



**Board of Directors:**

Mr. K.CH.A.V.S.N. Murth	: Independent Director
Dr. G.Chandra Bhushan	: Independent Director
Mr. Jagannadha Sastry Rani	: Additional Director *
Mr. Kotturi Ravi Kumar	: Additional Director *
Mr. M. Krishnam Raju	: Director
Mr. D. S. Subrahmanyam	: Whole Time Director
Mr. Penugonda TVM. Suresh	: Managing Director

\* Appointed as Additional directors w.e.f from 14.08.2012

**Registered Office:**

Plot No.91 Road no.7-B  
Jubilee Hills, Hyderabad – 500 033  
Tel No. 040 – 23550268, 23544862

**Auditors:**

M/s. Karumanchi & Associates  
Chartered Accountants  
Flat No.301, Swarganivas Enclave  
H.No 7-1-619/A, Behind HUDA Complex  
Ameerpet, Hyderabad-500038

**Bankers:**

HDFC Bank Limited  
Jubilee Hills Branch  
Hyderabad

**Registrars & Share Transfer Agents:**

Venture Capital and Corporate Investments Private Ltd  
12-10-167  
Bharat Nagar  
Hyderabad-500018  
Ph: 040-23818475/476  
Fax: 040-23868024

URL : [www.colorchipsindia.com](http://www.colorchipsindia.com)

**Email Id for Investor Related Matters: [cs@colorchipsindia.com](mailto:cs@colorchipsindia.com)**

## **NOTICE**

NOTICE is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of **Color Chips (India) Limited** will be held on Saturday, the 03<sup>rd</sup> day of November, 2012 at 12.00 PM at Hotel One Place, P.R.R Estate, 2-22-298, Behind K.P.H.B Bus Stop, Hyderabad – 500072 to transact the following business:

### **Ordinary Business:**

1. To receive, consider and adopt the Balance Sheet as at 30<sup>th</sup> June, 2012 and the Profit and Loss Account for the year ended 30<sup>th</sup> June, 2012 and the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr. G.Chandra Bhushan who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. Krishnam Raju who retires by rotation and being eligible, offers himself for reappointment.
4. To consider and if thought fit, to pass, with or without modification the following resolution as Special Resolution:

Resolved that pursuant to Section 224,225 & other applicable provisions of the Companies Act, 1956 M/s S.N.Murthy & Co, Chartered Accountants, Hyderabad, be and is hereby appointed as Auditors of the Company in place of the retiring Auditors M/s Karumanchi & Associates, Chartered Accountants, Hyderabad, who expressed their unwillingness to continue as Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration to be decided by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company.”

Hyderabad  
September 29<sup>th</sup>, 2012

**BY ORDER OF THE BOARD**

**SD/-  
PENUGONDA TVM SURESH  
MANAGING DIRECTOR**

## **SPECIAL BUSINESS:**

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

“RESOLVED THAT Mr. Jagannadha Sastry Rani, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act 1956 by the Board of Directors w.e.f 14<sup>th</sup> August, 2012 and who holds the office up to the date of the ensuing Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with a deposit of Rs.500/- proposing him as a candidate for the office of Director of the company be and is hereby appointed as a director of the Company whose period of office is liable to retire by rotation.”

6. To consider and if thought fit, to pass , with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT Mr. Kotturi Ravi Kumar, who was appointed as an Additional Director of the company pursuant to the provisions of section 260 of the Companies Act 1956 by the Board of Directors w.e.f 14<sup>th</sup> August, 2012 and who holds the office up to the date of the ensuing Annual General Meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with a deposit of Rs.500/- proposing him as a candidate for the office of Director of the company be and is hereby appointed as a director of the Company whose period of office is liable to retire by rotation.”

## **NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS TO BE VALID SHALL BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 23<sup>rd</sup> October 2012 to Saturday, 03<sup>rd</sup> November 2012, (both days inclusive).
3. Members are requested to bring their copies of the Annual Report at the time of attending the Meeting as the same will not be distributed at the Meeting.
4. Members are requested to send all communication relating to shares (Physical and Electronic) to the Company's Share Transfer Agents at M/s. Venture Capital & Corporate Investments Private Limited, 12-10-167, Bharat Nagar, Hyderabad- 500018.
5. The Company has designated exclusive e-mail Id called [cs@colorchipsindia.com](mailto:cs@colorchipsindia.com) for redressal of shareholders' complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at above said mail IDs.

6. The Ministry of Corporate Affairs has taken a corporate "Green Initiative in the Corporate Governance" by allowing paperless compliance by companies vide circular bearing No.18/2011 dated 29.04.2011. As per the MCA Circular, Service of documents through electronic mode i.e. e-mail by the Company will be a valid compliance of Section 53 of the Companies Act, 1956. In view of the above, notice is hereby given to every member of the Company including NRI shareholders to get their e-mail addresses registered with their respective Depository Participants (DP) in case shares are held in Demat form and with the Registrar & Share Transfer Agent (RTA) viz. M/s. Venture Capital & Corporate Investments Private Limited, Hyderabad, if the shares are held by them in physical mode. Further, it is also clarified that Company would be in compliance of provisions of Section 219(1) of the Companies Act, 1956, in case, a copy of Balance Sheet etc., is sent by electronic mail to its members subject to the above cited compliance.
7. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking re-appointment at the meeting are annexed.
8. Company is also in receipt of complaints from various shareholders from time to time regarding non-receipt of Annual Report. In this connection, kind attention of the shareholders is drawn towards SEBI's Circular No. Cir/CFD/DCR/5/2010 dated 07.05.2010 read with amended Clause 31 of the Listing Agreement whereby filing of the soft copy of the full Annual Report to BSE by every listed company is made mandatory and in turn BSE is putting that Annual Report on its website for the reference and perusal of all the interested members. Hence, members may download the copy of full Annual Report of the Company from BSE website for their immediate reference and perusal. Further, Company is also maintaining a functional website in compliance with the Listing Agreement entered with the stock exchanges. Annual Report and other documents are available on the website of the Company for inspection.
9. It is also noticed that many members holding shares in physical mode are holding insignificant shares under multiple folios. In order to provide cost effective, faster and prompt service, all Members concerned are requested under relevant clause of Listing Agreement to get their shareholding consolidated in one folio only.
10. The Securities and Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the company/RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/ transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/RTA.
11. All mandatory registers / documents are open for inspection at the registered office of the Company on all working days (except Saturdays and Sundays) between 11.00 a.m. to 1.00 p.m. prior to the date of Annual General Meeting.

**Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)**

a	<b>Name</b>	Mr. M. Krishnam Raju	Dr. G.Chandra Bhushan	Mr. Jagannadha Sastry Rani	Mr. Kotturi Ravi Kumar
b	Brief Resume				
	i) Age	45 years	52 years	49 years	47 years
	ii) Qualification	M.Com	MBBS, MS	M.Com	B.com
	iii) Experience & Nature of expertise in specific functional Areas	He has over 20 years experience in Finance sector.	He has over 12 years experience in Health Care sector.	He has over 20 years experience in Finance sector	He has over 15 years experience in Finance sector
	iv) Date of appointment on the Board of the Company	August 14 <sup>th</sup> , 2010	December 12 <sup>th</sup> , 2004	August 14 <sup>th</sup> , 2012	August 14 <sup>th</sup> , 2012
c)	Names of other companies in which directorship held (as per Section 275 and 278 of the Companies Act, 1956)	01	NIL	NIL	NIL
d)	Name(s) of companies in which committee Membership(s) held	NIL	NIL	NIL	NIL
e)	No. of shares of Rs.10/- each held by the Director	NIL	28200	NIL	NIL
f)	Relationship between Directors inter se (As per section 6 and schedule 1A of the Companies Act, 1956)	NA	NA	NA	NA

## **DIRECTORS' REPORT**

To  
The Members  
Color Chips (India) Limited

Your Directors have pleasure in placing before you the 22nd Annual Report of the Company with Audited Financial Statements for the year ended 30<sup>th</sup> June 2012.

### **Financial Results:**

<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
Gross Total Income from Operations	38.88	20.34
Profit before Depreciation, Interest and Taxes	(900.26)	17.97
Depreciation	12.75	15.23
Finance expenses	-	2.68
Profit Before Tax	(913.01)	0.54
Provision for Tax	--	--
Net Profit / (Loss)	(1563.94)	0.54
Balance Carry forward to Balance Sheet	(2268.16)	(704.21)

### **Dividend:**

The Company has incurred losses for the financial year. Therefore, your directors have not recommended any dividend for the financial year.

### **Directors:**

During the year Mr. Jagannadha Sastry Rani and Mr. Kotturi Ravi Kumar were inducted as Additional Directors with effect from August 14, 2012.

During the year under review, Dr. G.Chandra Bhushan and Mr. M. Krishnam Raju **retire by rotation and being eligible, offer themselves for re-appointment and brief particulars of these gentlemen, is given in the Explanatory Statement to the Notice of this Meeting.**

**The Board commends the re-appointment of these persons as Directors of the Company.**

### **Comprehensive Capital/ Financial Restructure Plan:**

Your Board of Directors has proposed Scheme of Arrangement under the provisions of Sections 391 to 394 read with Sections 100 to 103 and Section 78 of the Companies Act, 1956 read with relevant rules made there under, which provides for an Arrangement between the Company, its Shareholders and unsecured Creditors. The Bombay Stock Exchange Limited, wherein your company's shares are listed and traded, has conveyed their "No Objection" to the application filed by the company, by way of their letter dated 14<sup>th</sup> September, 2012. The petition to the Honorable High Court of Andhra Pradesh has been filed in September 2012 for its approval.

**Auditors' & Auditor's Report:**

M/s. Karumanchi & Associates., Chartered Accountants, Statutory Auditors of the Company, have expressed their inability to continue as Statutory Auditors of the Company w.e.f ensuing General Meeting. It is proposed to appoint M/s S.N.Murthy & Co, Chartered Accountants, Hyderabad, in place of the retiring auditors from the conclusion of this Annual General meeting to next Annual General meeting.

**Directors' Responsibility Statement Pursuant to Sec. 217(2AA):**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility statement, it is hereby confirmed that:

In the preparation of the annual accounts for the year ended June 30<sup>th</sup> , 2012, the applicable accounting standards read with requirements set out under Schedule VI of the Companies Act, 1956 have been followed along with proper explanation relating to material departures;

The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on June 30<sup>th</sup> , 2012 and of the profit or loss of the company for that period;

The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

The directors have prepared the annual accounts of the Company on a going concern basis.

**Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:**

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Sec. 217(1)(e) of the Act read with rule 2 of Companies (disclosure of particulars in the report of board of directors) Rules, 1988 are set out in **Annexure-A** to this Report.

**Management Discussion & Analysis:**

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India, and forms part of this Annual report as

**Annexure-B**

**Report On Corporate Governance:**

The Company is committed to maintain the standards of Corporate Governance and adhere to the Corporate Governance requirements as set out by SEBI. Your Directors re-affirm their commitment to these standards and a detailed report on Corporate Governance along with a certificate from statutory auditors on its compliance forms a part of this Annual Report as **Annexure-C**

The requisite Certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is attached to



this Report as **Annexure-D**

**CEO'S Declaration As Required Under Clause 49 Of the Listing Agreement:**

Declaration as required under clause 49(l)(D)(ii) of the listing agreement with regard to compliance with the code of conduct of the company is set out as **Annexure- E** to this report.

**Particulars of Employees - Pursuant To Sec. 217(2A) Of The Companies Act, 1956:**

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, there are no employee in the Company who is drawing the remuneration worth Rs. 5,00,000 per month or Rs. 60,00,000 per annum during the financial year .

**Stock Exchange Listing:**

The Equity Shares of the company are listed and traded on the Bombay Stock Exchange Limited. The listing fee for the year 2011-12 has been paid to the Bombay Stock Exchange Limited. The Company has also paid custodial fee for the year 2011-12 to both the depositories' viz. NSDL and CDSL on the basis of number of beneficial folios maintained by them as on 31st March 2012.

The Company has been suspended from trading from the National Stock Exchange of India Limited.

**Fixed deposits:**

Your company has not accepted / renewed any fixed deposits under Section 58A of the Companies Act, 1956 during the year 2011-2012.

**Acknowledgements:**

The Directors wish to place on record their appreciation for the continued co-operation and support by the Banks, Government authorities, Business Partners, Customers and other Stakeholders and more importantly, more specifically to the contribution made by all the Executives, Staff members of the Company in the achievements of the Company during the year under review.

Hyderabad  
September 29<sup>th</sup>, 2012

**BY ORDER OF THE BOARD**

**SD/-  
PENUGONDA TVM SURESH  
CHAIRMAN OF THE MEETING**

## ANNEXURE TO THE DIRECTORS' REPORT

### **Annexure-A : Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:**

We firmly believe that technology is the genesis of innovative business practices, which in turn enable the organization to carry out business effectively and efficiently. Even though the Animation industry is technology intensive, we believe that there is an increasing need to mechanize the processes involved in order to minimize costs and increase efficiency. We intend to make investments in innovative techniques for this regard.

Energy: The Company is in the business of development of Animation software sector and does not require large quantities of energy. However, wherever possible energy saving efforts are made.

Foreign Exchange Earning and outgo:

Amount in Rs. Lakhs

Sl. No.	Particulars	2011-12	2010-11
1.	Foreign Exchange Earnings	--	--
2.	Foreign Exchange Outflow	--	--

Hyderabad  
September 29<sup>th</sup>, 2012

**BY ORDER OF THE BOARD**

**SD/-  
PENUGONDA TVM SURESH  
CHAIRMAN OF THE MEETING**

**Annexure-B Management Discussion And Analysis**  
(Forming part of Directors' Report)

**Industry Overview**

The global financial crisis did not just hit the realty projects and banking firms. It did have a trickling effect on the animation industry but limited. Animation has not only survived but grown in geometrical progression over decades because it has bred very competent and skilled artists, producers and animation studios where they collaborate to produce quality work at very predictable intervals. With the advent of 3D CGI animation the dynamics have stayed intact. It is an industry with its very own distinct sensibilities and nuances. Over the last year, emergence of well loved movies franchises like Ice Age, Madagascar, Kung Fu Panda, Lorax, just to name a few, many upstart entrepreneurs and visionary artists decided to create 3D animation studios of their own. The hype continues without reaching a bubble status. After all, demand continues for these kinds of entertaining, colourful family oriented films.

Indian animation entertainment industry is a highly fragmented industry. Indian players are primarily involved in the labour-intensive production and post-production activities, as a 'Service Provider' working on the revenue model of 'Work-For-Hire'. This means that most skill sets are at the lower end of the value chain. Though there are a few firms offering world-class capabilities for India to emerge as a global animation hub, there is a need to upscale these capabilities across a wider section of the industry by focusing on owning the IP. Content development and pre-production activities are nascent in India, both for the domestic and the outsourcing market. However, this is expected to see some momentum owing largely to corporate e-learning programs.

Content requirement for corporate e-Learning is expected to grow at 11% per annum (2009-13). This requirement for content, added to the inclination of corporate in the US to outsource custom content development is likely to be a future opportunity for custom content development companies in India.

**Industry Structure and Developments:**

The year 2011-12 was extremely challenging. We pulled up our sleeves and re-grouped to strategies our way forward. The services product mix had to have all the three formats viz work for- hire for TV, DVD and Feature. We were successful in converting these prospects to customers.

The animation, gaming and VFX industry will continue to maintain its growth pace and is projected to grow at a CAGR of 21.4% from its current size of INR 31.3 billion to INR 82.6 billion in 2015. Growth in international animation films, especially the 3D productions, and subsequent work for Indian production houses will help in the growth this segment. The Indian gaming industry is projected to grow from an estimated size of INR 8.3 billion in 2010 to an estimated INR 25.3 billion by 2015, translating to a cumulative growth of 24.9% over the next five years.

The Indian Animation industry was worth US\$ 511 million in 2010 and is expected to grow at CAGR of 23% to reach US\$ 961 million by 2013.

### **Segment wise analysis of the Industry:**

The Company is proposing to engage engaged in providing 3D/2D Animation i.e. full-service studio specializing in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry.

Management believes that the risks and returns from these services are not predominantly different from one another and hence considers the Company to operate in a single business segment. However management has identified geographical segment disclosures based on location of the Company's customers in case of revenue. Further, disclosures of carrying amount of segment assets and cost incurred to acquire segment assets are based on geographical location of segment assets. As per Accounting standard AS (17) on segment reporting, segment information has been provided under the notes to consolidated financial statements.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The company through its management is responsible for establishing and maintaining adequate internal control over financial reporting commensurate with its size and nature of business. Our internal control systems are effective to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with the generally accepted principles of accounting. The internal control systems provide for well-defined policies, guidelines, authorizations and approval procedures.

### **Outlook:**

The rising number of TV channels, greater accessibility to Internet, proliferation of mobile devices that leads to the popularity of video and gaming content is set to offer a huge potential for the animation and character licensing in India. Hence, Comics' players are looking to monetize their content libraries through other new media mediums in addition to TV and Film. Recently, Diamond comics joined hands with License India, a licensing solution provider to market its famous characters to be used in animation films marketing campaigns. Indian publishers like Diamond, Raj, Vimanika and Chandamama have announced plans to enter the movie space with their famous comic characters.

The Indian TV advertisement industry size is expected to increase to US\$ 3.3 billion by 2013. This, coupled with growing popularity of animated characters is expected to boost the industry. The reasons can be attributed to making cost effective commercials or doing away with the clutter of celebrity overkill. Animation commercials cost far lower compared to advertisements with celebrities and establish connect with children and adults alike. They relate to audiences irrespective of language and cultural barriers. Further, in some cases animations are also used to increase the visual appeal of the advertisement or as a part of the concept of a commercial.

### **Opportunities:**

The release of 'Avatar', a movie that is a hybrid of live action and computer generated animated characters became the largest grosser in India indicating that Indian audiences are interested in high

quality animated content. The animation film industry sighted the trend and a number of animation films were made and released to capitalise on this interest. However, Indian animation films did not live up to the expectations set by their Hollywood counterparts. As the country moves out of recession and Indian audience matures, animation movies in the pipeline are expected to see execution. (Refer figure 29 for major movies released in 2010 and 2011) a post-production company that offers visual effects services, has worked in globally acclaimed films such as The King's Speech.

There is a rising demand for visual effects in most mainstream films in India today. VFX has been used in live action films to increase the visual content in the screen. Films such as Patiala House, Tees Maar Khan, No One Killed Jessica, and My Name is Khan etc. have used VFX to improve shots. The use of VFX in live action films has seen a steady and significant growth over the years. Many live action films today include a VFX sequence and the sheer duration of these screen shots has also risen substantially. Further, owing to its large domestic film industry India is bound to find increasing opportunities to use VFX in the domestic market.

Usage of VFX in broadcast helps in significant reduction of costs. Its usage brings down the set creation costs for a broadcast by almost 60-65%, particularly for mythological shows. It also helps in costs savings of 30-40% for commercials. The whopping success of VFX extensive movies at the box office overseas is expected to drive the VFX usage in other movies as well. This coupled with the cost savings is expected to lead to greater outsourcing. Indian studios are increasingly receiving work for quality western productions. Pixion, a post-production company that offers visual effects services, has worked in globally acclaimed films such as The King's Speech.

**Threats:**

1. Competition from other countries like Taiwan, Philippines, Korea and China
2. Ever changing technology
3. Lack of awareness in foreign countries
4. Inadequate funding for capex and investment in manpower
5. Lack of support from government

**Challenges, Risks and Concerns:**

Animation is a new industry to the Indian Business Environment. Hence, the functioning of the Industry, its risks, the payoffs and the time taken to achieve the payoffs, are not very well understood. The company has been able to develop a strong track record of successful deliveries and has established a strong foundation for a robust growth in the years to come.

Over the years, one distinguishing factor about Color Chips has been the quality of the manpower and low attrition rate, which is much below the industry levels. Particularly, in the 3D animation business, the animators have seen Color Chips as a destination of choice due to training and high quality work opportunities, and a culture best suited for creative talents. This franchise is of utmost importance to this risk reduces progressively with the increase in trained manpower base but nevertheless is an inherent part of the business and needs to be managed actively at all times. Quality computer animation talent is in short supply and also takes time to develop and hence the other major challenges are to successfully increase the talented manpower base of the company.

### **Human Resources Development and Industrial Relations:**

Color Chips (India) Limited firmly believes, our people are the biggest asset. Animation is a manpower intensive business and it requires a seamless conjugation of creative brilliance and technical capabilities. The company's Human Resources policies are aimed towards encouraging ownership, building a culture of learning & development. We have initiated processes towards building organization capabilities that would help set benchmarks for the industry, enable our artists to show case their creative potentials and enhance productivity for propelling business growth and profitability.

Further, we also encourage individual and team awards to sustain and institutionalize the various workforce practices. This helped in giving lots of encouragement to the workforce who have been striving hard to achieve various goals.

The key HR attributes of the Company include:

- a. A strong team of Competent, Committed and Passionate artist who are ever ready to meet the growing demands of the business.
- b. Strategic initiatives undertaken to ensure we are able to attract & retain the best talent.
- c. Zero non – compliance with regards to any statutory compliance.
- d. No employer – employee litigations in any court of law.

### **Cautionary Statement:**

Statement in this Management Discussion and Analysis describing the Company's objective, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Certain observations made on the industry and other players also reflect on opinion by the management and the management accepts no liability on such opinions. Actual results might differ materially from those either expressed or implied.

## **Annexure-C REPORT ON CORPORATE GOVERNANCE** (Forming part of Directors' Report)

### **I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Your Company firmly believes in transparency in its dealings and lays emphasis on integrity and regulatory compliance. The Company considers good corporate governance a prerequisite for meeting the needs and aspirations of its shareholders.

### **II. BOARD OF DIRECTORS:**

As on June 30, 2012, the Board of Directors comprised of 6 Directors out of which three (50%) are independent directors. The Composition of the Board is in conformity with the listing requirements.

None of the Directors on the Company's Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all the Companies in which he is a Director. All the Directors have made necessary disclosures regarding Committee positions held by them in other Companies and do not hold the office of Director in more than 15 public companies.

The Managing Director (CEO) has certified to the Board in accordance with Clause 49 (V) of the Listing Agreement pertaining to CEO certification for the Financial Year ended June 30, 2012.

### **BOARD MEETINGS:**

The Board of Directors met Seven (7) times during the year on 13-08-2011, 14-11-2011, 14-02-2012, 06-03-2012, 16-04-2012, 15-05-2012 and 01-06-2012 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

The details of composition of Board, attendance at Board Meetings held during the year and at last AGM, number of Directorship and membership/chairmanship of Committees in public companies are given below:

Name of the Director	Category	No. of meetings Attended	Whether Attended Last AGM	No. of other directorships *	No. of Board Committees of other Companies	
					Chairman	Member
M. Krishnam Raju	Promoter & Non Executive Director	05	YES	01	-	-
Penugonda TVM Suresh	Promoter and Managing Director	07	YES	01	-	01
D.S. Subrahmanyam	Non Promoter & WTD	07	YES	-	-	-
Dr.G. Chandra Bhushan	Independent Director	06	NO	-	-	-
K.Ch.A.V.S.N. Murthy	Independent Director	07	YES	-	-	-
K.S. Ravi Shanker	Independent Director	07	YES	01	-	01

\* excluding private, foreign and companies registered under Section 25 of the Companies Act, 1956.

The Board has adopted Code of Conduct for all its Directors and members of Senior Management in its meeting held on August 25, 2006. The same has been displayed on the Company's website.

All the Directors and members of Senior Management have affirmed compliance with the Code of Conduct for the financial year ended June 30, 2012

### **III. AUDIT COMMITTEE:**

The Committee is empowered with the powers as prescribed under the said Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The broad role of the Committee is to review:

- i. Financial reporting process;
- ii. Adequacy of internal control systems;
- iii. The financial statements for approval of the Board; and
- iv. The performance of statutory and internal auditors

The members of the Audit Committee are as follows:

<b>Name of Member</b>	<b>Category</b>	<b>Designation</b>	<b>No. of Meetings</b>
Mr. K. Ch. A.V. S. N. Murthy	Independent	Chairman	4
Mr. K.Ravi Kumar	Independent	Member	4
Mr. D S Subrahmanyam	WTD	Member	4

Audit committee met four times on the following dates: 13-08-2011, 14-11-2011, 14-02-2012 and 15-05-2012.

### **IV. REMUNERATION COMMITTEE:**

The terms of reference of the Committee are:

- to decide all elements of remuneration package of all the directors i.e. salary, benefits, bonus, pension etc.
- to decide details of fixed component and performance linked incentive along with the performance criteria.
- to decide service contracts, notice period, severance fees.
- to decide stock options details if any.

During the year under review, there was no meeting of Remuneration Committee conducted.

The Remuneration Committee consists of all Independent Directors under the Chairmanship of Mr. K.Ch. A.V.S Murthy.



**COMPOSITION, NAME OF MEMBERS AND CHAIRPERSON:**

<b>Name of the member</b>	<b>Category</b>	<b>Designation</b>
Mr. K.Ch.A.V.S.N. Murthy	Independent	Chairman
Mr. K.Ravi Kumar	Independent	Member
Dr. G. Chandra Bhushan	Independent	Member

Remuneration Policy:

To recommend/review the remuneration package periodically, to the executive directors. The remuneration policy is in consonance with the existing industry practice and also with the provisions of the Companies Act, 1956.

**V. INVESTOR GRIEVANCE COMMITTEE:**

The basic function of the Committee is to address shareholders' complaints / grievances pertaining to:

- i. transfer of shares;
- ii. dividends;
- iii. Dematerialization of shares;
- iv. replacement of share torn / mutilated share certificates;
- v. non receipt of rights / bonus / split share certificates; and
- vi. Other related issues.

There was no investor complaint during the year under review.  
There are no pending Investor complaints as on 30-06-2012.

Mr. D.S. Subrahmanyam, Whole-time Director is the Compliance Officer.

There are no pending transfer/complaints as on 30-06-2012.

Composition:

<b>Name of the member</b>	<b>Category</b>	<b>Designation</b>
Mr. D. S. Subrahmanyam	WTD	Chairman
Mr. K.Ravi Kumar	Independent	Member
Dr. G. Chandra Bhushan	Independent	Member

The Shareholder/Investor grievances committee specifically looks into redressing of Shareholders and Investors' complaints and ensures expeditious share transfer process.

## **VI. GENERAL BODY MEETINGS:**

a) The details of Annual General Body Meetings held in the last three years are as under:

<b>Financial Year</b>	<b>Location</b>	<b>Date and Time</b>
2008-2009	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad – 500033	31.12.2009 10.00 AM
2009-2010	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad – 500033	31.12.2009 11.00 AM
2010-2011	Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad – 500033	31.12.2011 11.00 AM

No Special Resolutions were passed in the previous three Annual General Meetings.

No Ballots papers were used for voting at above meetings.

No special resolution is proposed to be passed through postal ballot at the ensuing AGM.

### Special Resolutions through postal ballot (under Section 192A):

The Company has passed a Special Resolution through postal ballot for issue of shares on preferential basis to M/s.Ravikaanth Portfolio Services Private Limited on April 16<sup>th</sup>, 2012

## **VII. OTHER DISCLOSURES:**

- (a) There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) In the preparation of financial statements, no treatment materially different from that prescribed in the accounting standards had been followed.
- (c) There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years
- (d) The Company has complied with all the mandatory requirements of Clause 49. As regards the no mandatory requirements, the extent of compliance has been stated in this report against each item.
- (e) There were no material pecuniary relationships or transactions of the non-executive directors vis à-vis the Company, other than payment of Board fees/commission and investments (if any) in shares /securities of the Company.

## **VIII. MEANS OF COMMUNICATION:**

The un-audited quarterly results and audited results for the year are generally published in one English newspaper (Financial Express) and at least one vernacular newspaper (Andhra Prabha) shortly after its submission to the Stock Exchanges. The results are also displayed on the Company's web-site i.e. [www.colorchipsindia.com](http://www.colorchipsindia.com)

## **IX) General Shareholders Information:**

### **a) 22<sup>nd</sup> Annual General Meeting:**

Date and Time	Saturday, 03 <sup>rd</sup> November 2012 at 12.00 PM
Venue	Hotel One Place, P.R.R Estate, 2 -22-298, Behind K.P.H.B Bus Stop, Hyderabad - 500072

**b) Book Closure Date:** 23-10-2012 to 03-11-2012 (inclusive of both days)

### **c) Financial Year and Calendar (Tentative) 2012-13:**

The Company follows July to June as its Financial Year. The results of every quarter beginning from 1<sup>st</sup> July are declared within the time prescribed under the provisions of Listing Agreement.

**d) Listing on Stock Exchanges** : 1) National Stock Exchange of India Limited  
2) Bombay Stock Exchange Limited

**e) Listing Fees** : Listing fee for the year 2012-13 has been paid.

**f) Stock Code** : NSE: COLORCHIPS; BSE: 532172

**g) ISIN No.** : INE737B01017 (Fully paid-up);  
IN9737B01015 (For partly paid)

### **h) Market Price Data**

During the financial year the equity shares of the Company are traded on Bombay Stock Exchange Limited. The shares are suspended from trading in NSE and BSE with effect from September 13, and September 14, 2007 respectively due to penal provisions.

However the suspension from trading in BSE has been revoked with effect from March 6, 2012 vide Circular 20120229-17 dated 29 Feb 2012

**i) Registrar and share transfer Agents:** (both Physical and Demat)

**M/s. Venture Capital and Corporate Investments Private Ltd**  
12-10-167, Bharat Nagar, Hyderabad-500018.  
Ph: 040-23818475/476; Fax: 040-23868024.

**j) Share Transfer System:**

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to Demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a Demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization and shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

**k) Distribution of shareholding as on 30<sup>th</sup> June 2012:**

Nominal Value	Holders		Amount	
	Number	% To Total	In Rs	% To Total
Upto - 5000	8285	60.56	20252330	8.45
5001 - 10000	2461	17.99	21379850	8.92
10001 - 20000	1357	9.92	22114590	9.23
20001 - 30000	486	3.55	12677230	5.29
30001 - 40000	277	2.02	9952900	4.15
40001 - 50000	234	1.71	11236590	4.69
50001 - 100000	332	2.43	25199330	10.52
100001 and above	248	1.81	116807680	48.75
Total	13680	100	239620500	100

**I) Shareholding Pattern as on 30<sup>th</sup> June 2012:**

Category	No. of shares	%
Promoters	3332137	13.91
Mutual Funds and UTI Financial Institutions	2000	0.01
Private Corporate Bodies	1504310	6.27
Indian Public	18221928	76.04
NRI's OCB's	901675	3.76
Others	--	--
<b>Total</b>	<b>23962050</b>	<b>100.00</b>

**m) Dematerialization of Shares:**

The equity shares of the Company are in compulsory Demat segment. The Company has already entered into necessary agreements with NSDL and CDSL for Demat facility. As on 30<sup>th</sup> June 2012 **23568142** equity shares are in Demat form representing 98.36% of total equity share capital of the Company.

**n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:**

The Company has not issued any GDRs / ADRs / Warrants / any convertible instruments.

**o) Plant Locations:**

The Company does not have any plant locations; however the Company has its Animation facility centre at Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad- 500033, AP.

**p) Address for Investors Correspondence:**

Shareholders may address their communications/suggestions/grievances/queries pertaining to share transfer/Demat including physical transfer requests and Demat requisition forms, to the Company's Registrar and Share Transfer Agents and/or to the Company at the following address:

Registered Office

Color Chips (India) Limited  
Plot No.91 Road no.7-B  
Jubilee Hills, Hyderabad – 500 033  
Tel No. 040 – 23550268, 23544862

Registrar and Transfer Agent

Venture Capital and Corporate Investments Private Ltd  
12-10-167, Bharat Nagar,  
Hyderabad – 500 018  
Ph: 040-23818475/476; Fax: 040-23868024.

**q) CEO Certification:**

As required by the revised clause 49 (V) of the Listing Agreement, the certificate from CEO was placed before the Board of Directors at their meeting held on September 29th, 2012.

**r) Compliance Certificate of the Auditors:**

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

Hyderabad  
September 29<sup>th</sup>, 2012

**BY THE ORDER OF THE BOARD**

**SD/-  
PENUGONDA TVM SURESH  
MANAGING DIRECTOR**

**DECLARATION**

To  
The Members of Color Chips (India) Limited

This is to declare that the Code of Conduct envisaged by the Company for Members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

Hyderabad  
September 29<sup>th</sup>, 2012

**BY THE ORDER OF THE BOARD**

**SD/-  
PENUGONDA TVM SURESH  
MANAGING DIRECTOR**

**CERTIFICATE BY CEO / CFO:**

Pursuant to the provisions Clause 41 of the Listing Agreement with the Stock Exchanges, it is hereby certified that for the period ended June 30, 2012:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that 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 they have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. 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.

**SD/-  
PENUGONDA TVM SURESH  
MANAGING DIRECTOR**

**SD/-  
K. GURAVA RAJU  
CHIEF FINANCIAL OFFICER**

Hyderabad  
September 29<sup>th</sup>, 2012

## **AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members  
Color Chips (India) Limited

We have examined the compliance of conditions of corporate governance by Color Chips (India) Limited for the year ended on June 30<sup>th</sup>, 2012 as stipulated in clause 49 of the listing agreement of the said company with concerned Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the management, our examination has been limited to a review of the procedures and implementation thereof adopted by the company for ensuring the compliance the conditions of corporate governance. It is neither an audit not expression of opinion on the financial statements of the company.

In our opinion and best of our information and according to the explanation given to us and the representations made by the Directors and Management, we certify that the company has complied with the conditions of corporate governance as stipulated in the aforesaid listing agreement.

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

Hyderabad  
September 29<sup>th</sup>, 2012

**For KaruManchi & Associates**  
Chartered Accountants

**SD/-**  
**K. Peddabbai**  
Membership No: 25036



## Color Chips (India) Limited

Balance Sheet As At 30th June,2012

(Amount in Rs.)

	Particulars	Note No.	As at 30-06-2012	As at 30-06-2011
<b>I</b>	<b>EQUITY AND LIABILITIES</b>			
<b>(1)</b>	<b>Share Holders Funds</b>			
	a) Share Capital	2	237,242,738	207,242,738
	b) Reserves & Surplus	3	(224,513,220)	(68,118,756)
	c) Money received against Share Warrants		-	
	<b>Sub-Total</b>		<b>12,729,518</b>	<b>139,123,982</b>
<b>(2)</b>	<b>Share Application Money Pending for Allotment</b>		-	-
<b>(3)</b>	<b>Non Current Liabilities</b>			
	a) Long Term Borrowings	4	-	-
	b) Deferred Tax Liability ( Net )		-	-
	c) Other Long Term Liabilities	5	150,964,446	96,708,429
	d) Long Term Provisions		-	
	<b>Sub-Total</b>		<b>150,964,446</b>	<b>96,708,429</b>
<b>(4)</b>	<b>Current Liabilities</b>			
	a) Short Term Borrowings		-	-
	b) Trade Payables	6	1,584,492	1,584,492
	c) Other Current Liabilities		-	-
	d) Short Term Provisions	7	25,000	108,376
	<b>Sub-Total</b>		<b>1,609,492</b>	<b>1,692,868</b>
	<b>Total</b>		<b>165,303,456</b>	<b>237,525,279</b>
<b>II</b>	<b>ASSETS</b>			
<b>(1)</b>	<b>Non Current Assets</b>			
	a) Fixed Assets			
	(i) Tangible Assets	8	24,565,875	8,808,095
	(ii) Intangible Assets		-	-
	(iii) Capital Work in Progress		-	-
	(iv) Intangible Assets under Development		-	-
	b) Non-Current Investments		-	39,866,750
	c) Deferred Tax Asset - Net	9	3,829,302	3,829,302
	d) Long Term Loans and Advances	10	17,737,036	25,183,614
	e) Other Non Current assets		-	-
	<b>Sub-Total</b>		<b>46,132,213</b>	<b>77,687,761</b>
<b>(2)</b>	<b>Current Assets</b>			
	a) Current Investments		-	-
	b) Inventories-Rights	11	101,883,583	143,240,287
	c) Trade Receivables	12	11,110,429	16,066,240
	d) Cash and Cash Equivalents	13	6,177,231	530,991
	e) Short Term Loans and Advances		-	-
	f) Other Current Assets		-	-
	<b>Sub-Total</b>		<b>119,171,243</b>	<b>159,837,518</b>
	<b>Total</b>		<b>165,303,456</b>	<b>237,525,279</b>
	<b>Notes to accounts</b>	1		
	As per our report of even date attached			
	<b>For Karumanchi Associates</b> Chartered Accountants	<b>For on behalf of the Board of Color Chips (India) Limited</b>		
	<b>Sd/-</b> <b>K.Peddabai</b> Membership No. 25036	<b>Sd/-</b> <b>Penugonda TVM Suresh</b> Manging Director	<b>Sd/-</b> <b>R.J.Sastry</b> Director	
	Place: Hyderabad Date : August 14th, 2012			

**Color Chips (India) Limited**  
Profit and Loss statement for the Year Ended 30th June,2012

Amount in Rs.

Particulars		Note No.	As at 30-06-2012	As at 30-06-2011
<b>I</b>	<b>Revenue from Operations</b>	<b>14</b>	3,888,000	2,034,000
<b>II</b>	<b>Other Income</b>		-	-
<b>III</b>	<b>Total Revenue ( I + II )</b>		<b>3,888,000</b>	<b>2,034,000</b>
<b>IV</b>	<b>Expenses</b>			
	a) Cost of Materials Consumed	<b>15</b>	90,609,969	-
	b) Purchase of Stock in Trade			-
	c) Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade		-	-
	d) Employee Benefits Expense		-	-
	e) Operative Expenses	<b>16</b>	3,304,069	188,200
	f) Finance Costs		-	268,000
	g) Depreciation and Amortization Expense	<b>8</b>	1,274,675	1,523,507
	<b>Total Expenses</b>		<b>95,188,713</b>	<b>1,979,707</b>
<b>V</b>	<b>Profit Before Taxes</b>		<b>(91,300,713)</b>	<b>54,293</b>
<b>VI</b>	<b>Extra-Ordinary Items</b>		<b>(65,093,751)</b>	
<b>VII</b>	<b>Tax Expense</b>			
	(a) Current Tax		-	-
	(b) Deferred Tax		-	-
<b>VIII</b>	<b>Profit &amp; (Loss) for the Period ( V - VI )</b>		<b>(156,394,464)</b>	<b>54,293</b>
<b>IX</b>	<b>Earning Per Equity Share:</b>			
	1 Basic			
	2 Diluted			
<b>Notes to accounts</b>		<b>1</b>		
<p>As per our report of even date attached</p> <div style="display: flex; justify-content: space-between; align-items: flex-start; margin-top: 20px;"> <div style="width: 30%;"> <p><b>For Karumanchi Associates</b> Chartered Accountants</p> <p style="margin-top: 20px;">Sd/- <b>K.Peddabai</b> Membership No. 25036</p> </div> <div style="width: 35%; text-align: center;"> <p><b>For on behalf of the Board of Color Chips (India) Limited</b></p> <p style="margin-top: 20px;">Sd/- <b>Penugonda TVM Suresh</b> Manging Director</p> </div> <div style="width: 30%; text-align: center;"> <p style="margin-top: 20px;">Sd/- <b>R.J.Sastry</b> Director</p> </div> </div> <p style="margin-top: 20px;">Place: Hyderabad Date : August 14th, 2012</p>				

**Color Chips (India) Limited**  
Cash Flow Statement for the period ended by 30th June 2012

Particulars		As At 30-Jun-2012	As At 30-Jun-2011
<b>I</b>	<b>Cash flow from Operating Activities</b>		
	a) Net Profit (loss) as per Profit and Loss Account	(156,394,464)	54,293
	b) Adjustments for non-cash elements		
	i) Depreciation	1,274,675	1,523,507
	ii) Loss on Sales of Assets	6,852,948	
	iii) Loss on Sale of Investments	41,235,075	
	c) Cash flow before change in the working capital	<b>(107,031,766)</b>	<b>1,577,800</b>
	d) Changes in working capital		
	i) (Increase) or Decrease in Inventories	41,356,704	
	ii) (Increase) or Decrease in Trade Receivables	4,955,811	(1,220,400)
	iii) (Increase) or Decrease in Other Advances and Loans	1,496,578	
	iv) Increase or ( Decrease) in Current Liabilities and Provisions	54,256,017	
	v) Increase or ( Decrease) in Other Liabilities	(83,376)	
	<b>Net Cash Flow from Operating Activities</b>	<b>(5,050,032)</b>	<b>357,400</b>
<b>II</b>	<b>Cash Flow from Investment Activities</b>		
	a) Sale of Fixed Assets	228,850	
	b) Sale of Investments	4,581,675	
	c) Purchase of Fixed Assets	(24,114,253)	
	<b>Net Cash Flow from Investment Activities</b>	<b>(19,303,728)</b>	<b>-</b>
<b>III</b>	<b>Cash Flow from Financing Activities</b>		
	a) Increase in Equity Capital	30,000,000	
	b) Increase/(decrease) in secured borrowings		3,415
		<b>30,000,000</b>	<b>3,415</b>
<b>IV</b>	<b>Net surplus or ( Deficiet) of Cash and Cash equivalents during the year</b>	5,646,240	360,815
<b>V</b>	Balance at the beging of the year	530,991	170,176
<b>VII</b>	Balance at the end of the year	<b>6,177,231</b>	<b>530,991</b>

As per our report of even date attached

**For Karumanchi Associates**  
Chartered Accountants

**For on behalf of the Board of**  
**Color Chips (India) Limited**

Sd/-  
**K.Peddabai**  
Membership No. 25036

Sd/-  
**Penugonda TVM Suresh**  
Manging Director

Sd/-  
**R.J.Sastry**  
Director

Place: Hyderabad  
Date : August 14th, 2012

## Color Chips (India) Limited

Notes to Financial Statements for the year ended 30-Jun-2012

Amount in Rs.

Particulars		As at 30-06-2012	As at 30-06-2011
<b>Note 2</b>			
<b>Share Capital</b>			
<b>I Authorised Capital</b>			
	Equity Shares of 3,93,15,000 nos at face value of Rs.10 each	<b>393,150,000</b>	<b>393,150,000</b>
<b>II Issued, Subscribed and paidup Capital</b>			
a)	Equity Shares of 2,39,62,050 Nos at Face Value of Rs.10 each have been Fully Paid Up	239,620,500	209,620,500
b)	Less: Calls in arrears ( 3,17,035 shares @ Rs.7.50)	2,377,763	2,377,763
c)	Paidup Equity Capital	237,242,738	207,242,738
<b>Note 2 (I)</b>			
<b>Details of share holders holding more than 5% shares in the Company</b>			
<b>I Authorised Capital</b>			
	Equity Shares of 3,93,15,000 nos at face value of Rs.10 each	<b>393,150,000</b>	<b>393,150,000</b>
<b>II Issued, Subscribed and paidup Capital</b>			
a)	Equity Shares of 2,39,62,050 Nos at Face Value of Rs.10 each have been Fully Paid Up	239,620,500	209,620,500
b)	Less: Calls in arrears ( 3,17,035 shares @ Rs.7.50)	2,377,763	2,377,763
c)	Paidup Equity Capital	237,242,738	207,242,738
<b>Note 3</b>			
<b>Reserves &amp; Suplus</b>			
<b>I General Reserve</b>			
a)	Opening Balance	1,570,500	1,570,500
b)	Add: Current year Appropriation	-	-
c)	Closing Balance	<b>1,570,500</b>	<b>1,570,500</b>
<b>II Share Premium</b>			
a)	Opening Balance	732,600	732,600
b)	Add: Current year Appropriation	-	-
c)	Closing Balance	<b>732,600</b>	<b>732,600</b>
<b>III Profit and Loss Surplus</b>			
a)	Opening Balance	(70,421,856)	(70,476,149)
b)	Add: Current year Appropriation	(156,394,464)	54,293
c)	Closing Balance	<b>(226,816,320)</b>	<b>(70,421,856)</b>
<b>Total Reserves and Surplus</b>		<b>(224,513,220)</b>	<b>(68,118,756)</b>

<b>Note 4</b>			
<b>Long-Term Borrowings</b>			
	<b>I</b>	<b>Secured Loans</b>	
	a)	From Banks	- -
	b)	From Others	- -
			- -
	<b>II</b>	<b>Loans &amp; Advances from Related Parties</b>	- -
		<b>Total Long Term Borrowings</b>	- -
<b>Note 5</b>			
<b>Other Long-Term Liabilities</b>			
	<b>II</b>	<b>Others-Unsecured</b>	
			150,964,446 96,708,429
			<b>150,964,446 96,708,429</b>
<b>Note 6</b>			
	<b>I</b>	<b>Trade Payables</b>	
			1584492 1584492
			<b>1584492 1584492</b>
<b>Note 7</b>			
<b>Short Term Provisions</b>			
	<b>I</b>	<b>Provision for Employee Benefits</b>	
	a)	Professional Tax Payable	- 43,814
	b)	Provident fund Payable	- 18,054
			- <b>61,868</b>
	<b>II</b>	<b>Others</b>	
	a)	Provision for Expenses	- 46,508
	b)	Audit Fees	25,000 -
			<b>25,000 46,508</b>
<b>Note 9</b>			
<b>Non Current Assets</b>			
	<b>I</b>	<b>Deffered Tax Asset-Net</b>	
			3829302 3829302
			<b>3829302 3829302</b>
<b>Note 10</b>			
<b>Long Term Loans and Advances</b>			
	<b>I</b>	<b>Capital Advances</b>	
	a)	GPR Housing Pvt Limited	- 7,900,000
	b)	Yellapanthula Portfolio Services	- 1,072,500
	c)	colorchips New Media Limited	15,645,856 -
	e)	Other advances	- 5,950,000
		Others	- 732,600
			<b>15,645,856 15,655,100</b>

	II	Security Deposits		
		a) Electricity Deposit	150,000	150,000
		b) Rental Deposit	-	816,966
		c) Sales Tax Deposit ( NSC )	6,000	6,000
		d) Telephone Deposit	-	54,663
		e) Other Deposits	-	1,669,013
			<b>156,000</b>	<b>2,696,642</b>
	III	Other Loans and Advances		
		a) Sales Tax Recovery	1,019,082	391,010
		b) ESI Recovery	416,098	-
		c) Staff Advances	-	5,765,700
		d) TDS Receivable	-	175,162
		e) Investment Subsidy Receivable	500,000	500,000
			<b>1,935,180</b>	<b>6,831,872</b>
		Total Long Term Loans & Advances	<b>17,737,036</b>	<b>25,183,614</b>
<b>Other Non Current Assets</b>				
	I	Preliminary Expenses to the extent not writtenoff		
		a) Opening Balance	-	248,832
		b) Written off during the year	-	248,832
		c) Closing Balance	-	-
	<b>Note 11</b>			
<b>Inventories</b>				
		Stock of Animation & feature film IP rights	101,883,583	143,240,287
			<b>101,883,583</b>	<b>143,240,287</b>
	<b>Note12</b>			
<b>Trade Receivable</b>				
	I	More Than Six Months		
		a) Considered Good	11,110,429	16,066,240
		b) Considered Doubtful	-	-
			<b>11,110,429</b>	<b>16,066,240</b>
		Less: Provision for doubtful receivables	-	-
			<b>11,110,429</b>	<b>16,066,240</b>
	<b>Note 13</b>			
<b>Cash and Cash Equivalents</b>				
	I	Balances with Banks	5,034,107	86,917
	II	Cash on Hand	1,143,124	444,074
			<b>6,177,231</b>	<b>530,991</b>

<b>Note 14</b>				
<b>Revenue from Operations</b>				
		Sale of Animation & feature film IP rights	3888000	2034000
			<b>3888000</b>	<b>2034000</b>
<b>Note 15</b>				
<b>Cost of materials Consumed</b>				
	a)	Opening stock	143,240,287	143,240,287
	b)	Add : Purchases	49,253,265	-
	c)	Lees: Closing Stock	101,883,583	143,240,287
		Cost of Materials Cosumed	<b>90,609,969</b>	-
<b>Note 16</b>				
<b>Operative Expenses</b>				
		Audit Remuneration	25,000	15,000
		Bank Charges	134,295	-
		Listing Fees	-	-
		Travelling & Conveyance	884,987	23,500
		Legal & Professional Charges	466,050	9,500
		Electricity Charges	-	-
		Telephone Expenses	-	-
		Printing & Stationery	-	7,000
		Postage & Courier	-	2,400
		Office Maintenance	1,793,737	130,800
			<b>3,304,069</b>	<b>188,200</b>

**Color Chips (India) Limited**

**Note - 8**

(Rs.)

Name of the Assets	Gross Block						Depreciation			Net Block	
	As on 1-Jul-11	Additions during the year	Deletions during the year	Gross Assets as on 30-6-2012	As on 1-Jul-11	For the year	Dep. On deletions	As on 30-Jun-12	As on 30-06-2012	As on 30-Jun-11	
Airconditioners	1,919,147	-	1,919,147	-	913,941	91,159	1,005,100	0	(0)	1,005,206	
Computers	50,302,414	11,587,565		61,889,979	50,302,414			50,302,414	11,587,565	-	
Plant & Machinery	1,431,951			1,431,951	912,311	68,018		980,329	451,622	519,640	
Electrical Equipment	6,338,895	9,565,875	6,338,895	9,565,875	3,856,935	301,098	4,158,033	(0)	9,565,875	2,481,960	
Furniture & Fixtures	10,622,759	2,960,813	10,622,759	2,960,813	6,640,907	672,421	7,313,328	(0)	2,960,813	3,981,852	
Office Equipment	1,863,264		1,863,264	-	1,119,015	117,945	1,236,960	(0)	0	744,249	
Motor Vehicles	253,000	-	253,000	-	177,811	24,035	201,846	-	-	75,189	
Syndication Features	-	-	-	-	-	-	-	-	-	-	
<b>Totals</b>	72,731,430	24,114,253	20,997,065	75,848,618	63,923,335	1,274,675	13,915,267	51,282,743	24,565,875	8,808,095	



Notes to Accounts forming part of Financial Statement

1) Notes to Accounts

**SHARE CAPITAL**

Particulars	As at 30 June, 2012		As at 30 June, 2011	
	Number of shares	` in Thousands	Number of shares	` in Thousands
<b><u>Authorised</u></b>				
- Equity shares of Rs.10 each	39315000	39315	39315000	39315
<b><u>Issued</u></b>				
- Equity shares of Rs.10 each	23962050	23962.05	20962050	20962.05
<b><u>Subscribed</u></b>				
- Equity shares of Rs 10 each/-	23962050	23962.05	20962050	20962.05
<b><u>Paid up</u></b>				
Equity shares of Rs.10 each fully paid	23645015	236450.15	20645015	206450.15
Equity shares partly paid @ Rs2.50/-	317035	792.59	317035	792.59
<b>Total</b>	<b>23962050</b>	<b>237242.74</b>	<b>20962050</b>	<b>207242.74</b>

The Details of Shareholders holding more than 5% shares are set out below:

Name of Equity Shareholder	As at 30 June 2012		As at 30 June 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Ravikaanth Proffolio Services Pvt Ltd	30,00,000	12.52	-nil-	-nil-

The reconciliation of the number of shares outstanding as at Balance Sheet date is set out below:

Particulars	Equity Shares	
	Number	in Thousands
Shares outstanding at the beginning of the year	20962050	20962.5
Shares Issued during the year	3000000	3000
Shares Forfeiture	-	-
Shares bought back during the year	-	-
Shares outstanding at the end of the year	23962050	23962.5

## **2) Significant Accounting Policies:**

### **1. Basis of Preparation**

The Financial statements have been prepared to comply with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006 ( as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

During the year ended 30<sup>th</sup> June 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified previous year figures in accordance with the requirements applicable for the current year

### **2. Revenue Recognition**

Income from sale of goods is recognised at the point of dispatch to customers except in the case of consignment agents where the revenue is recognised only after sale is effected by the consignment agent.

### **3. Fixed Assets**

Fixed Assets are stated at cost of acquisition or construction. Cost comprises of the purchase price and other attributable expenses including cost of borrowings till the date of capitalization of the asset acquired/installed/commissioned

All the expenditure incurred on establishing /setting up of new projects/substantial expansion of existing facilities /creation of new assets is capitalized. Such expenditure to be capitalized includes borrowing/finance costs , direct and indirect expenditure incurred on such assets upto the time they are completed. During the year company has disposed off existing fixed assets such as furniture & fixtures, electronic and electrical equipments, motor vehicles and other office equipment as these assets have become obsolete and have negligible scrap value

### **4. Depreciation**

Depreciation on fixed assets has been provided on the straight line method and at the rates and in the manner specified in Schedule XIV to the companies Act, 1956

## **5. Investments**

Long term investments are stated at cost. The diminution in the market values of such Investments is not recognised unless it is considered permanent in nature.

Current investments are valued at the cost or market value whichever is lower.

## **6. Borrowing Costs**

Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are included to the extent they relate to the period till such assets are ready to be put to use. All other borrowing costs are charged to revenue. Borrowing costs consist of interest and other costs that the company incurs in connection with borrowing of funds

## **7. Inventories**

Items of inventories are measured at lower of cost or net realizable value after providing for obsolescence, if any. Cost comprises of cost of purchase, cost of conversion, and other costs incurred in bringing the inventories to the present location and condition. During the year the value of inventories have been reduced due to expired agreements being written off aggregating to an amount of Rs 9,06,09,969/-

## **8. Taxes on Income**

### **a. Current Tax**

Provision for current tax is made for the amount of tax payable in respect of taxable income for the year computed under the provisions of the Income Tax Act, 1961.

### **b. Deferred Tax**

Deferred tax is recognised on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of being reversed in the subsequent period/s, subject to the consideration of prudence

## **9. Foreign Currency Transactions** **-Nil-**

## **10. Provisions, Contingent Liabilities and Contingent Assets.**

**-Nil-**

## 11. Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets, liabilities, revenues and expenses. The estimates used in preparation and presentation of financial are prudent and reasonable. Actual results could differ from estimates. Any revision of accounting estimates is recognised prospectively in the current and future periods.

## 12. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of asset's net selling price and value in use. In assessing the value in use, the estimated future economic benefits are discounted to the present value of the weighted average cost of capital

## 13. Related Party Disclosure

### A. Relationship

#### i) Key Management Personnel

- a) M Krishnam Raju
- b) D S Subrahmanyam
- c) Penugonda TVM Suresh
- d) R J Sastry

### B. Enterprises owned or significantly influenced by key management personnel

- a) Colorchips Animation Park Limited Associated Enterprise
- b) Colorchips New Media Limited Associated Enterprise
- c) Ravikaanth Portfolio Services Private Limited Associated Enterprise

(Rupees in Lacs)

Particulars	CAPL	CCNML	RKPL
Purchases	332.41	160.12	-
Balances Payable	1044.01	-	101.00
Balances Receivables	-	156.00	-

**For Karumanchi & Associates**  
Chartered Accountants

**Sd/-**  
K.Peddaabbai Penugonda  
Membership No: 25036

**For and on behalf of Board of Directors of  
Color Chips (India) Limited**

**Sd/-**  
T.V.M Suresh  
Managing Director

**Sd/**  
R.J.Sastry  
Director

Hyderabad  
Date: 14<sup>th</sup> August 2012

**COLOR CHIPS (INDIA) LIMITED**  
Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad – 500 033

**ATTENDANCE SLIP**

DP ID No. : \_\_\_\_\_ Regd. Folio No. : \_\_\_\_\_

Client ID No. : \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

Name of the Shareholder/Proxy Present: \_\_\_\_\_

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the members of the company to be held on, Saturday the 3<sup>rd</sup> November, 2012 at 12.00 P M at Hotel One Place, P.R.R Estate, 2 -22-298, Behind K.P.H.B Bus Stop, Hyderabad - 500072.

✂ Shareholders/Proxy's Signature \_\_\_\_\_

Note:

Shareholders attending the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.

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**COLOR CHIPS (INDIA) LIMITED**  
Plot No.91, Road No.7-B, Jubilee Hills, Hyderabad – 500 033

**PROXY FORM**

✂ DP ID No. : \_\_\_\_\_ Regd. Folio No. : \_\_\_\_\_

Client ID No. : \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a Member(s) of above named Company, hereby appoint

\_\_\_\_\_ of \_\_\_\_\_ or  
failing him/her \_\_\_\_\_ of \_\_\_\_\_ as

✂ my/our proxy to attend and vote for me/us, on my/our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company to be held on, 3<sup>rd</sup> November, 2012 at 12.00 PM at Hotel One Place, P.R.R Estate, 2 -22-298, Behind K.P.H.B Bus Stop, Hyderabad - 500072. and at any adjourned meeting thereof.

Signed \_\_\_\_\_ this November of 2012

Signature of the Shareholder \_\_\_\_\_

Affix  
Re.1/-  
Revenue  
Stamp.

Note: The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.