slip.

ii. Please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.

VI. Other Instructions

a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and

E-voting user manual available at the download section of https://evoting.karvy.com (Karvy Website) or contact Mr. B. Venkata Kishore (Unit: DQ Entertainment (International) Limited) of Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032 or email at evoting@karvy.com or phone no. 040–6716 1500 or call Karvy's toll free No. 1-800-34-54-001 for any further clarifications.

b. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

c. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for E-voting i.e., 21st September, 2017, he/she may obtain the User ID and Password in the manner as mentioned below:

i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS:

MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:
MYEPWD <SPACE> IN30039412345678 (DP-ID + CL-ID)

Example for CDSL:
MYEPWD <SPACE> 1202300012345678 (16 DIGITS NUMERIC)

Example for Physical:
MYEPWD <SPACE> XXXX1234567890 (EVEN NO. + FOLIO NO.)

ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of https://evoting.karvy.com, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

iii. Member may call Karvy's toll free number 1800-3454-001.

iv. Member may send an e-mail request to evoting@karvy.com. However, Karvy shall endeavour to send User ID and Password to those new Members whose mail ids are available.

VII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date (21st September, 2017) only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

VIII. Mr. R. Ramakrishna Gupta, Practicing Company Secretary, Hyderabad has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.

IX. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" or "Polling Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

X. The Scrutinizer shall after the conclusion of voting at the general meeting, first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, within 48 hours of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

XI. The Results declared alongwith the report of the Scrutinizer shall be placed on Service Provider's website (https://evoting.karvy.com) immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited and National Stock Exchange of India Limited.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Mr. Tapaas Chakravarti as a promoter of the Company has helped to shape the success story of his creation, DQ Entertainment group. In the year 2012, he was re-appointed as the CMD & CEO of the Company for a period of five years commencing from September 1, 2012 till August 30, 2017.

The Board of Directors at its meeting held on August 11, 2017 have recommended to re-appoint Mr. Tapaas Chakravarti as CMD & CEO of the Company on the same remuneration as approved earlier by the shareholders in the general meeting held on September 30, 2016 for a further period of three years, commencing from September 1, 2017 and upto August 30, 2020 subject to necessary approvals.

The aggregate of salary and perquisites as specified in the resolution is in accordance with the rules of the Company and it does exceed the limits prescribed under Sections 197 read with Schedule V and all other applicable provisions, if any of the Companies Act, 2013, (including any statutory modification(s) or re-enactment thereof, for the time being in force).

The following additional information as required under Schedule V of the Companies Act, 2013 is given below:

I. GENERAL INFORMATION:

(a) Nature of industry	Animation
(b) Date or expected date of commencement of commercial production.	April 13, 2007
(c) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Not applicable
(d) Financial performance based on given indicators – As per standalone audited financial results for the year ended March 31, 2017.	- Total Income : Rs. 948 Mn - Total expenditure : Rs. 3424 Mn - Profit before tax : Rs. (2476) Mn - Tax Expense (Current Tax+ Deferred Tax [Net of MAT credit entitlement]) : Rs. (612) Mn - Profit after Tax : Rs. (1864) Mn
(e) Foreign investments or collaborators, if any	The Company has invested Rs. 1168 Mn in its 100% wholly owned subsidiary – DQ Entertainment (Ireland) and also Rs. 89 Mn in DQ Entertainment (International) Films Limited which is a Joint Venture between DQ Entertainment (International) Limited and DQ Entertainment Plc.

II. INFORMATION ABOUT THE APPOINTEE:

(a) Background details	Tapaas Chakravarti has nearly three decades of experience in overall management of Corporate affairs. He is the founder promoter of the Company. Tapaas began his career with Sandoz India Limited (now Novartis, a Swiss Multinational) and later joined STP Limited, an infrastructure Company. Tapaas has held senior positions in Sales and Projects at Coats of India, (a British multinational). He was head of Special Projects for Sairam Group where he developed countrywide contract manufacturing activities. He is a science graduate with Post graduate qualification in Business Management.
(b) Past remuneration	Mr. Tapaas Chakravarti was drawing a salary of Rs. 3.36 lacs per month in the FY 2015-16. However, a revision in remuneration was done in the 9th Annual General Meeting held on September 30, 2016 wherein salary of Rs. 8.33 lacs per month was approved by the members.
(c) Recognition or awards	In the year 2009, he was nominated for the Ernest & Young, Entrepreneur of the year 2009 India awards. He has also been awarded Hall of Fame-Life Time Achievement Award in the World Animation and VFX summit held in Los Angeles in the year 2013.
(d) Job profile and his suitability	He is the CMD & CEO of the Company since inception and devotes whole time attention to the management of the affairs of the Company and exercises powers under the supervision and superintendence of the Board of the Company.
(e) Remuneration proposed	It is proposed to continue with the same remuneration as paid earlier i.e, Rs 8.33 lacs per month with perquisites of Rs. 10.08 lacs per annum. He is also entitled to Performance Incentive upto 3% of Profit after Tax (PAT).
(f) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	Taking into consideration the size of the Company, the profile, knowledge, skills and responsibilities shouldered by Mr. Tapaas Chakravarti, the remuneration proposed to be paid is much reasonable as compared to remuneration paid to similar counterparts in other companies.
(g) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Besides the remuneration proposed to be paid to him, Mr. Tapaas Chakravarti does not have any other pecuniary relationship with the Company or relationship with the managerial personnel.

III. OTHER INFORMATION:

(a) Reasons of loss or inadequate profits	One of the significant reasons for the losses during the FY 2016-17 is that the company made a provision of Rs. 1,978.96 Mn for doubtful debts. This huge amount is basically due to orders taken from small to mid-size clients who could not sustain themselves during the world-wide recession. Due to delay in payments from these parties, the Company stopped business with these parties from the beginning of the FY 2016-17. The Company had sent many notices followed by legal notices to these parties but there remains uncertainty over receipt of this amount.
(b) Steps taken or proposed to be taken for improvement	The Company has stopped business with small production houses and slowly and steadily getting good service as well as co-production projects from Disney and other large production houses across the globe. The Company has good order book for production for the next 24 months.
(c) Expected increase in productivity and profits in measurable terms	Barring unforeseen circumstances, the Company hopes to increase the revenue and profits by improved margins in current year.

Information pursuant to 1.2.5 of the Secretarial Standard on General Meetings (SS- 2) regarding Director seeking appointment / re-appointment

Name	Mr. Tapaas Chakravarti
Age	61 years
Qualifications	He is a science graduate with Post Graduate Qualification in Business Management.
Experience	He has nearly three decades of experience in overall management of Corporate affairs.
Terms and conditions of appointment or re-appointment	(i) Tenure of this appointment shall be three years with effect from September 1, 2017. (ii) The CMD & CEO of the Company is the Whole Time Director of the Company and shall not be liable to retire by rotation. (iii) He shall be entitled to such other privileges, allowance, facilities and amenities in accordance with rules and regulations as may be applicable to other employees of the Company and as may be decided by the Board, within the overall limits prescribed under the Act. (iv) The appointment shall be governed by Section 196, 197, 203 read with Schedule V of the Companies Act, 2013 and rules made thereunder

Last drawn remuneration	Rs. 8.33 lacs per month
Date of first appointment on the Board	December 11, 2007
No. of share held	41 shares as nominee of DQ Entertainment (Mauritius) Limited.
Relationship with Directors, Managers & KMP	Not related
Number of Board Meeting attended during FY 2017	Six (6)
Other Directorship	Nil
Chairman/ Member of the Committees of Boards of other companies	Nil

Except Mr. Tapaas Chakravarti, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item Nos. 4.

The Board recommends the Special Resolution set out at item No. 4 of the Notice for approval by the shareholders.

By Order of the Board of Directors
For **DQ Entertainment (International) Limited**

Hyderabad, August 11, 2017

Tapaas Chakravarti
CMD & CEO

Registered Office:
644, Aurora Colony, Road No. 3, Banjara Hills, Hyderabad – 500 034
Telephone: +91-40-23553726&27, Fax No. +91-40-23552594
Website: www.dqentertainment.com
CIN No: L92113TG2007PLC053585

ADDITIONAL INFORMATION ON DIRECTORS

Details of the Director seeking re-appointment at the Annual General Meeting
(In pursuance of Reg. 36(3) of the SEBI (LODR) Regulations, 2015)

(I) Name of Director	Mr. Tapaas Chakravarti (DIN: 00559533)
(Refer: Explanatory Statement)	
(II) Name of Director	Ms. Rashida Adenwala (DIN: 00008212)
Brief resume	Already provided in the Annual report
Age	53 years
Qualification	Graduate in Commerce & Law and is a qualified Company Secretary.
Expertise	Legal, Corporate Affairs, Corporate Governance, Finance & Internal Audit.
Disclosure of relationship between Directors inter-se	Nil
Listed entities (other than DQ Entertainment) in which the Director holds the directorship and the Committee membership:	Nil
Number of shares held in the Company as on March 31, 2017	Nil

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
Regd Office: 644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad-500 034.
CIN: L92113TG2007PLC053585 Website: www.dqentertainment.com Tel: 91-40-23553726 & 27

ATTENDANCE SLIP

Tenth Annual General Meeting, Thursday, 28th September, 2017 at 2.30 p.m.
at 'The Plaza', 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016.

Folio No. .... DP ID No.................................Client ID No.............................

Name of the Member...Signature...

Name of the Proxyholder ....Signature...

1. Only Member/Proxyholder can attend the Meeting.
2. Member/Proxyholder should bring his/her copy of the Annual Report for reference at the Meeting.

....Please tear here..

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED
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PROXY FORM - MGT - 11

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member (s): ....

Registered Address: ....

E-mail Id: .... Folio No / Client Id: .... DP ID: ....

I / We, being the member(s) holding .... shares of the above mentioned company, hereby appoint

1. Name: .... E-mail id:..
   Address:..
   .... Signature:..
   or failing him/her
2. Name: .... E-mail id:..
   Address:..
   .... Signature:..
   or failing him/her
3. Name: .... E-mail id:..
   Address:..
   .... Signature:..

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 10th Annual General Meeting of the Company to be held on Thursday, the 28th day of September 2017 at 2.30 p.m. at 'The Plaza', 6-3-870, Balayogi Paryatak Bhavan, Greenlands, Begumpet, Hyderabad - 500 016 and at any adjournment thereof, in respect of such resolutions as are indicated below:

	Vote (see Note 2) For	Against
Ordinary Business		
Resolution No. 1 : Adoption of Audited Financial Statements for the financial year ended March 31, 2017		
Resolution No. 2 : Re-appointment of Ms. Rashida Adenwala as a Director of the Company.		
Resolution No. 3 : Re-appointment of Auditors		
Special Business		
Resolution No. 4 : Approval for revision in remuneration of Mr.Tapaas Chakravarti, CMD & CEO of the Company.		

Signed this .... day of ...., 2017

Affix revenue stamp

Signature of Shareholder (s) ……………...……………………………Signature of Proxy Holder (s)…………………..........

Note:

1. This form of proxy in order to be effective should be duly completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. It is optional to indicate your preference. If you leave the for/ against column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/ she may deem appropriate.

ROUTE MAP TO THE VENUE OF THE AGM

Imagination and Beyond

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

Registered Office

644, Aurora Colony, Road No.3, Banjara Hills, Hyderabad - 500 034, Telangana, INDIA.
Ph: 0091 40 23553726 & 27 Fax: 0091 40 23552594

www.dqentertainment.com