



Corporate
governance

Corporate governance

Balaji Telefilms Limited is committed to sound governance process as its first step towards adequate investor protection.

In view of this, the Company has complied extensively with the Corporate Governance Code as set out in the terms of Clause 49 of the listing agreement with the Mumbai Stock Exchanges and National Stock Exchange of India Limited.

The Company's philosophy on corporate governance is given as follows:

- Ensure that quantity, quality and frequency of financial and managerial information, shared by the management with the Board, places full control with the Board
- 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 of Directors

Balaji's Board of Directors comprises nine members - three Executive Directors, a non-executive Chairman and five Independent Directors (more than a third of the strength of the Board of Directors). The Board functions directly or through committees. Policy formulation, goal setting, performance evaluation and control functions rest with the Board, while its committees oversee operational issues.

Balaji's Board of Directors conducted nine meetings during 2004-05: 17th May, 21st May, 30th July, 18th August, 15th/16th October (meeting of 15th October adjourned & concluded on 16th October), 30th December in 2004 and on 10th January, 31st January and 25th February in 2005, the maximum gap between two meetings not being more than three calendar months. The Directors of the Company enjoy a maximum of ten Committee memberships within the organisation and not more than five Committee chairmanships across all companies in which the person is a Director.

The names of the members of the Board of Directors, their attendance at Balaji's Board meetings and the number of their 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)	9	Present	3	3	1
Ms. Shobha Kapoor (P, E)	9	Present	3	1	0
Ms. Ekta Kapoor (P, E)	6	Not Present	1	1	0
Mr. Akshay Chudasama (N, I)	5	Present	2	2	1
Mr. Dhruv Kaji (N, I)	5	Present	2 + 1	2	1
Mr. Tusshar Kapoor (P,E)	8	Present	2	0	0
Mr. Pradeep Sarda (N,I)	7	Not Present	19	2	0
Ms. Michelle Guthrie (N,I)*	1	N.A.	2 + 25	0	0
Mr. John Lau (N,I)*	1	N.A.	1 + 137	0	0

P= Promoter; E= Executive; N= Non-Executive; I= Independent

* Appointed as additional Director with effect from 24th January 2005

+ Directorships of foreign companies

Audit Committee

Terms of reference

The Audit Committee of the Company provides a direction to its audit and risk management; it also monitors the quality of the internal and management audit. The responsibilities of the Audit Committee include the supervision of the financial reporting process to ensure an adequate disclosure of financial statements, recommending the appointment or removal of external auditors, fixing their remuneration and reviewing the annual financial statements prior to their submission to the Board. Additional functions also include a review of the adequacy of the Company's internal control systems and adequacy, structure and staffing of the internal audit function, review of the findings of the internal investigations and discussion of the scope of the audit with the Company's external auditors. The terms and composition of the Audit Committee conform to the requirements of Section 292A of the Companies Act, 1956.

Composition

The composition of the Audit Committee was as follows:

Chairman : Mr. Dhruv Kaji

Members : Mr. Akshay Chudasama
Mr. Jeetendra Kapoor
Mr. Pradeep Sarda

Secretary : Ms. Alpa Shah

Invitees : Representatives of Statutory Auditors and
Internal Auditors
Mr. V. Devarajan, Chief Financial Officer

Meetings and attendance

The details of the meetings held during 2004-05 and their attendance are mentioned below:

Dates of meetings: 21st May, 30th July and 15th October in 2004 and 31st January in 2005.

Attendance

Name of the Director	No. of Meetings attended
Mr. Dhruv Kaji	4
Mr. Akshay Chudasama	2
Mr. Jeetendra Kapoor	4
Mr. Pradeep Sarda	2

The statutory auditors and internal auditors of the Company are invitees to the Audit Committee meetings. The Audit Committee

holds discussions with the statutory auditors on a 'limited review' of the quarterly, half yearly accounts and a yearly audit of the Company's accounts and other related matters.

The Company reappointed PSK & Associates, chartered accountants, as internal auditors to review the Company's internal control systems and to report thereon. The Audit Committee reviewed this report by the internal auditors.

Shareholders' Committee

Terms of reference

The functions and powers of the Shareholders' Committee included the approval / rejection of transfer / transmission and re-materialisation of equity shares, issue of duplicate certificates, the supervision of the operations of the Registrar and transfer agents, maintaining investor relations and a review and redressal of shareholders / investors' grievances / complaints. The details in this respect are given under the Shareholders' Information section of this annual report.

Composition

The composition of the Shareholders' Committee was as follows:

Chairman : Mr. Jeetendra Kapoor

Members : Ms. Shobha Kapoor
Ms. Ekta Kapoor

Compliance Officer : Ms. Alpa Shah (Company Secretary)

Meetings and attendance

The details of the meetings held during the year and the attendance in it are indicated below:

Dates of meetings: 29th September and 30th November in 2004 and 1st March and 21st March in 2005

Attendance

Name of the Director	No. of Meetings attended
Mr. Jeetendra Kapoor	4
Ms. Shobha Kapoor	4
Ms. Ekta Kapoor	4

The Shareholders' Committee oversaw share transfers and monitored investors' grievances. The Committee reviewed shareholder grievances and share transfers for the year, expressing satisfaction with the Company's management of both. The Committee also noted that the shareholding in the Company in a dematerialized mode was 78.91% as on 31st March 2005.

Remuneration Committee

Terms of reference

The Company's Remuneration Committee was entrusted with the role and responsibility of approving compensation packages of the Managing Director/ Whole Time Director, reviewing and approving the performance-based incentives to be paid to the Managing Director/ Whole Time Director. A review and approval of the compensation package were functions that also fell under the purview of this Committee.

Composition

The composition of the Remuneration Committee was as follows:

Chairman : Mr. Akshay Chudasama

Members : Mr. Dhruv Kaji
Mr. Jeetendra Kapoor

Secretary : Ms. Alpa Shah

Meetings and attendance

The details of meetings held during the year and attendance within it are indicated below:

Dates of meetings: 31st July and 30th December 2004

Details of the remuneration to the Directors for the year ended 31st March 2005

Name	Designation	Remuneration for the year 2004-2005 (in Rs.)						
		Salary and Allowances	Add. perquisite	Commission	Sitting Fees Fees	Artiste	Employer Contribution to Provident Fund / Gratuity	Total
Ms. Shobha Kapoor	Managing Director & CEO	3723500	26400	12793000	-	-	250500	16793400
Ms. Ekta Kapoor	Creative Director	3723500	26400	12793000	-	-	250500	16793400
Mr. Tusshar Kapoor	Executive Director	736000	17600	-	15000	1964000	48000	2780600
Mr. Jeetendra Kapoor	Non-Executive Chairman	-	-	5757000	45000	-	-	5802000
Mr. Akshay Chudasama	Independent Director	-	-	200000	25000	-	-	225000
Mr. Dhruv Kaji	Independent Director	-	-	200000	25000	-	-	225000
Mr. Pradeep Sarda	Independent Director	-	-	200000	35000	-	-	235000
Ms. Michelle Guthrie	Independent Director	-	-	-	5000	-	-	5000
Mr. John Lau	Independent Director	-	-	-	5000	-	-	5000

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 a twelve month notice in writing.

If the tenure of the office of Managing Director or Creative Director is terminated before expiration of the agreements, the severance fees would be amount equivalent to the remuneration for unexpired

Attendance

Name of the Director	No. of Meetings attended
Mr. Akshay Chudasama	2
Mr. Dhruv Kaji	2
Mr. Jeetendra Kapoor	2

Remuneration policy and details of remuneration paid

The Directors' remuneration was decided by the Board as per the remuneration policy of the Company within the ceiling approved by shareholders. No performance-linked incentives were paid, or are payable to the Managing Director or the Creative Director for the period under review, other than the commission at the rate of 2% each of the net profits of the Company.

Mr. Tusshar Kapoor, the Executive Director of the Company, was paid a performance remuneration of Rs 19.64 lacs for his acting in *Kya Kool Hain Hum*, the Company's first film, as his artiste fees.

No remuneration was paid to non-executive Directors apart from the Directors' sitting fees and commission at a fixed rate of 0.90% to the Chairman and 0.10% to all other non-executive Directors with a ceiling of Rs 2 lacs each, as approved by the shareholders at the Annual General Meeting held on 21st August 2003.

residue of the tenure or for three years whichever is shorter.

The appointment of the Executive Director is for three years and terminable by a three month notice in writing.

General body meetings

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

Annual General Meeting	Day, date	Time	Venue
8th meeting	Friday, 23rd August 2002	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053.
9th meeting	Thursday, 21st August 2003	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053.
10th meeting	Friday, 27th August 2004	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai - 400 053.

No special resolutions were put through postal ballot till last year nor is any proposed this year.

Disclosures

Related parties' transactions: Transactions with related parties were disclosed vide note no. 7 of the notes to accounts as detailed under Schedule 16 of the financial statements.

Compliances by the Company: The Company complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters relating to the 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.

agreement with the stock exchanges, all information with a material bearing on the Company's share price is released at the earliest.

The Company's financial results were published in *Business Standard* and *Tarun Bharat* (regional daily). The financial results and official news releases were displayed on the Company's website - 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 website of Electronic Data Information and Retrieval (EDIFAR), maintained by National Informatics Centre; it can be viewed at the website www.sebidifar.nic.in.

Management's Discussion and Analysis forms part of the Annual Report, which is posted to shareholders of the Company.

Means of communication

The Company believes that all stakeholders should have an access to adequate corporate information to enable them to accurately assess its potential. In accordance with the applicable guidelines / listing

General shareholder information

1	Date of Book Closure	23rd August, 2005 to 26th August, 2005 (both days inclusive).
2	Date, time and venue of the Annual General Meeting	26th August, 2005 at 3:30 p.m. at 'The Club', 197, DN Nagar, Andheri (West), Mumbai 400 053.
3	Dividend payment	The Board of Directors considered the interim dividend of Rs 16 per share as the final dividend. The 800 per cent interim dividend was declared and paid in January 2005.
4	Listing on Stock Exchanges	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 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)
5	Listing Fees	Paid for both the above Stock Exchanges as per listing agreements

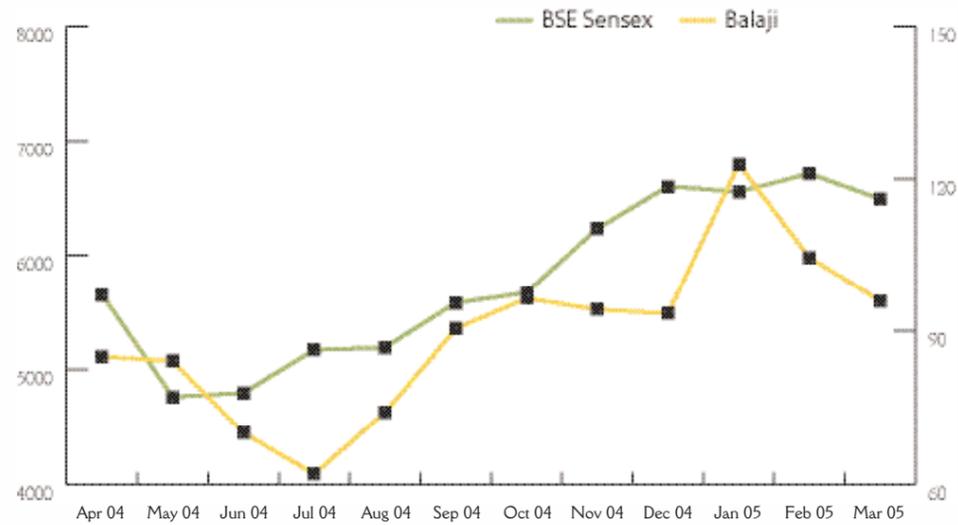
6	Listing on Stock Exchanges outside India	Not applicable
7	Registered Office of Company	C-13, Balaji House, Dalia Industrial Estate, Opp. Laxmi Industries, New Link Road, Andheri (West), Mumbai - 400 053. Tel: +91-22-26732275, Fax: +91-22-26732312 Email: balaji@balajitelefilms.com , Web site: www.balajitelefilms.com
8	Share transfers in physical, communication regarding share certificates, dividends, change in address etc. may be addressed to:	Karvy Computershare Private Limited (Company's Registrar and Transfer Agents) Unit: Balaji Telefilms Limited 'Karvy House' 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Tel: +91-40-23312454 / 23320251, Fax: +91-40-23311968 Email: mailmanager@karvy.com
9.	Share transfer system	Shares sent for physical transfer were registered and returned within one month from the date of receipt, if the documents were clear in all respects. The share transfer Committee met as often as required. The number of shares transferred in physical form during 2004-2005 was 1250. There was no share transfer pending as on 31st March 2005.
10.	Stock market data relating to shares listed in India	The Company's shares were listed on the Mumbai Stock Exchange and National Stock Exchange of India Limited since 22nd November 2000. The Company's market capitalisation as on 31st March 2005 was 580.37 cr. The monthly high and low quotations, as well as the volume of shares traded during the year were as below:

Month	BSE, Mumbai			National Stock Exchange		
	High	Low	No. of shares traded	High	Low	No. of shares traded
April	97	84.05	480445	96.85	82	3074736
May	87.9	60.8	623299	88	61.25	2118229
June	72.4	57.25	1725723	79.25	56.5	2355656
July	79.75	54.1	7444526	78.75	56.05	18373230
August	99.25	72	10805248	99.2	71	31291889
September	99.8	88.5	5004204	98.75	88.6	13222465
October	103.4	93	4924253	103.9	93.6	10226409
November	98.5	90.25	714674	99.75	91	2675770
December	130.85	90.65	4083943	131.6	79	10400048
January	130	91	5927351	129	92.05	5954413
February	105	92.05	644776	102.5	94	2567177
March	104	88.2	702848	104	88	2112114

Fact sheet

Items	2003-04	2004-05
Earnings per share	10.75	7.61
EPS - Fully diluted	10.75	7.61
Dividend per share	Rs 3.00	Rs 16
Number of shares	5,15,16,250	6,52,10,443
Share price data (Rs)		
High	115.90	130.85
Low	51.55	54.10
Closing	84.45	89.00

The performance of Balaji Telefilms' equity share relative to the BSE Sensitive Index (Sensex) is given below:



11. Investor service - complaints / correspondence received during the year

Year ended 31st March 2005

Nature of complaints / requests	Received	Disposed
Receipt of dividend warrant for revalidation	29	29
Request for ECS facility	10	10
Change/correction of bank mandate on dividend warrant	20	20
Request for re-materialisation	1	1
Change/correction of address	29	29
Non-receipt of dividend warrants	79	79
Receipt of IB for the issue of duplicate dividend warrants	9	9
Correction of the name on securities	2	2
Request for consolidation/ split of securities	2	2
Change/correction of the bank mandate	14	14
Non-receipt of annual report	2	2
Request for issue of duplicate dividend warrant	3	3
Receipt of damaged /mutilated dividend warrant	1	1
Intimation of bank mandate	4	4
Option of shares in physical / electronic form	1	1
PAN / GIR not mentioned in the application intimated	5	5
Correction of the name on dividend warrants	2	2
Registration of the power of attorney	1	1
Query regarding the payment of dividend warrant	7	7
Non receipt of electronic credit	1	1
Query on the buy back facility of securities	1	1
Deletion of joint names due to death	1	1

The Company had disposed of all investor grievances / correspondence and no share transfers were pending as on 31st March 2005.

12. Shareholding pattern of Balaji Telefilms as on 31st March 2005:

Category	No. of shares held	Percentage of shareholding
Promoters	2,72,66,750	41.8135
Bank	85,378	0.1309
Indian financial institutions	93,071	0.1427
Mutual funds and UTI	1,47,887	0.2268
FIs	1,42,42,266	21.8405
Private corporate bodies	16,09,621	2.4683
Resident individuals	43,92,081	6.7352
HUFs	1,49,003	0.2285
NRIs	2,13,244	0.3270
F C B	1,69,47,944	25.9896
Trusts	200	0.0003
Clearing members	62,998	0.0966
TOTAL	6,52,10,443	100

13. Distribution of shareholding as on 31st March 2005:

Shares	Shareholders	Per cent of shareholders	Amount	Per cent holding
1 to 5000	17797	98.40	7598288	5.83
5001 to 10000	165	0.91	1238568	0.95
10001 to 20000	53	0.29	849196	0.65
20001 to 30000	23	0.13	561870	0.43
30001 to 40000	8	0.04	303268	0.23
40001 to 50000	1	0.01	43000	0.03
50001 to 100000	13	0.07	1003292	0.77
100001 & above	26	0.14	118823404	91.11
Total	18086	100.00	130420886	100.00

14.	Shares under lock-in	In accordance with the SEBI guidelines, no equity share held by the promoters were subject to a lock-in.
15.	De-materialisation of equity shares	The Company's shares were traded in a dematerialised form. To facilitate a trading in this form, there are two depositories (National Securities Depository Ltd. and Central Depository Services (India) Ltd.). The Company entered into agreements with both these depositories and shareholders were allowed to open an account with any of the participants registered with these depositories. About 5,14,56,412 equity shares, comprising 78.91% of the total, were in a dematerialized form as on 31st March 2005. The 21% shares allotted to Asian Broadcasting FZ LLC were not dematerialized as on 31st March 2005.

16. Financial calendar (tentative and subject to change)

Particulars	Date
Annual General Meeting	26 August 2005
Financial reporting for 1st quarter ending 30th June 2005	Last week of July 2005
Financial reporting for 2nd quarter ending 30th September 2005	Last week of October 2005
Financial reporting for 3rd quarter ending 31st December 2005	Last week of January 2006
Financial reporting for the year ended 31st March 2006 (audited)	June 2006
Annual General Meeting for year ended 31st March 2006	August 2006

17.	Plant locations	The details of the regional offices of the Company are available on page 4 of this report.
18.	Investors' correspondence	<p>Investors' correspondence may be addressed to: Alpa Shah, Company Secretary Balaji Telefilms Limited C-13, Balaji House, Dalia Industrial Estate, Opp. Laxmi Industries, New Link Road, Andheri (West), Mumbai - 400 053 Tel: +91-22-26732275, Fax: +91-22-26732312 Email: alpa@balajitelefilms.com</p> <p>Any queries relating to the financial statements of the Company be addressed to: Mr. V. Devarajan Chief Financial Officer Balaji Telefilms Limited C-13, Balaji House, Dalia Industrial Estate,, Opp. Laxmi Industries, New Link Road, Andheri (West), Mumbai - 400 053 Tel: +91-22-26732275, Fax: +91-22-26732312 Email: devarajan@balajitelefilms.com</p>
19.	Insider trading	In terms of the SEBI (Prohibition of Insider Trading) Regulations of 1992, the Company framed a code of conduct for dealing in the equity shares of the Company.
20.	Non mandatory requirements	<p>a. Chairman of the Board The Company has a non-executive Chairman, who is entitled to maintain a chairman's office at the Company's expense. The expense incurred during performance of his duties are reimbursed to him.</p> <p>b. Remuneration Committee The Company appointed a Remuneration Committee since January 2003.</p> <p>c. Shareholder rights Balaji Telefilms has been sending to each shareholder, a copy of its half-yearly results, starting from the half-year ended 30th September 2001.</p> <p>d. Postal ballot No resolutions have been proposed to be passed through postal ballot.</p>

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 year ended 31st March 2005, 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 abovementioned Listing Agreement.

On the basis of our verification, and as certified by the compliance officer-Company Secretary, we have to state that no investor grievances were remaining unattended/ pending for more than thirty days.

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

For Deloitte Haskins & Sells
Chartered Accountants

For Snehal & Associates
Chartered Accountants

A. Siddharth
Partner

Snehal Shah
Proprietor

Membership No. 31467
Mumbai, Dated: 20th May, 2005

Membership No. 40016
Mumbai, Dated: 20th May, 2005

