

# Corporate governance

Balaji Telefilms Limited is committed to a strong Corporate Governance to protect stakeholder interest. The Company's compliance with the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai and National Stock Exchange of India Limited is given below:

## Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance comprises the following:

- Ensure that quantity, quality and frequency of financial and managerial information, which management shares with the Board, places the Board members fully in control of the Company's affairs
- Ensure that the Board exercises its fiduciary responsibilities towards shareholders and creditors, thereby ensuring high accountability
- Ensure that the extent to which the information is disclosed to present and potential investors is maximised

- Ensure that the Board, the employees and all concerned are fully committed to maximising long-term value to the shareholders and the Company

## Composition of the Board

The Board currently comprises nine members, of whom three are Executive directors; it has a Non-executive Chairman and Independent directors comprise one third of its strength. The Board either directly exercises its powers or functions through committees. The Board looks after policy formulation, setting goals, performance evaluation and control functions, while the Committees oversee operational issues.

Five meetings of the Board of Directors were held during the year — on May 9, July 27 and October 20 in 2006 and on January 24 and March 13 in 2007. The maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company held committee membership of more than 10 committees, nor committee chairmanships of more than five committees across all companies in which the person was a Director.

The names of members of the Board of Directors, their attendance at Balaji Telefilms Board meetings and the number of other Directorships are set out below:

Name of the Director	Attendance Particulars		No. of Directorships and Committee Memberships / Chairmanship		
	Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Jeetendra Kapoor (P, N)	5	Present	4, +1	2	1
Ms. Shobha Kapoor (P, E)	5	Present	5, +1	1	0
Ms. Ekta Kapoor (P, E)	4	Present	3, +1	1	0
Mr. Akshay Chudasama (N, I)	5	Present	5	1	0
Mr. Dhruv Kaji (N, I)	4	Present	4, +1	2	1
Mr. Tusshar Kapoor (P,E)	3	Not Present	3, +1	0	0
Mr. Pradeep Sarda (N,I)	4	Present	20	1	0
Ms. Michelle Guthrie* (N,NI)	2	Present	NA	NA	NA
Mr. John Lau (N,NI)	4	Present	1, +146	1	0
Mr. Paul Aiello (N, A)	3	N.A.	1, +50	0	0

P = Promoter; E = Executive; N = Non-Executive; I – Independent; NI – Non-Independent; A - Additional + Directorships of foreign companies \* Ceased to be Director w. e. f. 20th October, 2006.

## Audit Committee

### Terms of reference

The Audit Committee provides direction to the audit and risk management function in the Company and monitors the quality of internal and management audit. The responsibilities of the Audit Committee comprise overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment/removal of external auditors and fixing their remuneration, reviewing the annual financial statements before submission to the Board, reviewing the adequacy of internal control systems, structure and staffing of the internal audit function, reviewing the findings of internal investigations and discussing the scope of audit with external auditors.

The terms and composition of the Audit Committee conform to the requirement of Section 292A of the Companies Act, 1956.

### Composition

The composition of the Audit Committee is as follows:

Chairman	: Mr. Dhruv Kaji
Members	: Mr. Akshay Chudasama Mr. Jeetendra Kapoor Mr. Pradeep Sarda Mr. John Lau
Secretary	: Ms. Alpa Khandor
Invitees	: Representatives of the Statutory Auditors and Internal Auditors Mr. Sandeep Jain, Chief Financial Officer

### Meetings and attendance

The details of the meetings held during the year, and the attendance comprise the following:

Dates of meetings: 9th May, 27th July and 20th October in 2006 and 24th January in 2007.

### Attendance

Name of the Director	No. of meetings attended
Mr. Dhruv Kaji	3
Mr. Akshay Chudasama	4
Mr. Jeetendra Kapoor	4
Mr. Pradeep Sarda	3
Mr. John Lau	3

The Statutory and Internal Auditors of the Company are invitees to the Audit Committee meetings. The Audit Committee holds discussions with the Statutory Auditors on 'Limited Review' of the quarterly and half yearly accounts, yearly audit of the Company's accounts and other related matters.

The Company has reappointed PSK & Associates, Chartered Accountants as Internal Auditors to review the internal control systems of the Company and to report thereon. The report of the Internal Auditors is reviewed by the Audit Committee.

## Shareholders' Committee

### Terms of Reference

The functions and powers of the Shareholders' Committee include approval / rejection of transfer / transmission and rematerialisation of equity shares, issue of duplicate certificates and supervising the operations of the Registrar and Transfer Agents and also maintaining investor relations and review and redressal of shareholders' / investors' grievances / complaints. The details in this respect are given in the shareholders' information section of this report.

### Composition

The composition of the Shareholders' Committee is as follows:

Chairman	: Mr. Jeetendra Kapoor
Members	: Ms. Shobha Kapoor Ms. Ekta Kapoor
Compliance Officer /Secretary	: Ms. Alpa Khandor

### Meetings and attendance

The details of meetings held during the year, and their attendance are as follows:

Dates of meetings: 12th July, 2006 and 4th September, 2006

### Attendance

Name of the Director	No. of meetings attended
Mr. Jeetendra Kapoor	2
Ms. Shobha Kapoor	2
Ms. Ekta Kapoor	2

The committee oversees share transfers and monitors investors' grievances. The committee reviewed the shareholder grievances and the share transfers for the year and expressed satisfaction with the same. The committee also noted that the shareholding in dematerialised mode stood at 99.91% as on 31st March 2007.

## Remuneration Committee

### Terms of Reference

The Committee is entrusted with the role and responsibilities of approving compensation packages of Managing director/Wholtime director, reviewing and approving the performance-based incentives to be paid to the Managing director/Wholtime director and reviewing and approving

compensation package and incentive schemes of senior managerial personnel.

#### Composition

The composition of the Remuneration Committee is as follows:

Chairman : Mr. Akshay Chudasama  
Members : Mr. Dhruv Kaji  
Mr. Jeetendra Kapoor  
Mr. Pradeep Sarda  
Mr. John Lau

Secretary : Ms. Alpa Khandor

#### Meetings and attendance

The details of meetings held during the year, and their attendance are as follows:

Dates of meetings: 9th May, 2006 and 27th July, 2006

#### Attendance

Name of the Director	No. of meetings attended
Mr. Akshay Chudasama	2
Mr. Dhruv Kaji	1
Mr. Jeetendra Kapoor	2
Mr. Pradeep Sarda	1
Mr. John Lau	1

#### Remuneration policy and details of remuneration paid

The remuneration of the Directors is decided by the Board of Directors as per the remuneration policy of the Company within the ceiling approved by shareholders.

No fixed component and performance-linked incentives were paid or is payable to the Managing director and the Creative director for the period under review, other than the commission at the rate of 2.5% each, of the net profits of the Company computed in accordance with Section 349 of the Companies Act, 1956.

No remuneration was paid to Non-executive directors apart from Directors' sitting fees and commission at the fixed rate of 0.80% to the Chairman and 0.20% to all other Non-executive directors with a ceiling of Rs. 3 lacs each, as approved by the shareholders by postal ballot result declared on 14th November, 2006. The Non-executive directors are paid remuneration in conformance with industry standards and commensurate with their experience. Besides, the above remuneration, sitting fees and rent amounting to Rs. 14.40 lacs paid to Mr. Jeetendra Kapoor (refer to Note No. B-9 in Schedule 16 'Notes on Accounts', annexed to the financial statements of the year), there is no pecuniary transaction by the Company with Non-Executive directors.

Details of the remuneration to the Directors for the year ended 31st March, 2007

Name	Designation	Remuneration for 2006-07 (in Rs.)					No. of shares held by Non-executive directors
		Salary	Commission	Sitting fees	Employer contribution to provident fund/gratuity	Total	
Ms. Shobha Kapoor	Managing director	82,20,000	3,03,97,000	-	5,40,000	3,91,57,000	N.A.
Ms. Ekta Kapoor	Creative director	82,20,000	3,03,97,000	-	5,40,000	3,91,57,000	N.A.
Mr. Tusshar Kapoor	Director	11,04,000	-	-	72,000	11,76,000	N.A.
Mr. Jeetendra Kapoor	Non-executive Chairman	-	97,27,000	75,000	-	98,02,000	55,67,500
Mr. Akshay Chudasama	Independent director	-	3,00,000	75,000	-	3,75,000	-
Mr. Dhruv Kaji	Independent director	-	3,00,000	60,000	-	3,60,000	-
Mr. Pradeep Sarda	Independent director	-	3,00,000	60,000	-	3,60,000	-
Ms. Michelle Guthrie	Director	-	-	30,000	-	30,000	-
Mr. John Lau	Director	-	3,00,000	60,000	-	3,60,000	-
Mr. Paul Aiello	Additional director	-	3,00,000	45,000	-	3,45,000	-

The agreements with the Managing director and the Creative director are for a period of five years. The nature of employment of Ms. Shobha Kapoor and Ms. Ekta Kapoor is contractual and terminable by 12 month's notice in writing. If the tenure of the office of the Managing director or the Creative director is terminated before expiration of the agreements, the severance fees would be equivalent to the remuneration for unexpired residue of the tenure or for three years, whichever is shorter. The appointment of the Executive Director is for a period of three years and is terminable by three month's notice in writing.

#### Annual General Body Meetings

The details of Annual General Meetings held in the last three years are given below:

Annual General Meeting	Day, date	Time	Venue
10th meeting	Friday, 27th August, 2004	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053
11th meeting	Friday, 26th August, 2005	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053
12th meeting	Friday, 18th August, 2006	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053

#### Special resolutions that were put through postal ballot last year

The two special resolutions, which were passed through postal ballot, in the preceding year comprise:

1. Appointment of Raksha Entertainment Private Limited to the office or place of profit under the Company.
2. Revisions in commission payable to the Non-executive directors.

#### Details of voting pattern

99.86% of shares in assent and 0.14% of shares in dissent.

#### Person who conducted the postal ballot

Nilesh G. Shah, Company Secretary in practice.

#### Whether any special resolution is proposed to be conducted through postal ballot

None

#### Procedure of postal ballot

As per the provisions of the Companies Act, 1956 and rules made there under.

#### Disclosures

1. Related parties transactions

None of the Company's transactions for the related parties were in conflict with the interest of the Company. The transactions with the related parties are disclosed in Note No. B - 9 in Schedule 16 'Notes on Accounts' annexed to the financial statements of the year.

2. Compliances by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures were imposed on the Company by the stock exchanges, SEBI, or other statutory authorities relating to the above.

3. Although there is no formal whistleblower policy the Company takes cognisance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective steps are taken. No employee of the Company has been denied access to the Audit Committee of the Company's Board of Directors.

4. The Company has laid down a code of conduct for the Directors and its senior management. The code has been posted on the Company's website. A declaration to the effect that the Directors and senior managerial personnel have adhered to the same, signed by the CEO of the Company, forms a part of this Report, which along with the Auditor's Certificate on the compliance of Clause 49 of the Listing Agreement by the Company is annexed to this report.

#### Re-appointment of Directors

The individual details of the Directors seeking re-appointment at the ensuing Annual General Meeting of the Company are provided in the explanatory statement accompanying the notice of Annual General Meeting.

#### Means of communication

The Company believes that all stakeholders should have access to adequate information, regarding the Company's

position to enable them to accurately assess its future potential. In accordance with the applicable guidelines/Listing Agreement with the stock exchanges, all information which could have a material bearing on Balaji Telefilms' share price is released at the earliest.

The Company's financial results were published in Business Standard and Sakal /Navshakti (regional daily). The financial results and official news releases were displayed on the Company's web site www.balajitelefilms.com. No formal presentations were made to the institutional investors

and analysts during the year under review. The Company sent a copy of its half-yearly results to each shareholder.

The financial results of the Company for each quarter were also put on the web site of Electronic Data Information and Retrieval (EDIFAR) maintained by National Informatics Centre and can also be accessed from the web site www.sebidifar.nic.in.

Management discussion and analysis forms a part of the annual report, which is posted to the shareholders of the Company.

### General shareholder information

<b>1</b>	<b>Date of book closure</b>	19th July 2007 to 26th July 2007 (both days inclusive)
<b>2</b>	<b>Date, time and venue of the Annual General Meeting</b>	26th July 2007 at 4:00 p.m. at 'Shri Bhaidas Maganlal Sabhagirha' Swami Bhaktivedanta Marg, J.V.P.D. Scheme, Vile Parle (West) Mumbai – 400056.
<b>3</b>	<b>Dividend payment</b>	The Board of Directors considered the interim dividend of Rs. 3.5 per share as the final dividend. The 175% interim dividend was declared and paid in March 2007.
<b>4</b>	<b>Listing on stock exchanges</b>	1. The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Tel: +91-22-22721233/34, Fax: +91-22-22721919/3027 (Stock code – 532382)  2. National Stock Exchange of India Limited Exchange Plaza, 5th floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. Tel: +91-22-26598235 / 36, Fax: +91-22-26598237/38 (Stock Code – BALAJITELE)
<b>5</b>	<b>ISIN</b>	INE794B01026
<b>6</b>	<b>Listing fees</b>	Paid for both the above stock exchanges as per listing agreements
<b>7</b>	<b>Listing on stock exchanges outside India</b>	Not applicable
<b>8</b>	<b>Registered office of the Company</b>	C-13, Balaji House, Dalia Industrial Estate, Opposite Laxmi Industries, New Link Road, Andheri (West), Mumbai – 400 053. Tel: +91-22-40698000, Fax: +91-22-40698182 Email: balaji@balajitelefilms.com Web site: www.balajitelefilms.com
<b>9</b>	<b>Share transfers in physical, communication regarding share certificates, dividends, change in address etc. may be addressed to:</b>	Karvy Computershare Private Limited (Company's Registrar and Transfer Agents) Unit: Balaji Telefilms Limited Plot No. 17 to 24, near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad - 500 081 • Tel: +91-40-23431568, Fax: +91-40-23420814 Email: mailmanager@karvy.com

### 10. Share Transfer System

Shares sent for the physical transfer are registered and returned within one month from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee meets as often as required. There were no share transfers in physical form during 2006-07 and no share transfer pending as on 31st March 2007.

### 11. Stock market data relating to shares listed in India

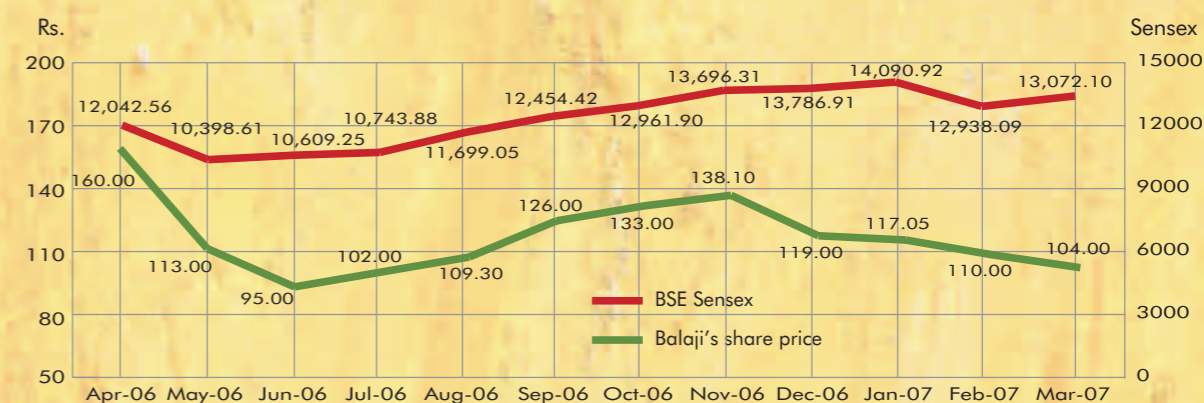
The Company's shares are listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited since 22nd November 2000. The Company's market capitalisation as on 31st March, 2007 was Rs. 826.54 crores. The monthly high and low quotations as well as the volume of shares traded during the year are as below:

Month	BSE, Mumbai			National Stock Exchange		
	High	Low	No. of shares traded	High	Low	No. of shares traded
April	189.45	160.00	4,63,083	200.8	146.9	9,31,444
May	193.90	113.00	3,96,014	177.8	118	10,71,159
June	125.50	95.00	5,84,735	129.9	98	14,46,584
July	116.60	102.00	1,74,821	134	106.7	29,07,005
August	154.00	109.30	1,74,944	117	102.5	319,798
September	145.80	126.00	15,51,793	154.9	109	7,79,373
October	154.00	133.00	6,70,379	145.8	125	12,59,686
November	190.25	138.10	6,21,569	154.5	134	8,73,888
December	156.55	119.00	32,68,684	155.9	105.5	18,63,925
January	143.90	117.05	10,88,977	149.85	117.1	31,14,061
February	148.40	110.00	19,09,967	147.95	118	1,21,79,009
March	130.50	104.00	87,42,144	128.7	105.1	47,95,560

### Fact sheet

Items	2005-06	2006-07
Earnings per share	9.15	12.23
EPS – Fully diluted	9.15	12.23
Dividend per share	Rs. 3	Rs. 3.50
Number of shares	6,52,10,443	6,52,10,443
Share price data (Rs.)		
High	198	200.8
Low	89.65	98
Closing	184.75	126.75

### The performance of Balaji Telefilms equity share relative to the BSE Sensitive Index (Sensex)



## 12. Investor service — complaints/correspondence received during the year

Year ended 31st March 2007

Nature of complaints / requests	Received	Disposed
Receipt of dividend warrants for revalidation	6	6
Receipt of ib for the issue of duplicate dividend warrants	2	2
Non receipt of dividend warrants	23	23
Non receipt of annual report	3	3

The Company has responded to all the investor grievances and correspondence. There is no share transfer pending as on 31st March 2007.

## 13. Shareholding pattern of Balaji Telefilms as on 31st March 2007

Category	No. of shares held	Percentage of shareholding
Promoters	2,72,69,720	41.82
Bank	5,300	0.01
Indian financial institutions	6,91,062	1.06
Mutual funds and UTI	22,37,293	3.43
FIs	84,42,768	12.95
Private corporate bodies	37,36,767	5.73
Resident individuals	51,14,508	7.84
HUFs	2,36,756	0.36
NRIs	3,35,970	0.52
FCB	1,69,48,194	25.99
Trusts	51	0.00
Clearing members	1,92,054	0.29
Grand total	6,52,10,443	100

## 14. Distribution of shareholding as on 31st March, 2007

Number of shares	Number of shareholders	Percent of shareholders	Amount	Percent holding
1 to 5,000	21,160	97.76	75,68,920	5.80
5,001 to 10,000	245	1.13	18,44,890	1.41
10,001 to 20,000	120	0.55	17,54,152	1.34
20,001 to 30,000	38	0.18	9,64,384	0.74
30,001 to 40,000	20	0.09	7,33,770	0.56
40,001 to 50,000	14	0.06	6,31,740	0.48
50,001 to 1,00,000	17	0.08	11,83,904	0.91
1,00,001 & above	30	0.14	11,57,39,126	88.74
Total	21,644	100.00	13,04,20,886	100.00

## 15. Shares under lock-in

In accordance with SEBI guidelines, no equity shares were held by promoters are subject to lock-in.

## 16. Dematerialisation of equity shares

The Company's shares are traded in dematerialised form only. To facilitate trading in dematerialised form there are two depositories, i.e., National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The

Company has entered into an agreement with both these depositories. The shareholders can open account with any of the depository participants registered with any of these depositories. As on 31st March 2007 around 99.91% comprising 6,51,52,071 equity shares were in the dematerialised form.

## 17. Financial calendar

(tentative and subject to change)

Particulars	Date
Annual General Meeting	26th July 2007
Financial reporting for 1st quarter ending 30th June, 2007	Last week of July, 2007
Financial reporting for 2nd quarter ending 30th September, 2007	Last week of October, 2007
Financial reporting for 3rd quarter ending 31st December, 2007	Last week of January, 2008
Financial reporting for the year ended 31st March 2008 (audited)	June, 2008
Annual General Meeting for year ended 31st March 2008	August, 2008

## 18. Plant locations

The details of the regional offices of the Company are available on the write page where these details are printed of the report.

## 19. Investors' correspondence

Investors' correspondence may be addressed to:

**Alpa Khandor**  
Company Secretary  
Balaji Telefilms Limited  
C-13, Balaji House, Dalia Industrial Estate,  
Opposite Laxmi Industries, New Link Road,  
Andheri (West), Mumbai – 400 053  
Tel: +91-22-40698000, Fax: +91-22-40698182  
Email: investor@balajitelefilms.com

Any queries relating to the financial statements of the Company should be addressed to:

**Mr. Sandeep Jain**  
Chief Financial Officer  
Balaji Telefilms Limited  
C-13, Balaji House, Dalia Industrial Estate,  
Opposite Laxmi Industries, New Link Road,  
Andheri (West), Mumbai – 400 053  
Tel: +91-22-40698000, Fax: +91-22-40698182  
Email: sandeep.jain@balajitelefilms.com

## 19. Insider trading

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has framed Code of Conduct for dealing in equity shares of the Company.

## 20. Non-mandatory requirements

- Chairman of the Board**  
The Company has Non-executive Chairman, who is entitled to maintain a Chairman's office at the Company's expenses. The expenses incurred by him during the performance of his duties are reimbursed to him.
- Remuneration Committee**  
The Company has appointed a Remuneration Committee since January 2003.
- Shareholder rights**  
The Company has been sending to each shareholder, a copy of its half-yearly results, starting from the half-year ended 30th September 2001.
- Postal ballot**  
No resolutions have been proposed to be passed through postal ballot at the ensuing Annual General Meeting.

# Certificate on Corporate Governance

To the members of  
**Balaji Telefilms Limited**

We have examined the compliance of conditions of Corporate Governance by Balaji Telefilms Limited for the year ended on 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 **Deloitte Haskins & Sells**  
*Chartered Accountants*

**A. Siddharth**  
*Partner*

Membership No. 31467  
Mumbai, Dated: 16th May, 2007

For **Snehal & Associates**  
*Chartered Accountants*

**Snehal Shah**  
*Proprietor*

Membership No. 40016  
Mumbai, Dated: 16th May, 2007

# CEO/CFO certification

We, R. Karthik, Chief Executive Officer of Balaji Telefilms Limited, and Sandeep Jain, Chief Financial Officer of Balaji Telefilms Limited, do hereby certify to the Board that:

- a. We have reviewed financial statements and the cash flow statement for the year 2006-07 and that to the best of our 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 in violation of the Company'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
  - 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 instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**R. Karthik**  
*Chief Executive Officer*

Mumbai, 16th May 2007

**Sandeep Jain**  
*Chief Financial Officer*

Mumbai, 16th May 2007

# CEO declaration

I, R. Karthik, Chief Executive Officer of Balaji Telefilms Limited, based on confirmation received from all Directors and the senior management of the Company, do hereby state that all Board members and senior management personnel have affirmed compliance with the code of conduct of the Company on an annual basis.

Mumbai, 16th May 2007

**R. Karthik**  
*Chief Executive Officer*