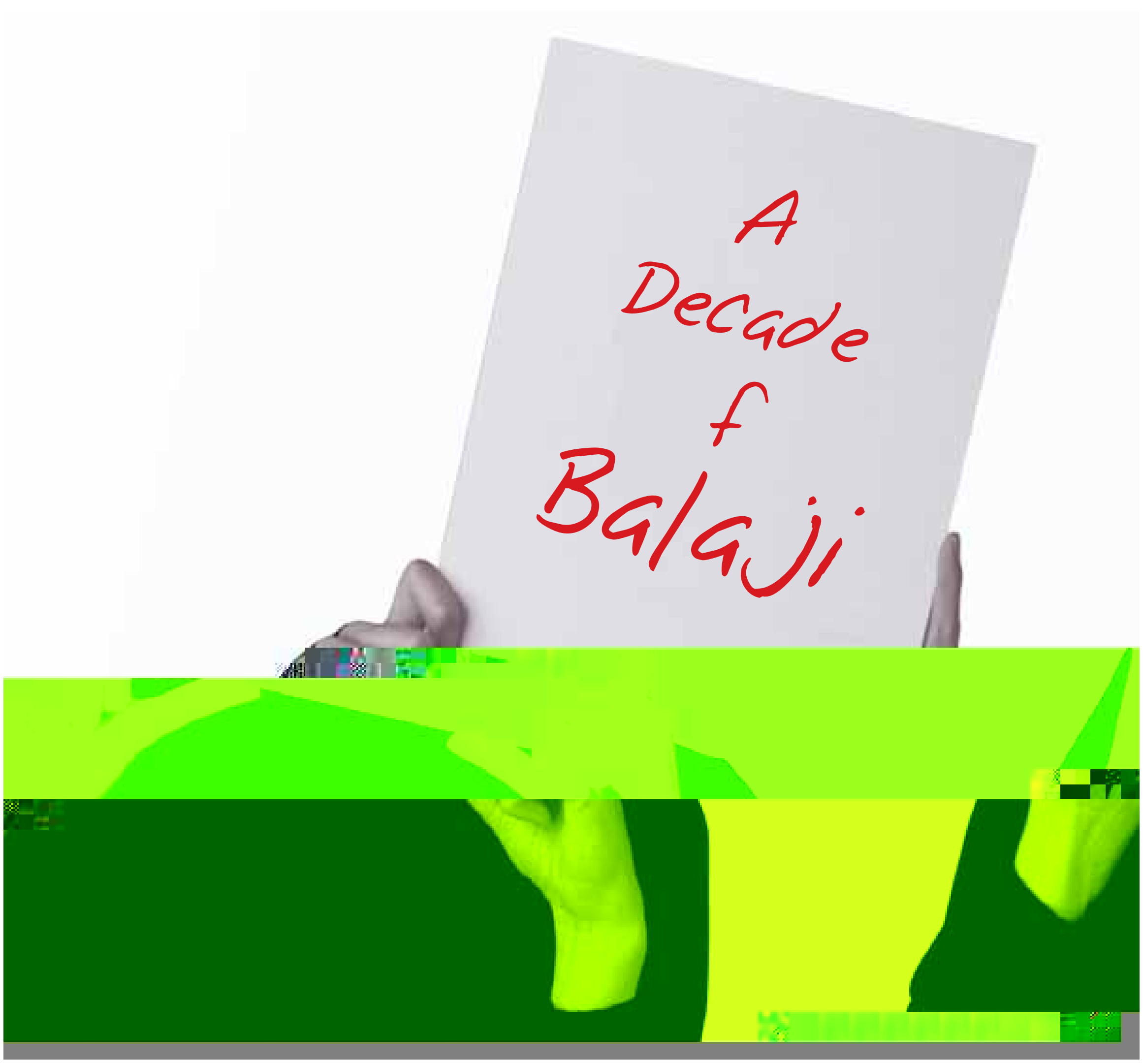
Balaji Telefilm Limi ed. A al Re r 2004-05

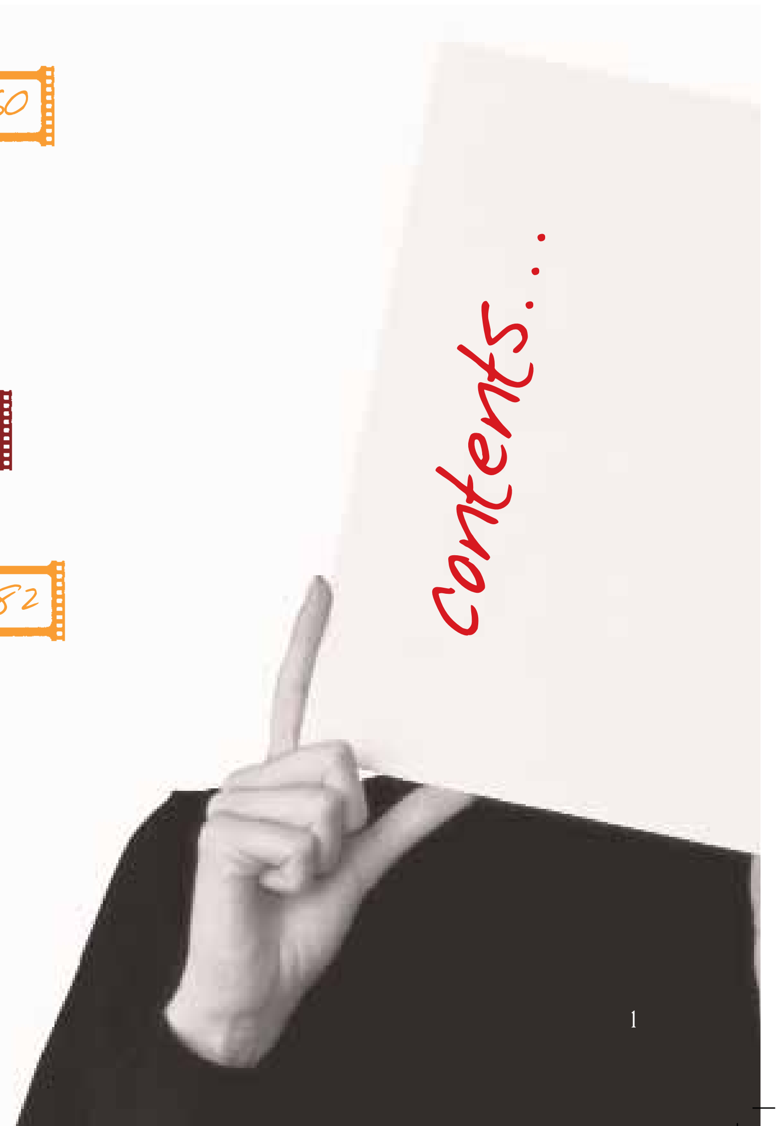


Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate,' 'estimate,' 'expects,' 'projects' 'intends,' 'plans,' 'believes,' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.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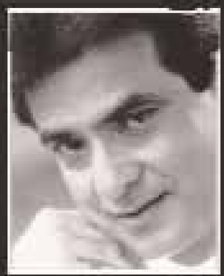
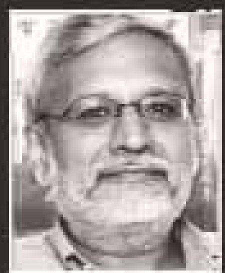

Jeetendra Kapoor

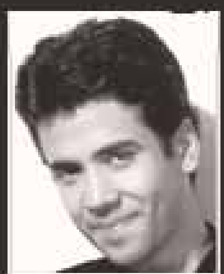

Shobha Kapoor


Ekta Kapoor


Akshay Chudasama


Dhruv Kaji


Pradeep Kumar Sarda


Tusshar Kapoor


John Yu Leung Lau


Michelle Lee Guthrie

Corporate Information

Directors
Jeetendra Kapoor
Shobha Kapoor
Ekta Kapoor
Tusshar Kapoor
Akshay Chudasama
Dhruv Kaji
Pradeep Kumar Sarda
John Yu Leung Lau
Michelle Lee Guthrie

Company Secretary
Alpa Shah

Statutory Auditors
Deloitte, Haskins & Sells
Snehal & Associates

Internal Auditors
PSK & Associates

Registered Office
Balaji Telefilms Limited
C-13, Balaji House, Dalia Industrial Estate,
Opposite Laxmi Industries,
New Link Road, Andheri (West),
Mumbai - 400 053
Tel: +91 22 2673 2275
Fax: +91 22 2673 2308
Website: www.balajitelefilms.com

Regional Offices
Chennai: Plot no. 38, K K Salai
Kavery Rangam Nagar,
Saligramam, Chennai - 600 093

Bangalore: Plot no. 2058
19th Main Road, 2nd Block,
Rajaji Nagar, Bangalore - 560 010

Trivandrum: Ishara, T.C. 36/589
Perumthanni, Vallakkadavu, P.O.
Trivandrum - 695 008

Jeetendra Kapoor
Balaji Telefilms' Chairman since 1st February, 2000.

Commenced his film career as a junior artiste with the legendary filmmaker V Shantaram

Has acted in more than 200 films and received several prestigious awards

The Company leverages his respected industry standing and rich network of relationships with various television channels, artistes, directors and writers *(P, N)*

Chairman of the Board's Shareholders' Committee and member of the Board's Audit and Remuneration Committee(s)

Shobha Kapoor
Balaji Telefilms' Director since 10th November, 1994.

Reappointed as the Managing Director and CEO effective 10th November 2004

Responsible for the Company's administration and production

Among the few Indian television producers with a successful track record in a young industry Instrumental in shaping the Company's diversification strategy *(P, E)*

Member of the Board's Shareholders' Committee

Term ends on: 9th November 2009

Ekta Kapoor
Balaji Telefilms' Director since 10th November, 1994.

Reappointed the Company's Creative Director effective 10th November 2004

Heads the Company's creative division

Commenced her career as a Producer and Creative Director at 19

Her contribution comprises entertainment landmarks in India

Actively involved in concept building, script design and creative conversion at Balaji

Selected one of Asia's most powerful communicators by the *Asia Week magazine* *(P, E)*

Member of the Board's Shareholders' Committee

Term ends on: 9th November 2009

Akshay Chudasama
Balaji Telefilms' Director since 17th July, 2000.

Possesses rich expertise in the creation of joint ventures, commercial / contractual transaction structuring and documentation

Highly qualified in corporate laws, mergers and acquisitions, consumer protections, insurance sector privatisation, dispute resolution as well as internet and cyber laws *(I, N)*

Chairman of the Remuneration Committee and member of the Board's Audit Committee

Dhruv Kaji
Balaji Telefilms' Director since 2nd September 2003.

A chartered accountant with an experience of more than 25 years Financial advisor and management consultant, with major expertise in strategic planning

Was associated with Raymond Ltd as Finance Director and Pinesworth Holding Ltd (Singapore) as the Executive Director

Possesses an experience in evaluating and guiding business projects in India and abroad *(I, N)*

Chairman of the Audit Committee and member of the Board's Remuneration Committee

Pradeep Kumar Sarda
Balaji Telefilms' Director since 17th May, 2004.

Chairman of the Sarda Group of Industries with a vast experience in the paper, engineering files, construction and real estate industries

Chairman of the Governing Board of Ecole Mondiale World School, Mumbai *(I, N)*

Member of the Board's Audit Committee

Tusshar Kapoor
Balaji Telefilms' Director since 23rd January 2004

A management graduate from the University of Michigan

An established actor, he brings relevant experience from the film industry *(P, E)*

Term ends on: 31st July 2007

Michelle Lee Guthrie
Balaji Telefilms' Director since 24th January 2005

Chief Executive Officer of Star since November 2003

Previously, a lawyer at Allen, Allen and Hemsley in Sydney and Singapore, where she focused on the media and technology sector, before she joined News Corporation in 1994

She has ten years of experience in the pay television industry

Besides the Indian companies, she is also on the Board of 25 companies incorporated outside India, like Phoenix Satellite Television and China Network Systems *(I, N)*

John Yu Leung Lau
Balaji Telefilms' Director since 24th January, 2005

Oversees all financial matters at Star, including corporate strategy, management and financial reporting, internal audit, treasury and tax

Also heads the business development division, identifying and developing growth opportunities He is a member of the Board of Directors of 137 companies incorporated outside India, like ESPN, Star Sports, Phoenix Satellite Television and China Network Systems *(I, N)*

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

"Dedication, determination & discipline"

Dedication, determination and discipline

Jeetendra Kapoor, *Chairman,* Balaji Telefilms, reviews 2004-05

Chairman's overview

In life as in show business, the big question is: what next?

From the Chairman's position, the biggest challenge facing Balaji Telefilms today is a sustainable growth in income and profits.

At the Company, we are convinced that this can indeed be a reality for the following reasons:

- At Balaji, we see entertainment as a critical release for lives that are becoming increasingly stressful
- We see television as a media gaining in importance due to a growing preference for at-home entertainment
- We see a gradual decline in channel loyalties resulting in consumers willing to shift channels to arrive at their favourite programmes
- We see a sustained growth in channel choice, as the economy grows, concurrent with the growing number of products that need wider and reasonably priced advertising exposure
- We see a sharp growth in television audiences as the cable revolution accelerates and moves into stronger hands and as television ownership becomes progressively cheaper

Strengthening long-term growth

It would be relevant to indicate why, despite this evident bullishness, we reported a decline in our profits in 2004-05: Balaji's mature programmes of 2003-04 were replaced by low margin alternatives.

As in the previous years, the Company embarked on a number of business-strengthening initiatives:

- Over the coming years, viewer needs will become increasingly niche and fragmented. Balaji is prepared for this reality by having successfully explored new formats and genres across different age profiles, income backgrounds and geographic locations. This was reflected in the Company's new-age programmes like Kosmiic Chat on Zoom TV
- Over the coming years, content creators will need to enter into alliances with broadcasting companies, assuring one of content and the other of income. As a forward-looking organisation, Balaji entered into a strategic alliance with Asian Broadcasting FZ LLC (ABF) in 2004-05
- Over the coming years, content creators will need to tighten their costs and become competitive. As a resource-focused organisation, Balaji invested in five new studios and cutting-edge infrastructure, not just with a view to service its captive growing needs but also explore probable BPO opportunities in the sector

Outlook

What is heartening for Balaji is that India's entertainment industry continues to be bullish and growing.

On an average, a channel requires eight hours of original programming a day. The existence of around 100 channels translates into 800 hours of programming every single day, almost half of Balaji's entire production during the year under review.

As a result, at Balaji, we continue to remain optimistic in a growing business and expect that a combination of our de-risked and aggressive approach will translate into enhanced value for all those who own shares in our Company.

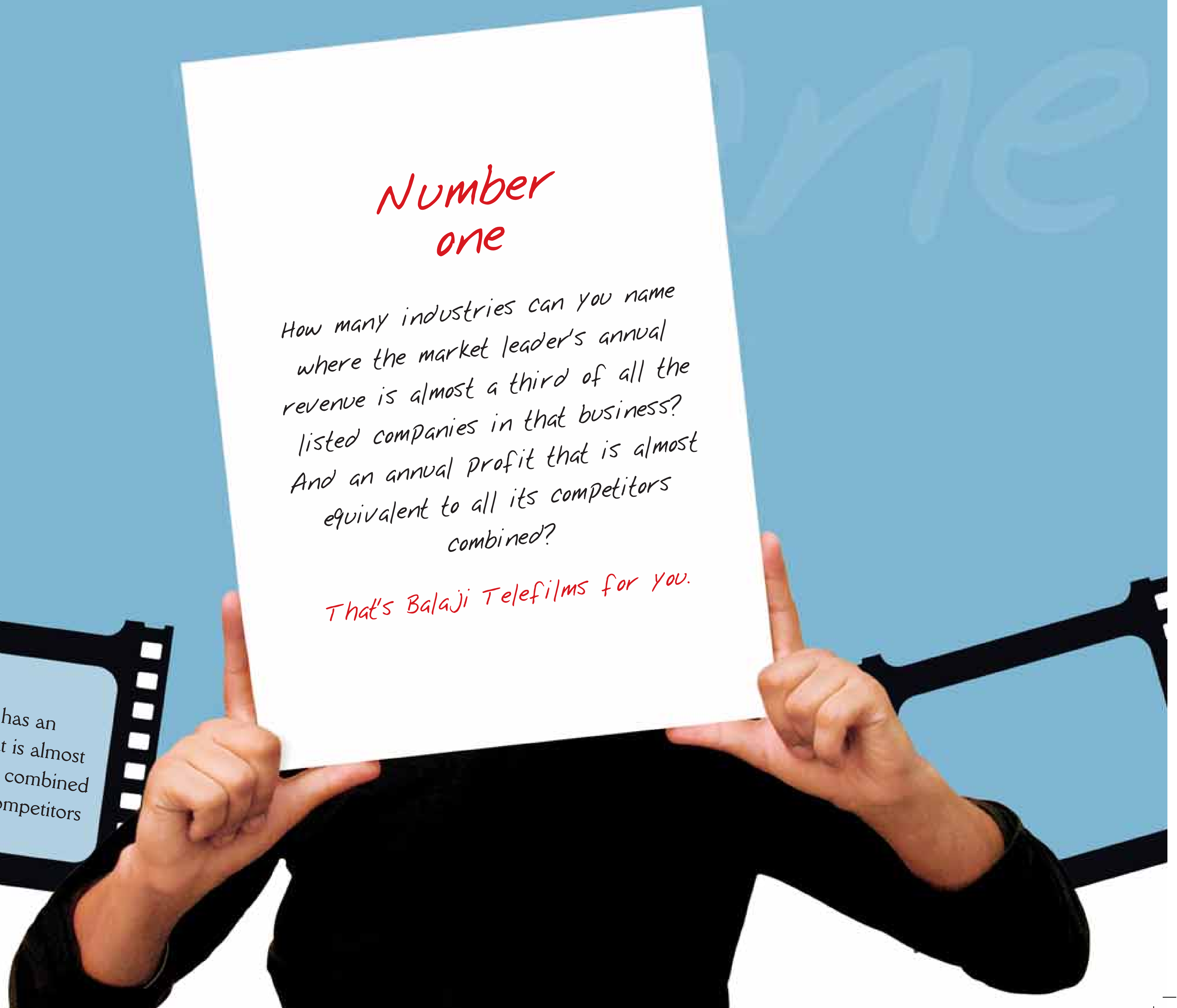
Jeetendra Kapoor,
Chairman

BALAJI IS NOT JUST A SUCCESSFUL ENTERTAINMENT CONTENT PROVIDER. BUT A COMPANY CREDITED WITH RUNNING ONE OF THE MOST PROFITABLE BUSINESSES IN INDIA.

Consider the following:

- Of every rupee earned as income, Balaji took in 0.34 paise of pre-interest profit (EBIDTA) in 2004-05
- Of every rupee employed by the Company in the business, Balaji generated a pre-tax profit of 0.29 paise in 2004-05
- Of every rupee earned by the Company, only 6 per cent was needed to be invested back into assets (2004-05), making it cash rich
- The Company's market capitalisation of Rs 580 cr (as on 31st March, 2005) was the industry's highest

Proving conclusively two things: that there is no business like show business and, perhaps, there is no company quite like the one that is best at it.

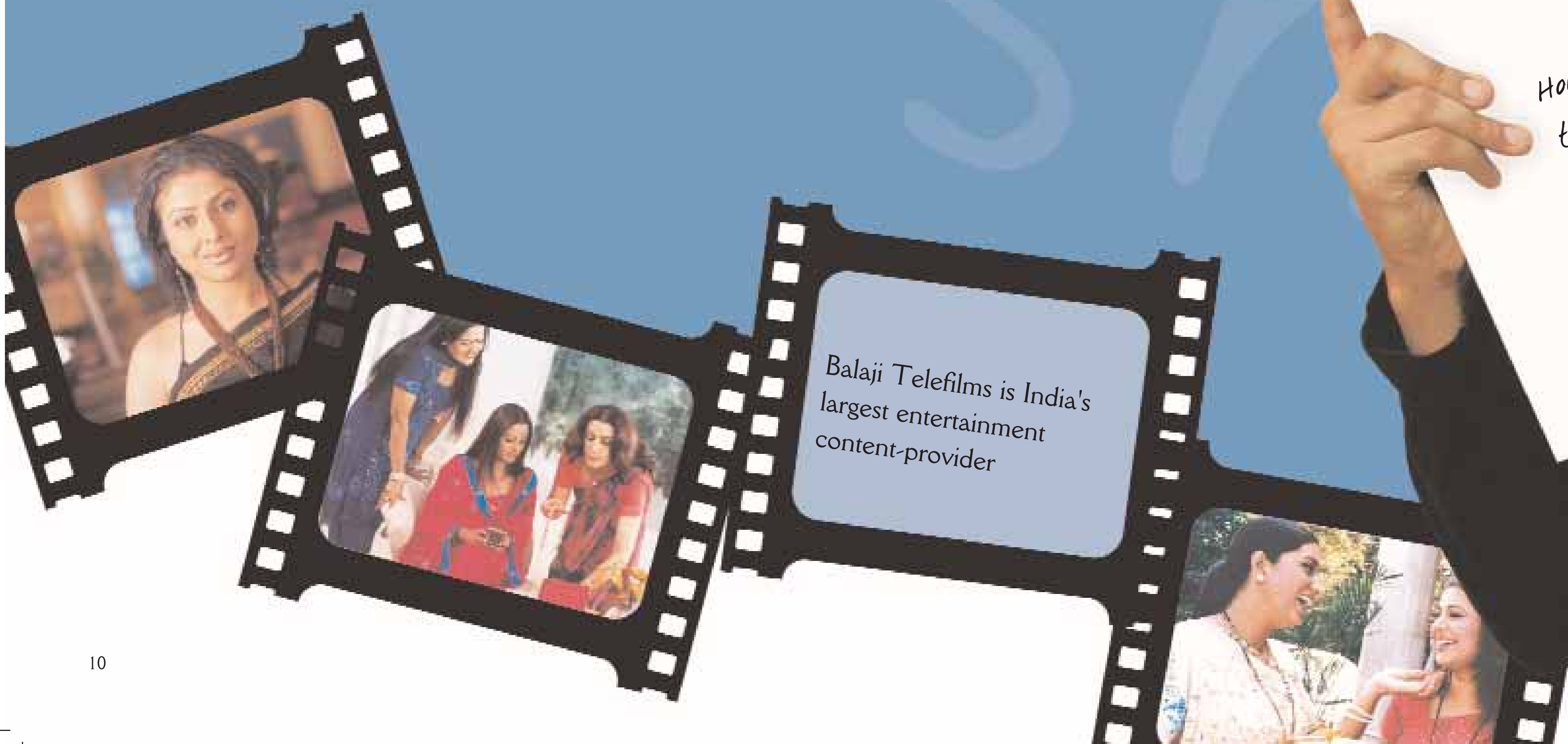


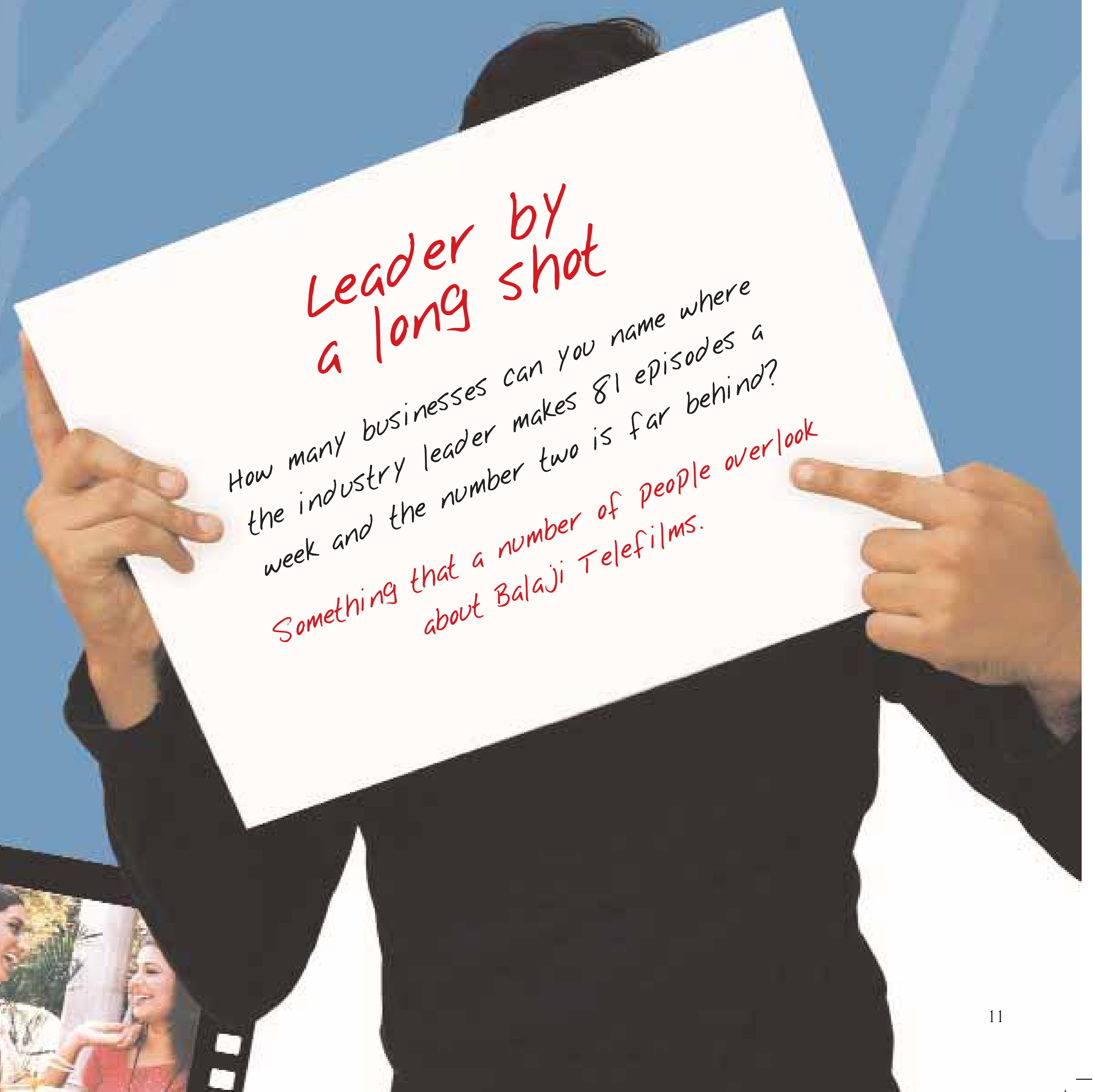
BALAJI IS NUMBER ONE IN A FIELD WITHOUT REALLY A NUMBER TWO OR THREE IN THE CONVENTIONAL SENSE.

Consider this as well:

- Balaji is India's largest entertainment content provider with an average output of 41 hours of weekly programming
- It is more than a content provider, it is a brand; a Company that has made the question "Who has made the serial?" more important than "Who is acting in it?"
- It has demonstrated the fine art of taking a programme and turning it into an icon; for instance, *Kyunki Saas Bhi Kabhi Bahu Thi* has run for more than five years and crossed the magical figure of a 1000 episodes
- 12 of the programmes in the top 15 slots were Balaji's

Proving that no other content providing company in India has put its finger so closely on the nation's pulse; and in doing so, no content-providing company has quite so emotionally touched an entire nation.





Channel driver

How many companies can you name where a vendor is credited with not only enhancing the profitability of his own business but also that of his customer?

That's what Balaji Telefilms has been doing for the last ten years.

BALAJI DOES NOT JUST PRODUCE POPULAR CONTENT FOR CHANNELS BUT ENHANCES THEIR PROFITABILITY AS WELL.

Consider this:

- Star TV: The Company's programmes accounted for 60 per cent of the prime time programmes on the country's leading channel
- Surya TV: Following the launch of *Kavyanjali,* this channel superceded the market leading 'Asianet' in Kerala and climbed to the number one slot
- Gemini TV: The Company's programmes dominated the leading positions on Gemini TV for the major part of the year under review, strengthening the channel's market presence
- Doordarshan: *Kayamat* consistently delivered a high TRP

Proving that Balaji is not just another entertainment content provider but an indispensable part of the business strategy of its customer channels.

Balaji Telefilms enhances the channels' profitability, along with its own

"I think the media boom has just begun!"

I think the media boom has just begun!

Ekta Kapoor, *Creative Director*
Balaji Telefilms, outlines her plans for the coming year

Q. How does Balaji retain its audience and TRP?

A. Let me put it in an interestingly different way: in most businesses, the quickest way to eliminate the difference between yourself and your competitor is through faithful imitation. Simply check what the most successful company is doing, find an institutionalized way of imitating it and eliminate the competitive difference. Balaji has been around for nearly a decade and, therefore, it should be relatively simple for all our competitors to create me-too content and eat into our market presence.

However, if this has not transpired, then there must be a specific reason. In my opinion, it is because we possess an insight into exactly what our viewers will like and not like. This might sound like a simple capability but believe me, this represents our most valuable intellectual capital and the biggest differentiator between Balaji and its competitors.

This is best demonstrated in our treatment of *Kyunki Saas Bhi Kabhi Bahu Thi*. This is the sixth year of the programme and we have successfully been able to evolve the plot in response to changing audience moods without losing eye share.

Okay, this brings me to the second most important factor of success at Balaji - the script! So what I am saying is that a combination of an insight into what a customer wants and our ability to innovate are the principal drivers of our success.

Q. Shareholders are worried that the business of soap making is getting increasingly difficult.

A. Not difficult, but competitive. Okay, make that 'very competitive'! My big lesson at Balaji has been that it is one thing to get to the number one slot but I can tell you that it is quite another to stay there. It requires you to do a number of things better than your competitors:

- You need to stay focused and work 24x7x365. Period
- You need to create pacy content grounded in reality - tricky but not impossible
- You need to create a seamless narrative
- You need to have a focused script with the directors needing to know how to translate that into actor performance

Q. Have you ever worried about the fact that everything is a potential competitor to your business - even multiplexes and shopping malls?

A. We are becoming increasingly aware. So we must respond by making our programmes better and better: In business what they term Kaizen or continuous improvement. We do so with a difference. We try to make our programmes and their characters a part of people's lives. Besides, we are also diversifying our genre and foraying into filmmaking; we are exploring new horizons with an eye to reach out to more viewers nationally and internationally.

Q. You mentioned films. Is Balaji getting into films because the media boom is over?

A. The media boom has just begun! I can tell shareholders that there is a tremendous demand for quality content on the small screen. While we continue to leverage value from the small screen, filmmaking will be a synergic extension to enhance revenues and profits. We have some upcoming productions in the pipeline that are going to be soon released. Filmmaking will enhance Balaji's impact in the industry simply because we don't see the two media infringing on each other - one is an indoor activity, the other outdoor; television programmes are a daily affair, films are not; television you can watch at your convenience; with films, you need to go out. As a result, we see both surviving and both doing so in a mutually exclusive manner.

Q. Balaji has been the number one for years and there is a feeling that it has peaked.

A. I can assure you that we are a stronger organisation today and more capable of reinventing ourselves than at any other time in our history. We will, going ahead, consciously shed the 'soap-friendly' tag and explore new opportunities, which will become progressively visible. As a result, you will see comedy, weekend programming and thrillers coming out of Balaji Telefilms across the foreseeable future.

Q. What is the biggest challenge for a creative head like you?

A. Brain drain. As soon as someone leaves, he or she carries away intellectual capital, which can potentially impact quality. To top this, there is a significant shortage of trained professionals, making it imperative for us to train freshers into becoming trained professionals on-the-job. Plagiarism is another challenge, from two perspectives - that someone should not be able to take away what is your idea and create successful content and that you do not fall prey to copying someone else's idea and using the short cut to success. As a result, at Balaji, we pride ourselves on being original.

Q. Your creative team and other members of the organisation insist that it is you who drives them. Shareholders would want to know what drives Ekta Kapoor?

A. The opposite is true - my team drives me! When you see a bunch of young enthusiasts, you are driven to push further, to try that much harder and to deliver better. Recently, we conducted a talent show across the North of the country and recruited 50 odd creative team members. When I saw them, I was truly inspired!

Q. What is the outlook for 2005-06?

A. We intend to embark on the following initiatives:

- Move into non-fiction and reality programming
- Market content to new channels
- Fill vacant slots across existing customer channels
- Go into children's programming
- Produce niche programming (teenage or youth programmes)
- Make films

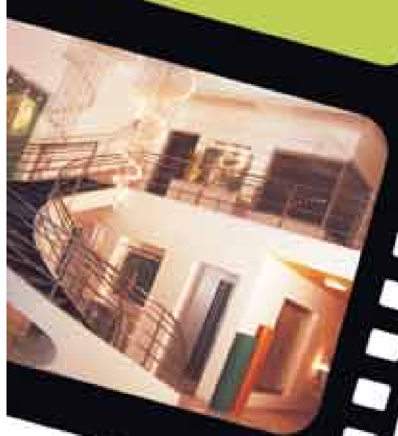
> "You will see comedy, weekend programming and thrillers coming out of Balaji Telefilms across the foreseeable future."

BALAJI IS NOT JUST A CONTENT PROVIDER TELLING STORIES ABOUT HOW FICTIONAL CHARACTERS LIVE THEIR LIVES, BUT A POWERFUL COMMUNICATOR THAT INFLUENCES HOW REAL PEOPLE LEAD THEIRS.

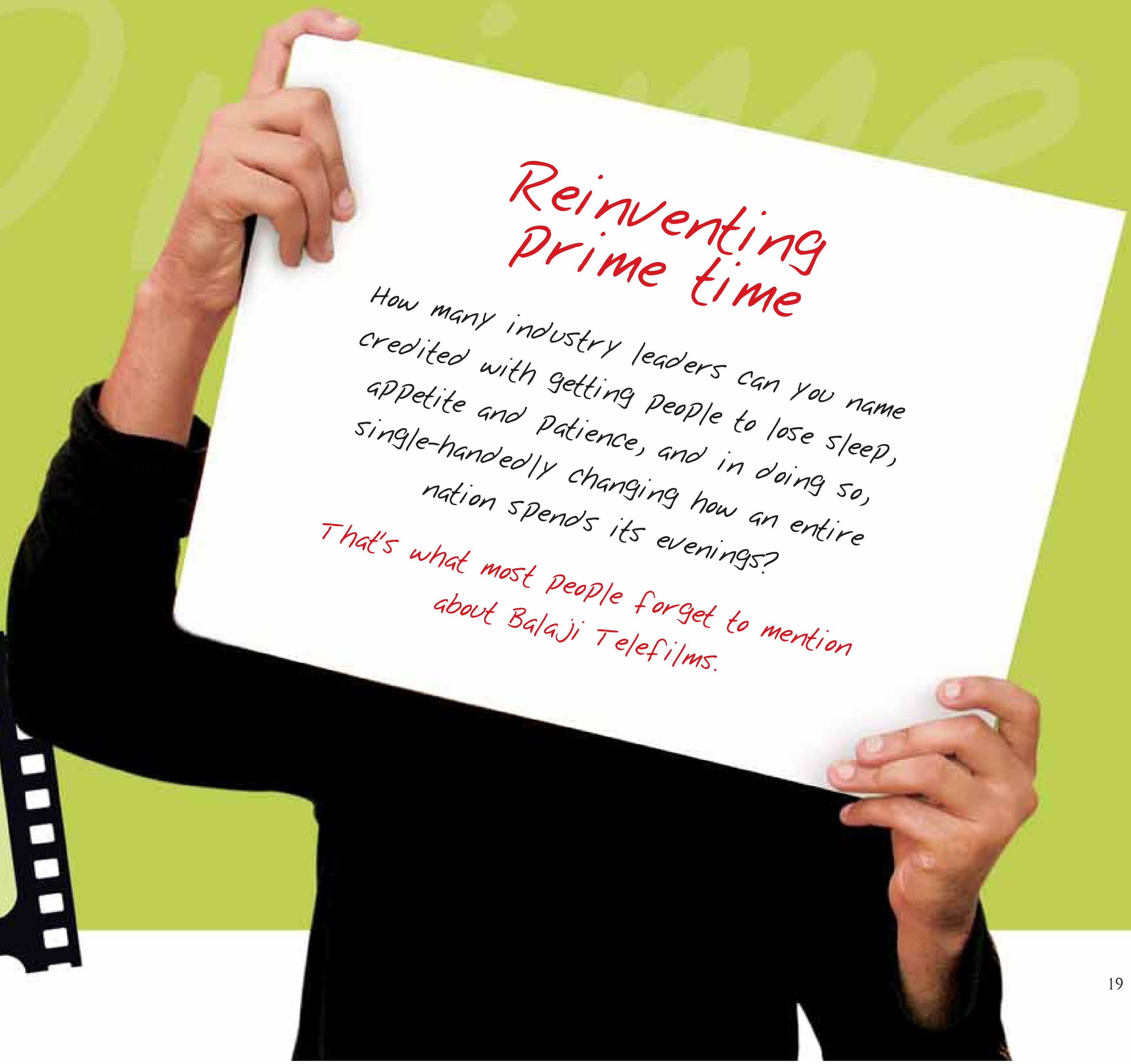
Consider this:

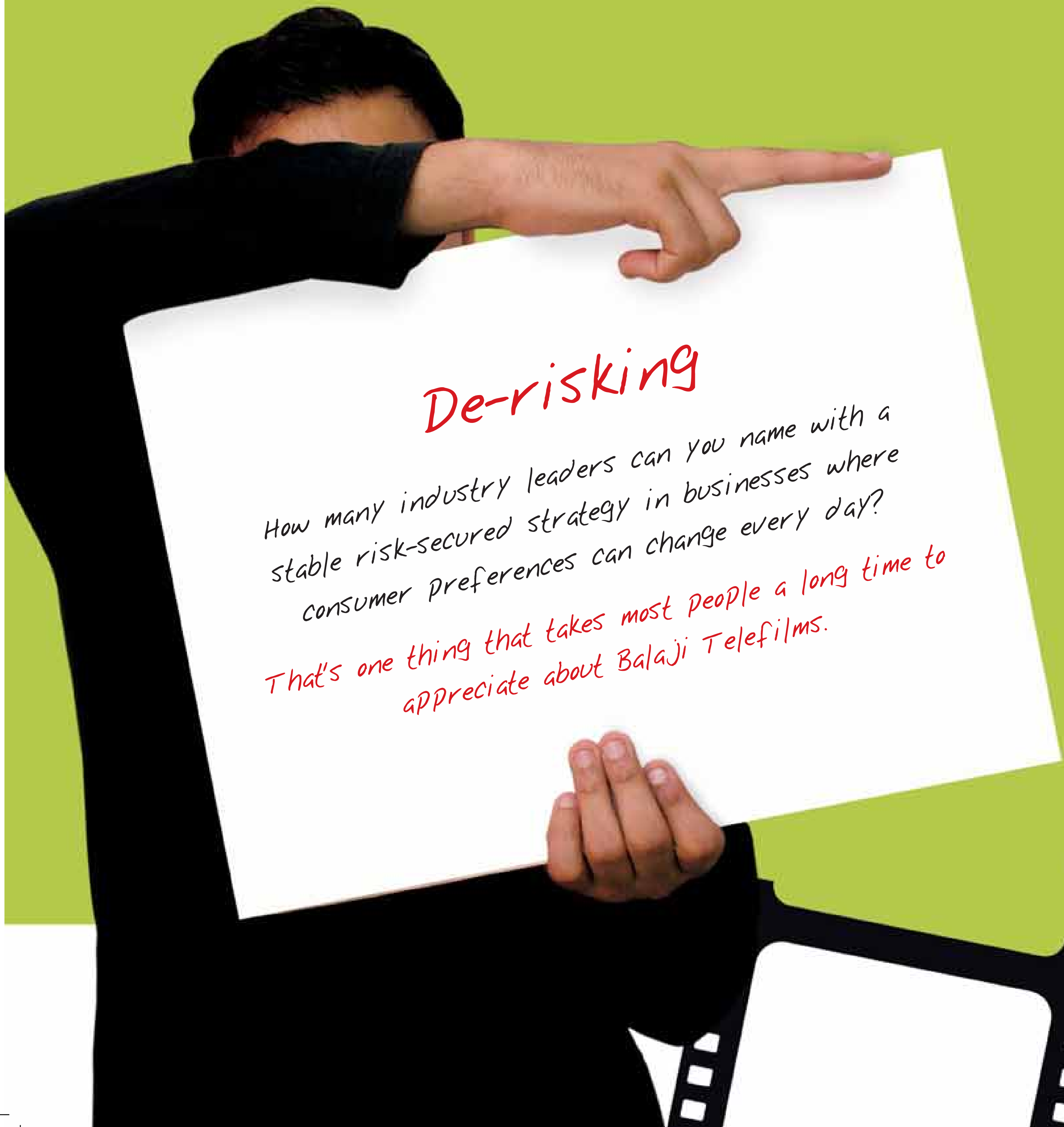
- Before Balaji began to create content, prime time was generally recognised as the time slot between 7 pm and 9 pm, Monday to Thursday. Today, as a result of the compelling content, prime time is assumed to start from 7 pm, ending five hours later
- It demonstrated an ability to dominate hitherto unoccupied time slots when its *Kaisa Ye Pyar Hain* on Sony TV strengthened its TRP from 1.66 in April 2005 to 3.38 in June 2005 and emerged as one of the most popular programmes across eight o-clock programmes across all Hindi soap entertainment in India today.

Proving that nothing moves the second most populous country in the world more than... well, moving content.



Balaji Telefilms has helped extend prime-time slot in India from two hours to five hours





BALAJI HAS RESPONDED TO THE HAZARDS OF ONE OF THE MOST UNPREDICTABLE BUSINESSES WITH A COMPREHENSIVE RISK-MANAGEMENT DISCIPLINE THAT IS NOW BEING ACKNOWLEDGED AS THE MODEL WITHIN ITS INDUSTRY.

Consider this:

- It selected to specialise in a genre that is expected to enjoy the highest viewership well into the long-term
- It diversified content creation beyond Hindi into four languages (Kannada, Telugu, Tamil and Malayalam)
- It engaged in sampling viewer feedback with the objective to evolve its content and retain surprise value all the time
- It employed the services of non-celebrity actors, eliminating problems related to their cost and availability
- It extended from the soap genre to non-fiction, youth programmes, thriller shows and commercial filmmaking (*Kya Kool Hain Hum*, May, 2005)
- It invested more than Rs 1000 lacs of its surplus in cameras, film sets and infrastructure in 2004-05 with the objective of reducing outsourcing and expenses
- It invested the rest of its accruals in relatively risk-free fixed income instruments, creating a healthy annual buffer of non-core revenues

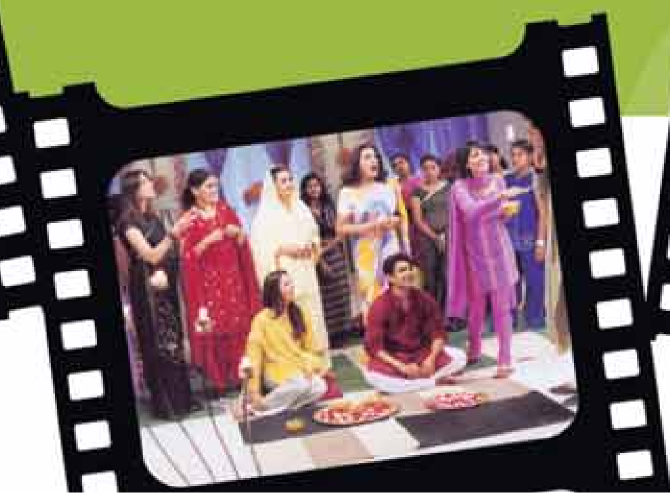
Proving that one of the most effective strategies for a Company wanting to maximise its upside is its protection from the downside.

BALAJI IS HAS REFINED THE ENTERTAINMENT TASTE OF AN ENTIRE NATION AND RAISED THE WATER LEVEL FOR AN ENTIRE INDUSTRY.

Consider this:

- Balaji was the first in its business to fuse a strong storyline with the use of competent actors and world-class sets.
- It aired programmes that reflected contemporary society, ensuring that its fiction was but an extension of reality
- It expanded viewership through the sensitive address of various social and economic classes
- It enriched storytelling by raising the benchmark of the number of scenes and performers per episode

Proving that it made programmes that were enjoyed by the public and studied closely by its competitors.



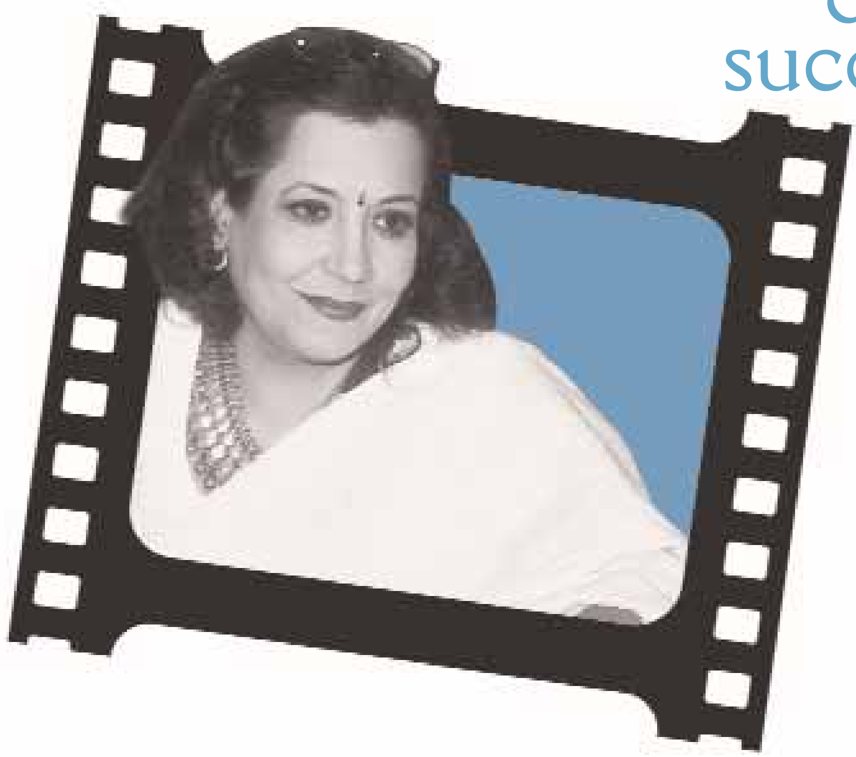
Balaji was the first in its business to fuse a strong storyline with the use of competent actors and world-class sets.

Raised industry benchmark of content making

How many industry leaders can you name who have not just strengthened their own quality standard but have, in doing so, raised the water level for their industry and entire nation?

That's one of Balaji's biggest contributions over the last decade.

"Films will be our next driver of success and growth!"



Films will be our next driver of success and growth!

Shobha Kapoor, *Managing Director and CEO,* Balaji Telefilms, looks back and ahead

Q. Profits are declining and shareholders want to know whether the best days of Balaji are over.

A. Not at all! The reasons why profits declined in 2004-05 are because we explored new channels, geographies, time-slots and formats. Each of these initiatives takes time to generate profits, which shareholders will see from 2005-06.

Q. What were the Company's highlights in 2004-05?

A. Over the last few years, we had progressively de-risked our business from a financial perspective. I am pleased that during the year under review, we extended our focus to content as well. We did so through a number of initiatives - we extended our soap to channels like MTV that were traditionally not connected with soap, which we feel is a victory of sorts for our content. Besides, we extended ourselves from soap to the non-fictional genre (Kosmiic Chat and *Kyaa Kahein*), opening up an entire new business area for the Company. In view of the fact that most of our people possessed a long-standing insight into soap, we considered it prudent to create a new team to address the challenge of the non-soap genre. I am optimistic that the induction of fresh talent will lead to new perspectives in the creation of non-soap content and the increase in non-soap content will diversify our income mix. As a result, during a challenging year, we strengthened our ability to generate sustainable growth over the foreseeable future.

Q. How does the Company expect to move from here?

A. By extending from a leadership position in Hindi soap to a leadership position as the number one content provider in India across all languages. As a part of this aspiration, we hope to explore animation; ad films and a reality TV show. Besides, we also expect to produce three more commercial films in 2005-06, especially in the area of niche films where we see a big dearth in India.

Q. What is the biggest challenge facing the Company?

A. The ability to extend our recruitment policy into selective recruitment and the extension of this into value-added sustainable growth. Why this is a challenge is that as the business gets bigger, there is a greater need to recruit in larger numbers. Along with the increased numbers comes the risk of error - the fact that we can always make an error in selection, the fact that we may not train right and the fact that our people may leave, carrying away valuable experience and expertise. The one reason why we have continued to remain successful is because we have gradually institutionalised our people-centric practices. For instance, we have bought a greater science into recruitment. We are recruiting from the other cities, and are not just providing jobs but careers and we are not just providing a place to work in but a hands-on university experience where empowerment, learning and knowledge sharing are continuous. As a result, I am proud to say that Balaji continued to be a preferred place to work in, attracting the best talent from across the country.

Q. What is the outlook for 2005-06?

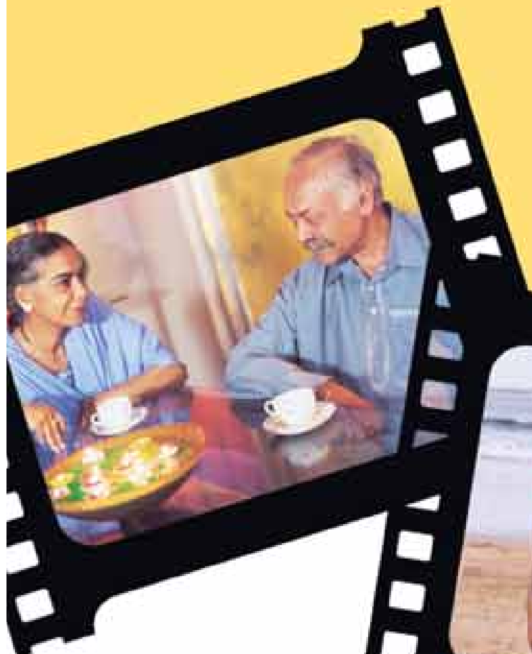
A. We expect to emerge as a stronger organisation with a wider exposure across genres. We don't just expect this wider spread to de-risk our business further but we also expect the programmes to generate an attractive topline and a bottomline, enabling us to enhance value for our shareholders not only in 2005-06 but also in the years to come.

BALAJI HAS BEEN SUCCESSFUL IN FUSING CREATIVITY WITH DISCIPLINED ENTREPRENEURSHIP AND EMERGING AS A MODEL FOR INDIA'S SMALL SCREEN ENTERTAINMENT INDUSTRY.

Consider this:

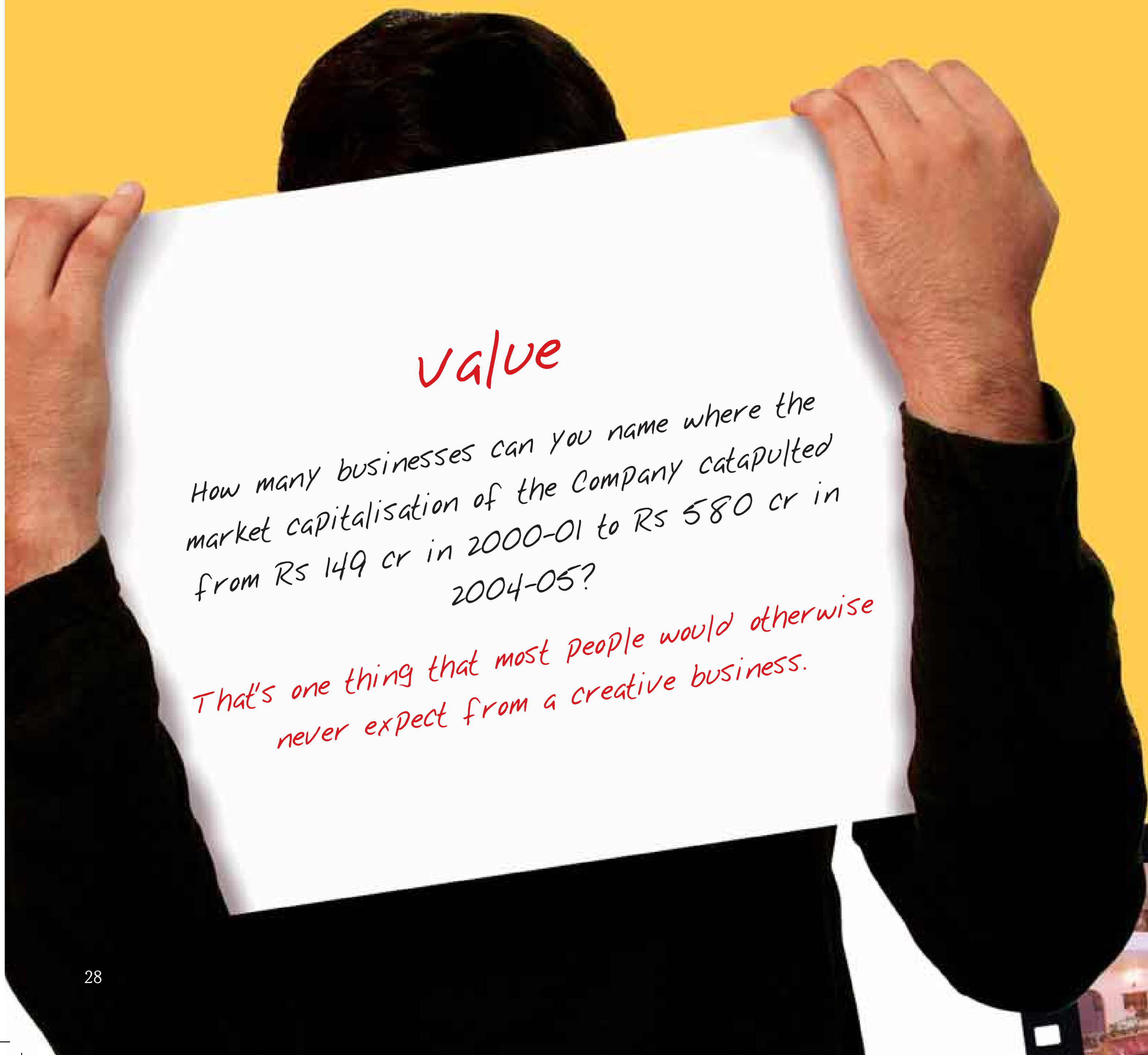
- Balaji's working is governed by a production and financial blueprint that not only schedules what will be produced when and in how much time but also at what cost
- Its transactions are protected by an ongoing audit that ascertains whether the actual matched the estimate, followed by recommendations for improvement
- It follows a stringent documentation system, whereby every detail is recorded for prospective learning and improvement
- It conducts periodic people appraisals to manage expectations and skill enhancement

Proving that a creative business is most profitable when you bring to it entrepreneurship blended with discipline within a corporate environment.



Balaji Telefilms is a creative business that is professionally managed and entirely corporatised

value



BALAJI HAS NOT JUST INVESTED ITS PRECIOUS CASH FLOW INTO THE BUSINESS BUT HAS ALSO SHARED ITS REWARDS DIRECTLY WITH SHAREHOLDERS.

Consider this:

- Balaji reported a 289 per cent increase in its market capitalisation in four years leading to 2004-05
- It paid Rs 12261 lacs in dividends during this period
- Its book value increased from Rs 7.76 per share in 2000-01 to Rs 32.69 per share (face value Rs 2) in 2004-05
- It paid an unprecedented 800 per cent dividend (Rs 16 on a face value of Rs 2 per share) to shareholders in 2004-05

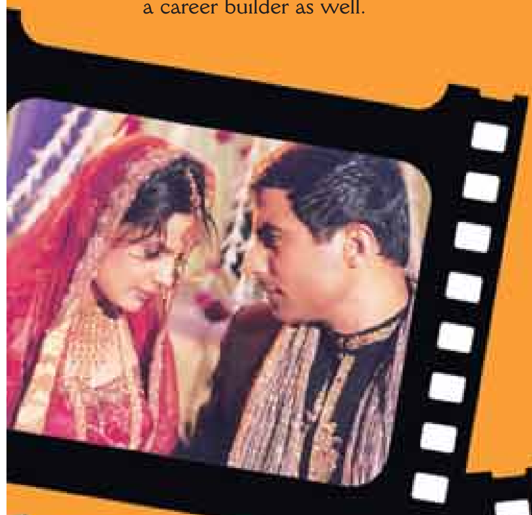
Proving comprehensively that the fruits of its businesses were not just locked away in assets but also distributed for wider benefit.

BALAJI IS THE COMPANY OF FIRST EMPLOYMENT RECALL WITHIN ITS INDUSTRY SIMPLY BECAUSE OF AN UNMATCHED LEARNING AND SKILL REPLENISHMENT ENVIRONMENT.

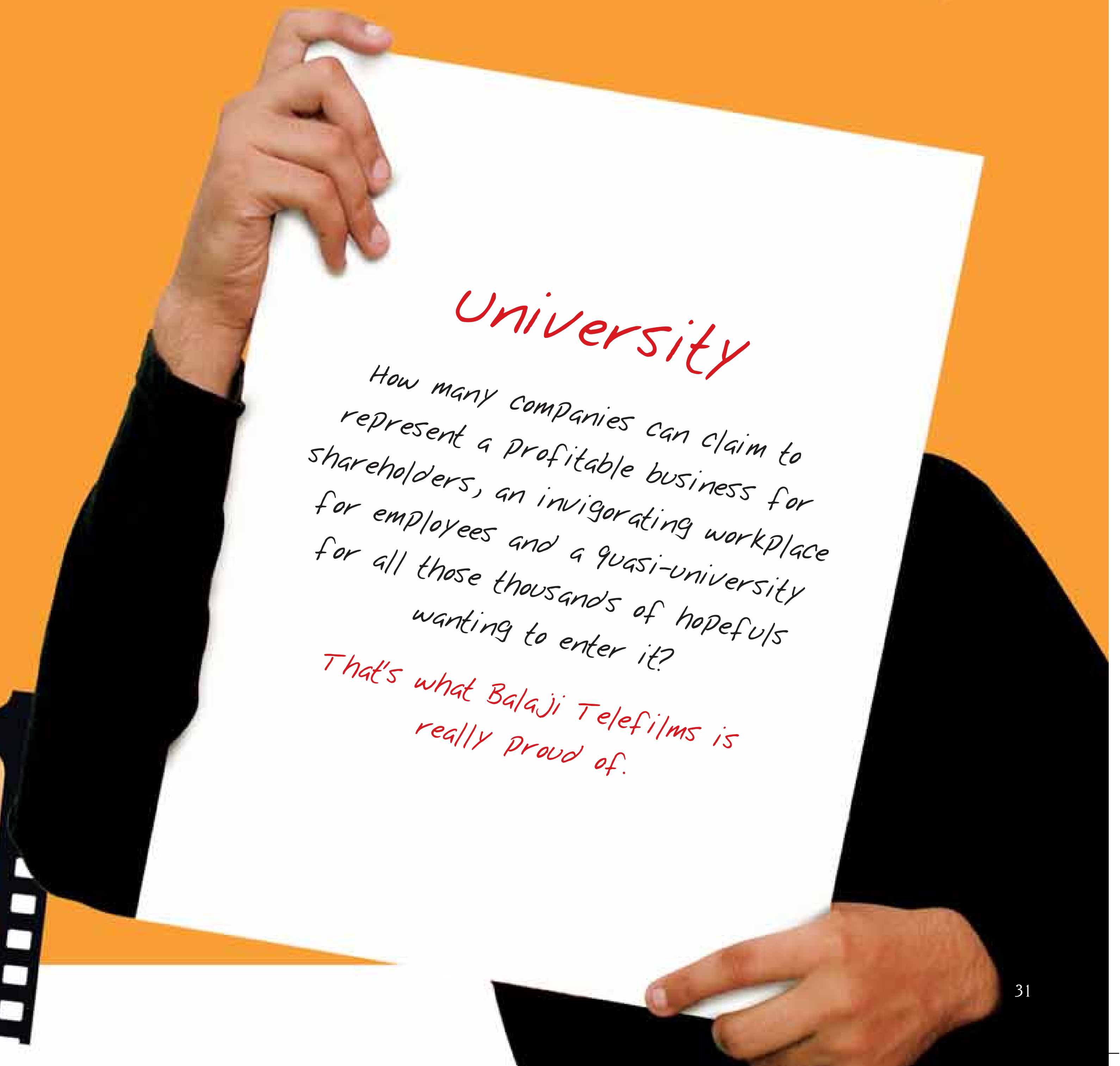
Consider this:

- Balaji has created what resembles a serious university within its organisation, making employment synonymous with ongoing learning
- It has an unambiguous recruitment policy whereby each member brings in specific skills to the organisation
- It stands for in-depth and hands-on training from day one, combined with multi-tasking and specialisation opportunities
- It delegates and authorises aggressively, enhancing a sense of ownership

Proving that it is not just an employment provider for thousands, but a career builder as well.



Balaji Telefilms resembles a serious university within its organization, making employment synonymous with ongoing learning



Q. Why did Balaji move into films in 2004-05?

A. A number of people have asked me this. It is important to state that given our infrastructure and insight into content and storytelling, we felt that an extension into film production represented the most attractive option to de-risk revenues and enhance profits. Now this might sound contradictory to a number of people who associate films with risk. The truth is that with our institutionalised cost management approach in television content creation, we stood the best chance to extend it to films, protecting our downside on one end and liberating our upside on the other.

Q. How did the Company do so?

A. For one, we extended ourselves only to low budget films where even if the film did not click, we would either cover our costs or make a small loss and if the film clicked we would end up making a tidy profit. So given the cost-benefit analysis, an entry into films represented the most attractive extension of the Company's interests. Besides, we selected to employ the services of a relatively low cost star cast. We invested our films with superior production values. And lastly, we prudently covered a significant portion of our film expenditure through pre-release sales to distributors.

Q. What were the learnings from *Kya Kool Hain Hum*?

A. From a corporate perspective, we realised the need to utilise our assets and resources to the fullest leading to effective cost management. We learned the importance of a finely tuned script and schedule before embarking on the next shot. Besides, we gained a precious experience into film promotion. We created a dedicated team for film production comprising scriptwriters, creative heads, associate creative heads, production heads and post-production associates.

This translated into minimal re-shooting, saving costs for the Company, which is critical in a medium where the returns cannot be accurately predicted.

Q. Balaji Telefilms is usually associated with family drama, values, traditions and alike. Why did your film take a thematic turn?

A. *Kya Kool Hain Hum* was aimed primarily at college-goers - 'generation next' - that would allow us to create a recall in the minds of viewers. We felt that the subject of a sex comedy would attract a fair audience. I think the timing was also perfect for the film in terms of audience acceptance. Besides, we tied up with high-street stores across the country to promote the movie. We succeeded in doing so as the movie did well even in the interiors of the country.

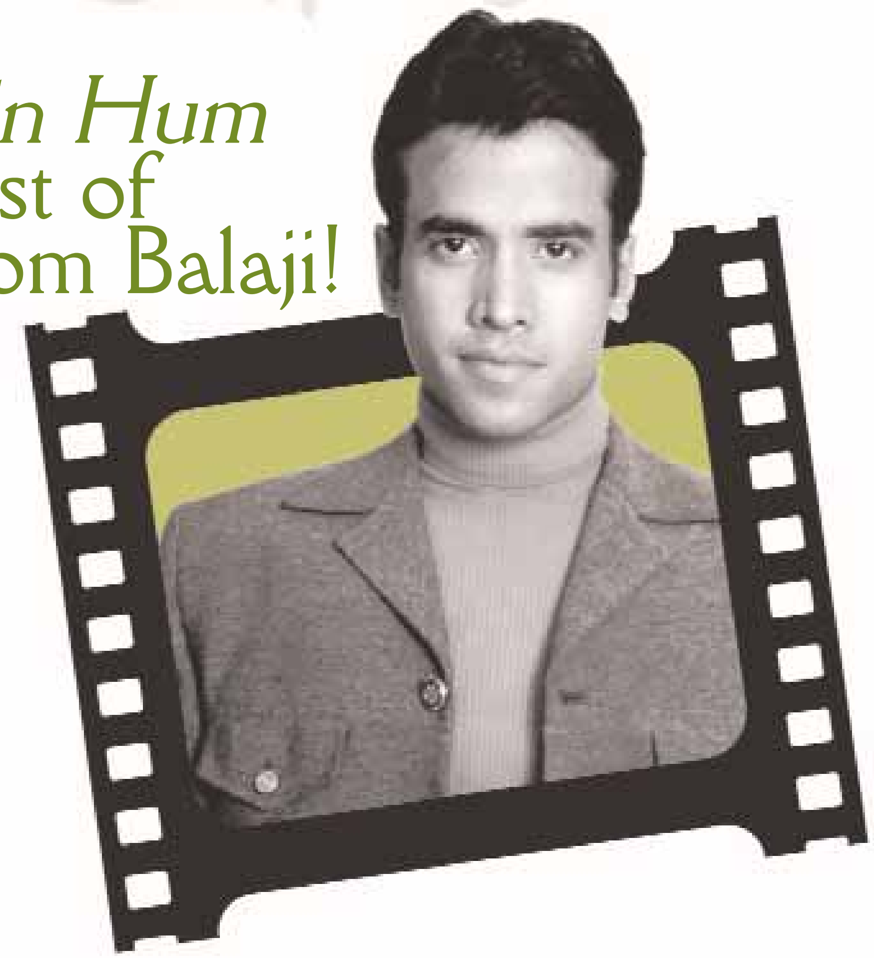
Q. What is the outlook for Balaji's presence in this genre in 2005-06?

A. This year should be a good one given that three Balaji projects are in the pipeline.

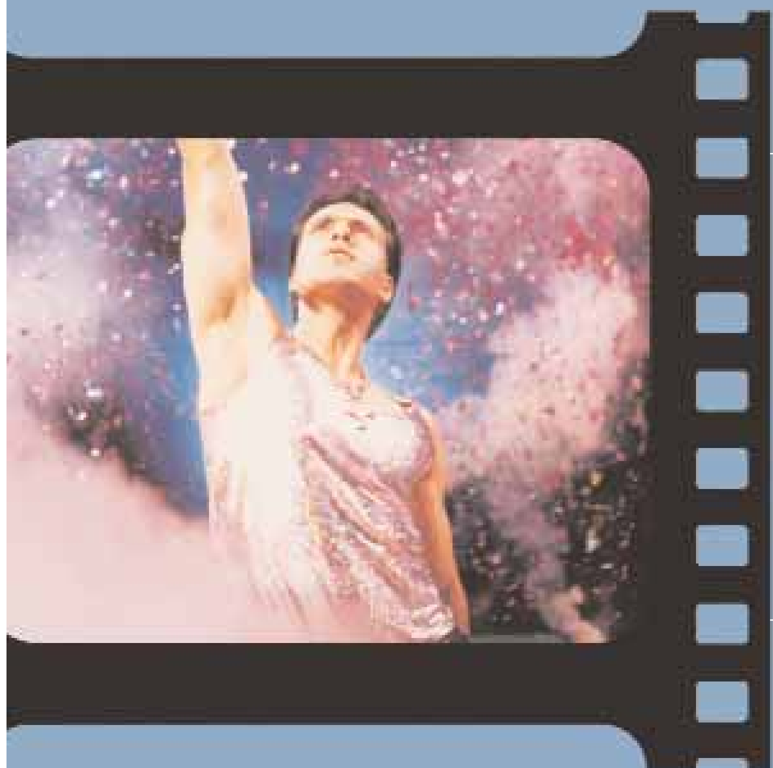
"Kya Kool Hain Hum will be the first of many films from Balaji!"

Kya Kool Hain Hum will be the first of many films from Balaji!

Tusshar Kapoor, *Executive Director,*
Balaji Telefilms, reviews the Company's extension into a new genre of entertainment



entertainment revolution



Driver of Balaji's growth

Entertainment revolution

Over the next few years, the biggest driver of India's entertainment revolution - and hence, Balaji's growth in scale, revenue and influence - will be its economic revolution.

Consider the fundamentals: India possesses the second largest population in the world, ranks among the five largest global economies (purchasing power parity) while its 300 million middle class is the largest in the world.

At Balaji, we see this economic growth driving the entertainment business in two ways - it will place a greater purchasing power in the hands of its vast low and middle-class, accelerating television offtake, cable connectivity and a market for Balaji's entertainment content. With the average Indian getting younger and more likely to spend on non-essentials, the entertainment industry has the potential to grow rapidly over the future.

We also see this economic growth translating into a bigger market for television sets. India represents the fifth largest market for colour televisions in the world, growing at an average of 25 per cent a year. India's colour television offtake is rising each year: from 6.75 million units in 2002 to 8 million units in 2003 to 9.25 million units in 2004 (Source: CETMA), riding a reduction in CTV set prices from Rs 15,000 in 2003-04 to Rs 9000 in 2004-05 (standard 21 inch set).

At Balaji, we are convinced that the bigger the offtake of colour television sets, the wider will be the reach of cable television and the bigger the revenue inflow for broadcasting channels and content providers.

Rise of India's earning and consuming classes

The Cinema	1994-95	1990-00	2005-06E
Rich (Above USD 4600)	1 million households	3 million households	6 million households
Consuming (USD 970 - 4600)	29 million households	66 million households	75 million households
Consuming (USD 470 - 970)	48 million households	66 million households	78 million households
Aspirants (USD 340 - 470)	48 million households	32 million households	33 million households
Destitutes (Less than USD 340)	32 million households	24 million households	17 million households

Source: NCAER

Driver of Balaji's growth

Television media

In a country where 72 per cent of the population is rural, a television represents the principal link with the outside world. In a country where 48 per cent of the population is illiterate, television serves the role of a friend people can spend time with.

This explains why television reaches over 40 per cent of the billion people in India, commanding the highest mind share among consumers and cutting across rural-urban and class divides.

At Rs 139 bn, India's television industry is universally acknowledged as its most dynamic media, accounting for no less than 55 per cent of India's entertainment industry in 2004. It is expected to play a driving role in the entertainment industry's growth from Rs 222 bn in 2004 to Rs 588 billion by 2010, emerging as a Rs 371bn (revenues) segment by then.

Much of this is not expected to come from India's saturated urban market but its vastly under-penetrated rural. The following indicates the potential of rural India:

* LIC sold 50 per cent of all its policies in rural India in 2002-03

* Small towns and villages accounted for over ten lac cellular telephone users

* Of the 250 lacs households that bought television sets in the last three years, 190 lacs (77 per cent) were rural

As a result, as the medium's rural penetration increases, the growing preference for television entertainment is expected to grow the market for broadcasters and television content producers like Balaji more aggressively than before.

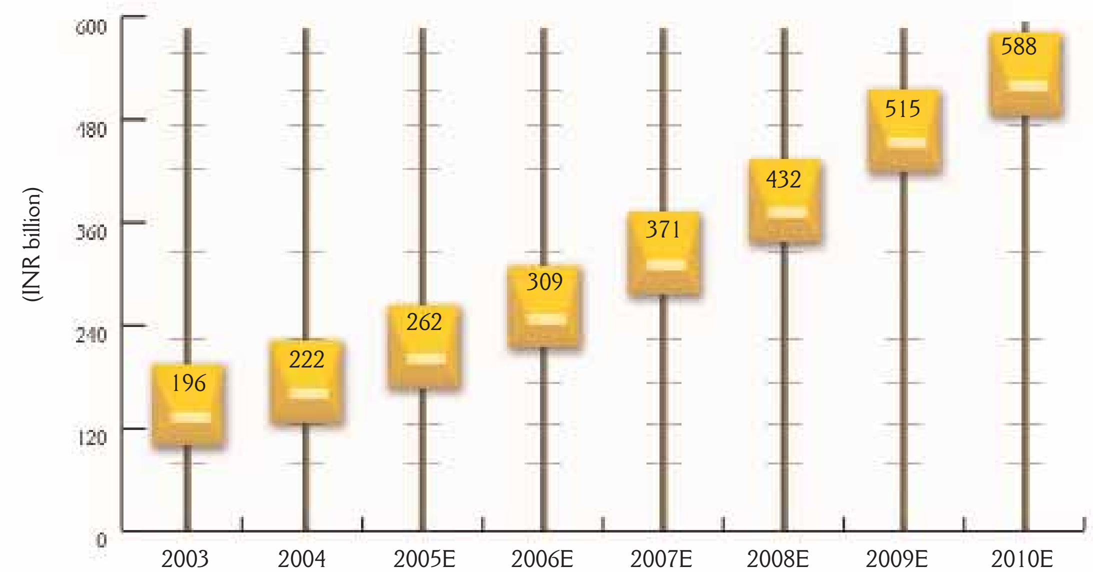
Intra media comparisions

Segmentwise compositon of the entertainment industry (INR billion)

Segmentwise break-down	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E
Television	122	139	164	189	228	266	325	371
Film	52	59	69	83	99	114	129	143
Music	10	10	10	11	11	11	12	13
Radio	2	2	3	4	5	6	7	8
Others (live entertainment interactive games, etc.)	9	11	16	23	30	39	48	60
Gross unadjusted revenues	195	222	261	309	373	436	521	595
Less: overlap (sale of film broadcast and music rights)	7	6	7	8	11	13	16	18
Add: overseas distributors margin from sale of Indian films	8	8	8	7	8	9	10	11
Entertainment revenues at retail value	196	222	262	309	371	432	515	588

Source: KPMG Research

Growth of the entertainment industry



Driver of Balaji's growth

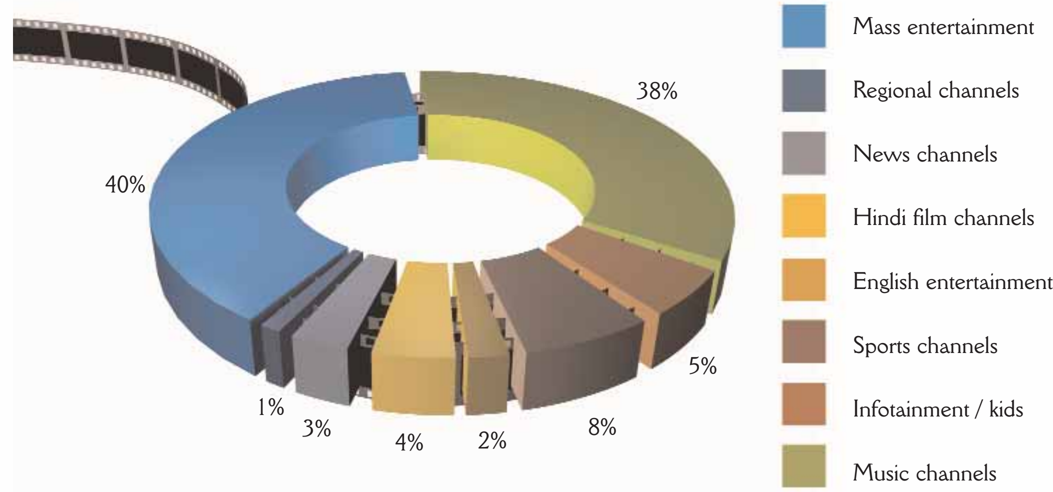
Mass entertainment

Now that we have established the preference of the television media over its competing alternatives, it would be pertinent to appraise its favoured genres.

Over the last decade, the one entertainment segment to have consistently emerged as a leader is that of mass entertainment over competing genres like news, sports and children's programmes. Specialising in soaps, this segment accounts for a majority of the total content produced in the country; within this segment, Hindi accounts a majority of all the soap produced across the country's principal television channels (Star, Zee, Sony, Sahara and Doordarshan).

Since the maturity curve of mass entertainment is rising, it is expected to widen the market for focused mass entertainment content providers like Balaji over the foreseeable future.

Genrewise viewership share in 2004 (in percentage)



Over the last decade, the one entertainment segment to have consistently emerged as a leader is that of mass entertainment cable potential

Driver of Balaji's growth

Cable potential

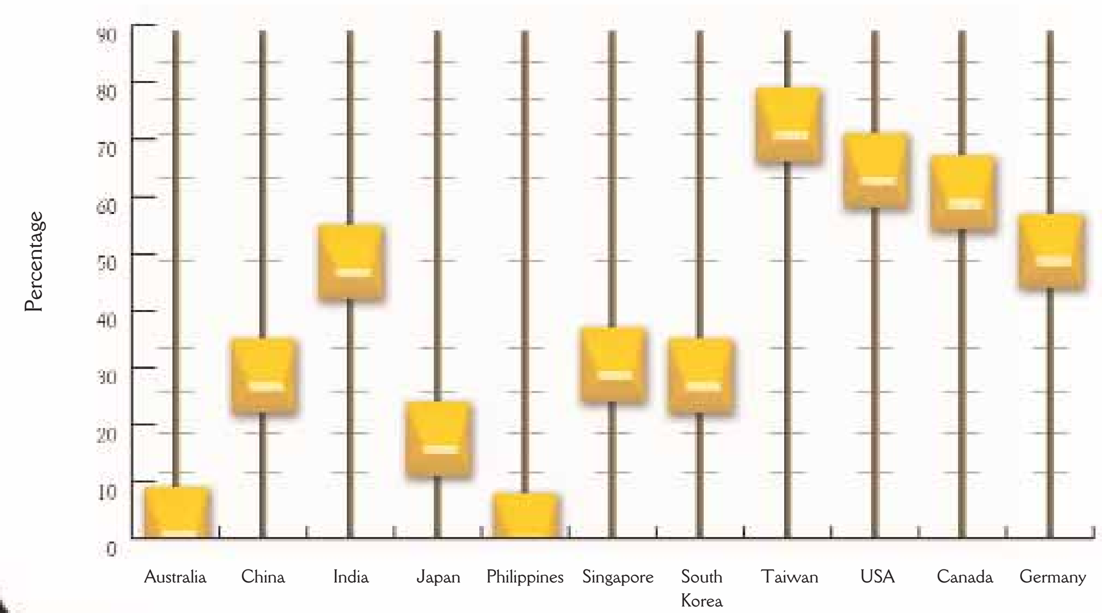
For every television sold in India, it would be reasonable to assume that it would be immediately linked to a cable connection, enabling it to receive the wide spectrum of the country's content.

Interestingly, this is not so - and this is where the potential lies.

Over the foreseeable future, we see two developments transpiring: The population of television owning households could increase from 910 lac households to an estimated 1340 lac households by 2010; concurrently, the number of 'connected' households could increase from 480 lac to 850 lac households; as a result, the penetration of cable and satellite households is expected to increase from 52.75 per cent to 63.4 per cent riding the cable and satellite, DTH and other non-terrestrial broadcast platforms.

At Balaji, we see this increase in penetration contributing to cable revenues, enriching broadcasters and enhancing income opportunities for the Company.

Cable television penetration



The penetration of cable and satellite households is expected to increase from 52.75 per cent to 63.4 per cent

Balaji's driver of growth

Subscriptions

At around Rs 150, India has one of the lowest average revenue per user (ARPU) in the world

There is another parallel development that we are studying with interest. Industry experts indicate that concurrent with a growth in subscriber volumes, cable subscription charges could grow at a pace faster than that of its per capita GDP.

For instance, at around Rs 150, India has one of the lowest average revenue per user (ARPU) in the world, an argument in favour of the fact that ARPU for cable television has actually declined in real terms and grown at sub-inflation rates over the past seven years.

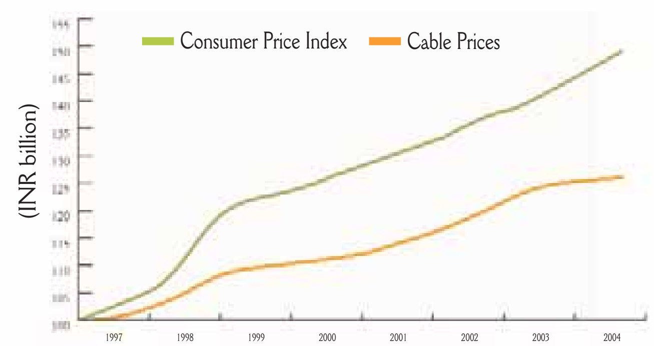
Consider the evidence: an average urban Indian cable-connected household receives as many as 100 or more channels for which it pays anywhere between Rs 100 to 300 per month, considerably lower than the international benchmark.

Over the coming years, as direct-to-home telecasts become a reality, we expect to see two developments: an increase in the ARPU or at least a leveling out of the tariff disparity between localities within the same city, resulting in an increase in the average.

This development will enhance realisations for broadcasters and, in turn, benefit content providers like Balaji.

Global cable ARPU

Cable subscription rates have fallen in real terms



(INR billion)

Distribution of revenues	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	Growth
Pay TV revenues to broadcasters	12	13	16	19	29	42	62	82	37%
Distributors' retention	1	3	5	11	16	23	32	41	55%
Last mile operators	52	58	69	77	90	99	120	126	14%
Total subscription revenues	65	73	90	107	136	163	213	250	23%

Source: KPMG Research

Driver of Balaji's growth

Advertisement revenue

Over the coming years, we not only see India's consumer-led economic boom translating into a wider national advertising budget; we also see an increase in the proportion of this outlay being allocated towards television.

Consider the fundamentals:

- India is the fastest growing automobile market in the world among those with an annual offtake of more than ten lac vehicles
- India is the second largest two-wheeler manufacturer in the world
- India is the sixth largest market for mobile handsets (160 lac units per annum) in the world, growing at 50 per cent a year

At Balaji, we see this increase in consumerism as being closely linked to an increase in advertisement spending, much of that allocation being accounted for by television and a large proportion of that advertising spend being diverted towards mass entertainment. As a result, at Balaji, we see ourselves as an indirect proxy for the consumer boom in India.

Interestingly, we see this advertising spend accelerating over the coming years for some important reasons: Television advertising in India, on an average, amounts to 192 seconds (3.2 minutes) per hour; India's advertising spending as a proportion of the GDP is way below peer countries; besides, while this increased from 0.48 per cent in 2003 to 0.50 per cent in 2004 (KPMG research), there is a projection that this could increase on a wider economic base to 0.54 per cent by 2010.

This growth is already translating into increased advertising spending: television advertising spending grew 13.4 per cent in 2004 and is expected to grow a little over 8 per cent to Rs 78 bn by 2010 (accounting for 43 per cent for advertisement spending across all media), driven by an increase in advertisers and paid advertisement seconds.

At Balaji, we foresee mass entertainment channels attracting the biggest advertising; already around 18 of the top 25 advertisers advertise only on mass entertainment channels; we see India's growing consumer goods sectors advertising in a bigger way across the mass entertainment channels.

Having a prudent mix of commissioned and sponsored programming, Balaji is present with the right track record and in the right entertainment segment to comprehensively capture India's economic upturn over the foreseeable future.

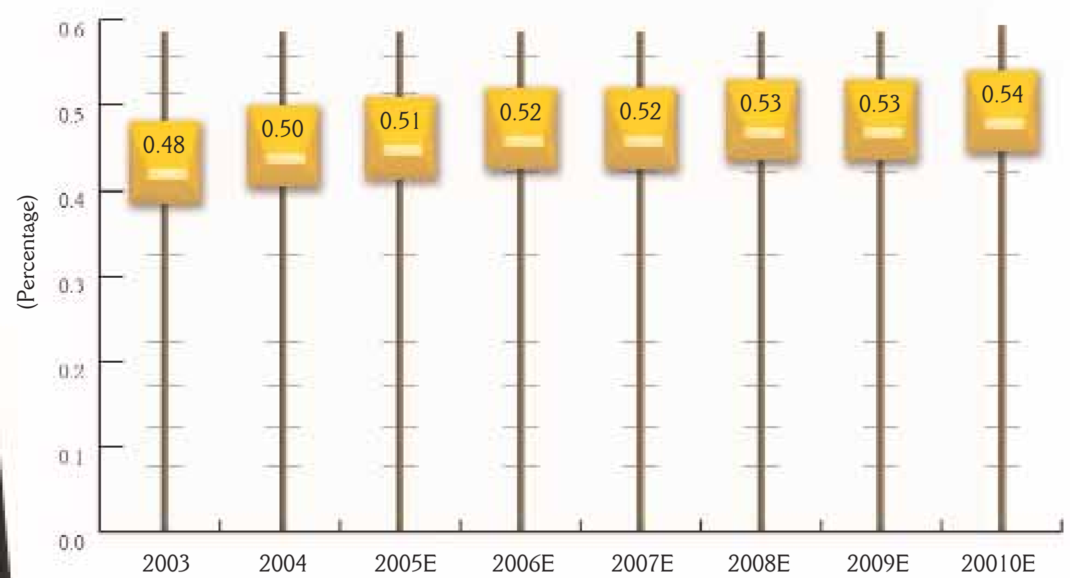
> Television advertising spending grew 13.4 per cent in 2004 and is expected to grow a little over 8 per cent to Rs 78 bn by 2010

Relative advertising spend for various countries (USD billion)

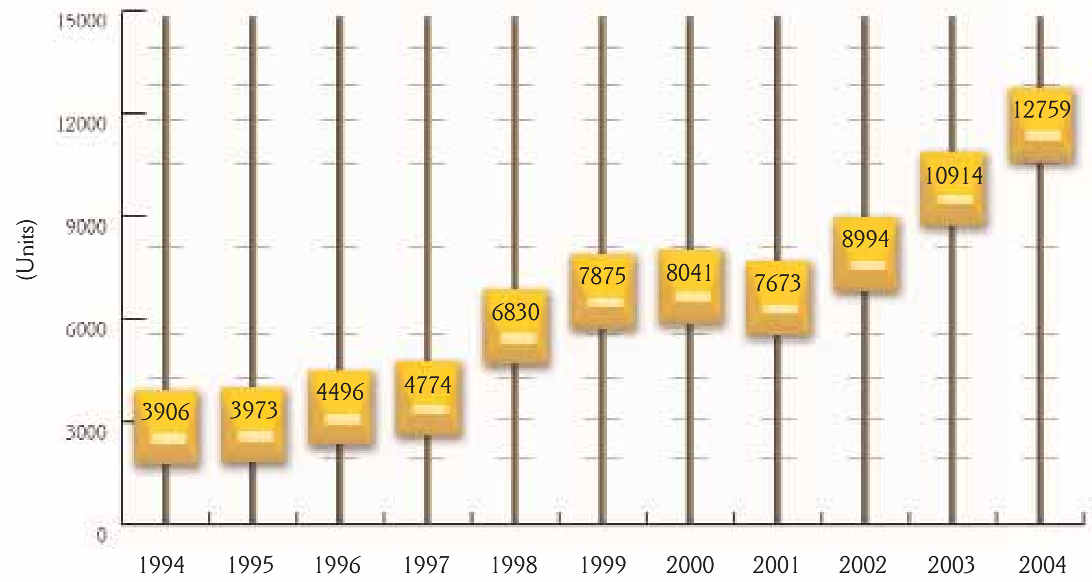
	GDP	Total ad spend	Ad spend to GDP
Australia	412	4	1.0%
China	904	6	0.6%
Hong Kong	164	4	2.1%
India	485	2	0.5%
Malaysia	88	1	1.0%
Singapore	86	1	0.9%
South Korea	477	4	0.8%
USA	10,384	134	1.3%
France	132	1	0.8%
Germany	1,984	16	0.8%
United Kingdom	1,560	14	0.9%

Source: KPMG research

Total advertising spend and GDP



Number of brands advertised on television

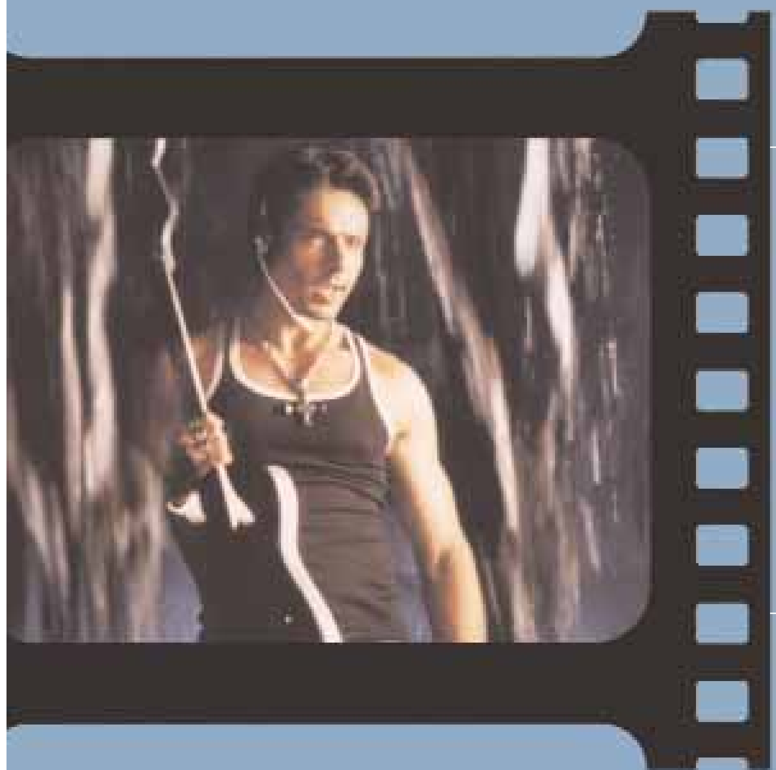


Shift in advertising over last three years (INR billion)

Medium	2002		2003		2004	
	Spend	Share of total spend	Spend	Share of total spend	Spend	Share of total spend
Television	39.1	41.1%	43.0	41.3%	48.6	41.1%
Press	44.0	46.3%	47.5	45.6	54.5	46.1%
Radio	1.5	1.6%	1.8	1.7%	2.2	1.9%
Cinema	3.3	3.5%	3.6	3.4%	3.75	3.2%
Out-of-home	6.9	7.3%	7.9	7.6%	8.5	7.2%
Internet	0.3	0.3%	0.4	0.4%	0.6	0.5%
Ad Industry Size	95.1		104.2		118.2	

Source: TAM Index

regulation



Driver of Balaji's growth

Regulation

Even as we advocate free markets in the creation and broadcasting of content, we see a greater role for governmental regulation and control in its distribution.

Over the next few years, we actually see a positive change transpiring in India's broadcasting and entertainment industries on account of regulatory reform in its last mile reform, connecting the cable operator to the viewer.

This is an important area: over the last number of years, broadcasting channels have indicated a vast under-reporting in the number of connections by cable operators, leading to a sizeable revenue leak for broadcasters, entertainment content providers and the government.

It would be relevant to understand that this opacity and relative regulatory vacuum resulted in the following:

- Absence of consumer choice in the last-mile access
- Absence of uniform pricing, the tariff varying across geographies and consumers
- Lack of a level playing field for alternative platforms like DTH, IP-TV etc. resulting from 'unreal' cost structures of the access providers and non-uniform licensing conditions.

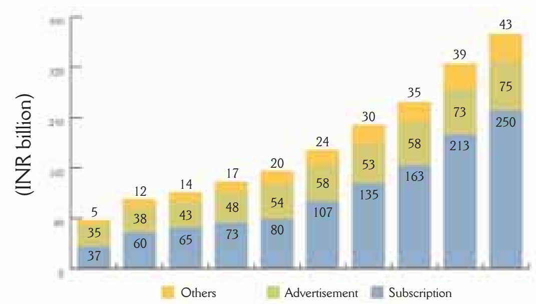
In reform, a beginning has already been initiated through an amendment of the Telecom Regulatory Authority of India (TRAI) Act, which is expected to strengthen addressability in a fragmented distribution market, increasing a broadcaster's share of revenue.

Over the years, as reform accelerates, the following are likely to transpire:

- Wider channel choice to consumers, resulting in a greater willingness to pay more.
- Wider revenue pool leading to increased investments in distribution infrastructure
- Better understanding of viewership patterns, resulting in efficient media spending

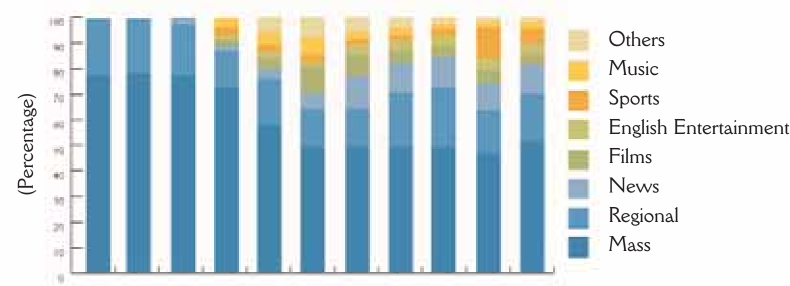
As a result, we see progressive reform indirectly linked to our growth and success.

Television revenues



Sources: KPMG Research

Share of ad revenues among television genres



Sources: TAM index

Driver of Balaji's growth

Technology

Over the next few years, Balaji's scale, revenue and influence could well come from an area of the industry where it presently, or prospectively, has the least influence - technology. Technology that has already been absorbed in other countries but is yet to become a reality in India.

At the Company we see the probable introduction of technology as an attractive inflection point for India's content providing industry. It may not have a significant impact on the way content is created, but it will, on the way content is beamed, received, stored and shared. Influencing cable operator revenues at the first point, broadcaster revenues at the next and eventually influencing content provider profit.

The big technology changes that we foresee affecting the industry as follows:

Introduction of DTH and IP-TV

With the introduction of newer distribution channels, such as DTH and IP-TV, the demand for premium / alternate content will increase and this is expected to spur the growth of new genres such as education, teenage entertainment and mature content.

Interactive services

Digital broadcasters are working on ways to include interactive services into their over-the-air digital video transmissions, primarily as video signal enhancements. Cable and satellite television companies are also moving towards interactive services that vary from simple video-on-demand to more complex internet access products.

As a result, the launch of DTH and IP-TV is expected to reshape the landscape of the television entertainment industry.

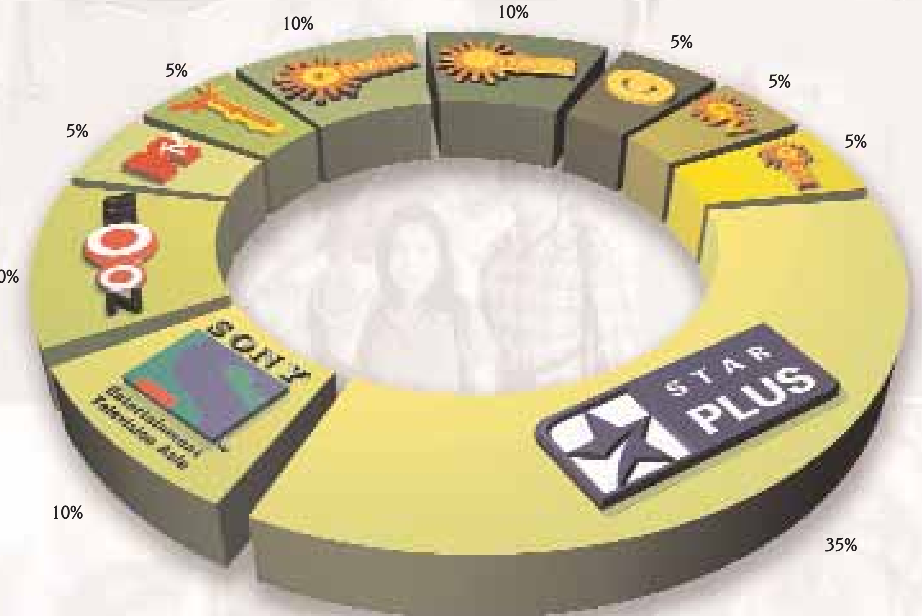
The launch of DTH and IP-TV is expected to reshape the landscape of the television entertainment industry

Balaji programmes, 2004-05

What makes Balaji a great place to be in?

- Number one production house in the country
- Presence of Ekta Kapoor, a creative power house, as the Company's Creative Head
- Active delegation of responsibility
- 24x7 work culture
- Learning work environment
- Young but experienced professionals

Balaji soap-share of channels



Star Plus: Kyunki Saas Bhi Kabhi Bahu Thi, Kahaani Ghar Ghar Ki, Kasautii Zindagii kay, K Street Pali Hill, Kahiin To Hoga, Kavyanjali, Kesar

Sun TV: Kanavaru Kaaha

Udaya TV: Kanyadaana, Kumkuma Bhagya, Kadambarii

Kaarthika

Zoom: Kyaa Kahein, Kosmiic Chat

Surya TV: Kavyanjali

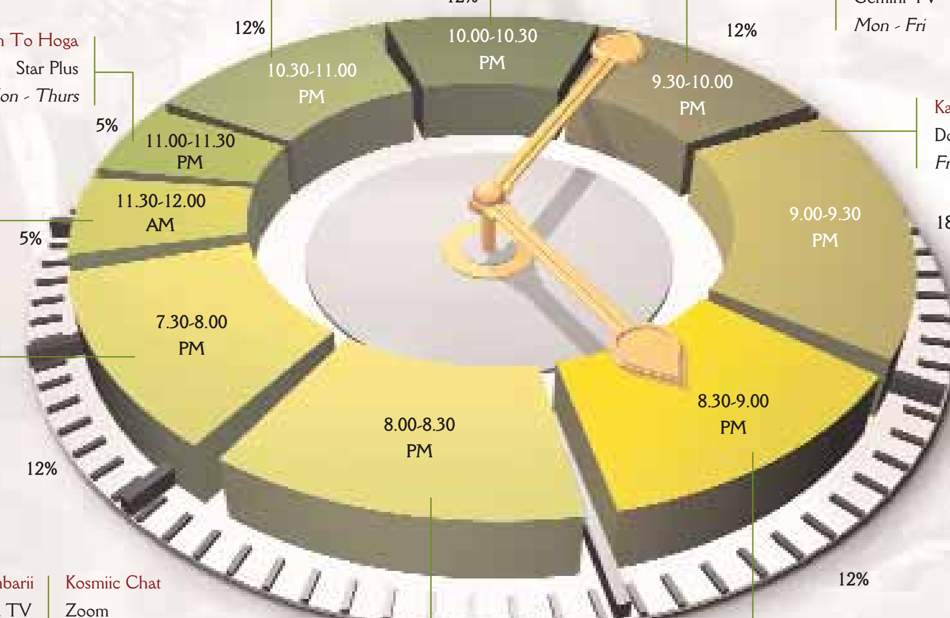
Doordarshan: Kayamat

Gemini TV: Kaarthika Dipam, Kkalavaari Kkodulu

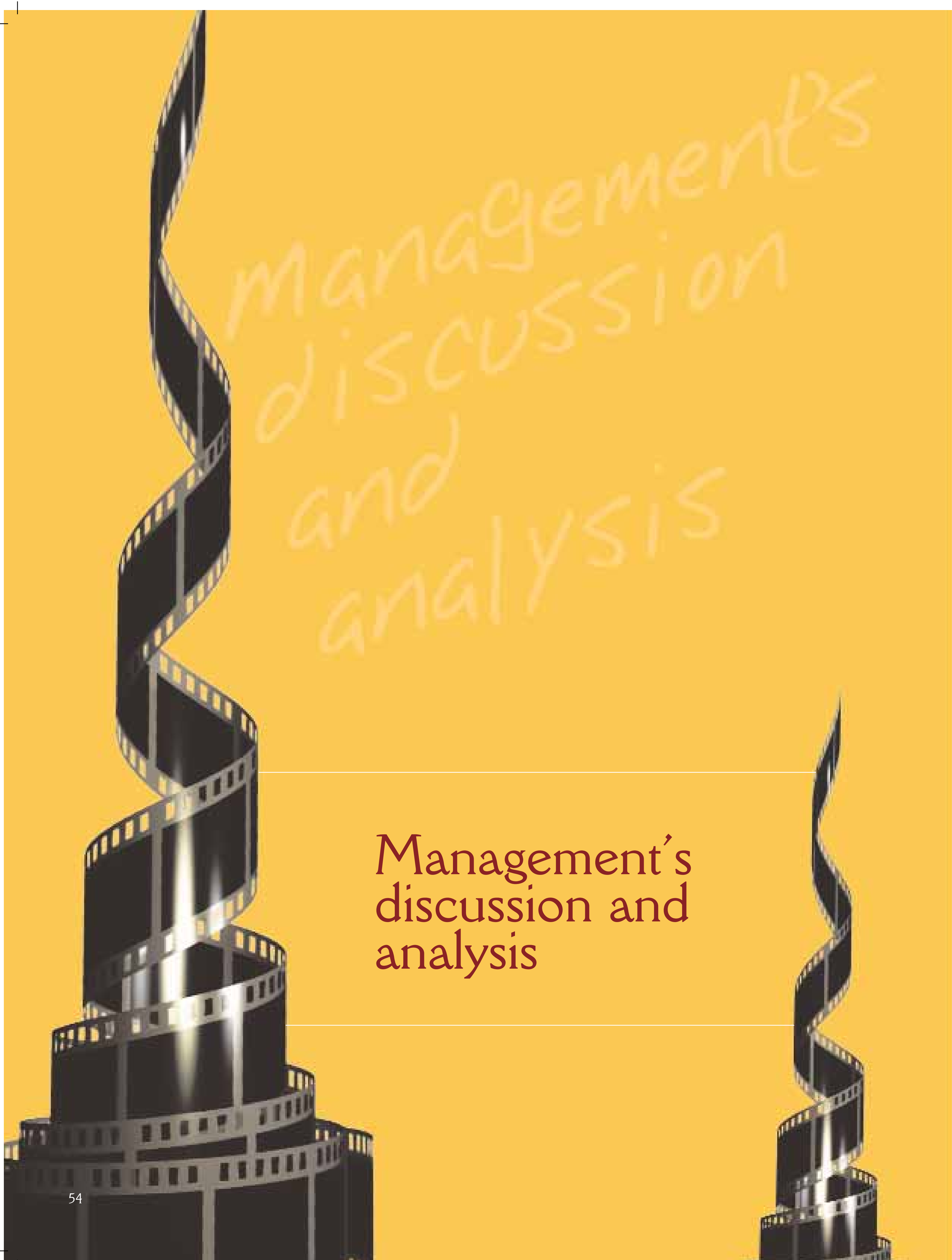
MTV: Kitni Mast Hai Zindagi

Sony: Kkusum, Kaisa Ye Pyar Hai

Prime time in national channels



Time	Programmes
10.00-10.30 PM	Kkalavaari Kkodulu, Gemini TV, Mon - Fri; Kahaani Ghar Ghar Ki, Star Plus, Mon - Thurs
10.30-11.00 PM	Kanavaru Kaaha, Sun TV, Mon - Fri; Kyunki Saas Bhi Kabhi Bahu Thi, Star Plus, Mon - Thurs
11.00-11.30 PM	Kahiin To Hoga, Star Plus, Mon - Thurs
11.30-12.00 AM	K Street Pali Hill, Star Plus, Mon - Thurs
9.30-10.00 PM	Kaarthika Dipam, Gemini TV, Mon - Fri; Kavyanjali, Star Plus, Mon - Thurs
9.00-9.30 PM	Kayamat, Doordarshan, Fri & Sat; Kkusum, Sony TV, Mon - Fri; Kyaa Kahein, Zoom, Sat
8.30-9.00 PM	Kavyanjali, Surya TV, Mon - Fri; Kasautii Zindagii kay, Star Plus, Mon - Thurs
8.00-8.30 PM	Kitni Mast Hai Zindagi, MTV, Mon - Thurs; Kaisa Ye Pyar Hai, Sony TV, Mon - Thurs
7.30-8.00 PM	Kadambarii, Udaya TV, Mon - Fri; Kosmiic Chat, Zoom, Sun



Management's discussion and analysis

Financial and operating review, 2004-05

Total shareholders' return

Balaji Telefilms strengthened its Total Shareholders' Return (TSR) to 52.26 per cent in 2004-05. TSR reflected the gain delivered to the shareholders by the Company - directly and indirectly (directly in the form of the dividend received by them; indirectly in the form of the capital appreciation registered by the stock during the financial year under review).

TSR was derived from the subtraction of the year-start market capitalisation from the year-end market capitalisation, its subsequent addition to the dividend payout during the year, and the division of the subsequent figure by the opening market capitalisation.

The increase was largely influenced by the record dividend payout of Rs 8243 lacs during 2004-05, one of the highest payouts relative to the Company's equity capital.

Revenues

The Company's operational income increased 10.35% from Rs 17830 lacs in 2003-04 to Rs 19675 lacs in 2004-05, largely on account of the launch of 14 new programmes across various channels. The Company also generated Rs 109 lacs in revenues from the export of content to UAE and USA.

The revenue-wise distribution between commissioned and sponsored programming in 2004-05 is as follows:

Rs / lacs

Programming	2004-05	2003-04
Commissioned	16481.98	14530.03
Sponsored	3083.87	3257.77

The channel wise revenue for the year 2004-05 is as follows:

Rs / lacs

Channels	2004-05	2003-04
Star, Sony, Zoom, MTV and Hungama	16481.98	14530.03
Sun TV	89.94	N.A.
Gemini TV	1580.02	2047.04
Udaya	830.43	1120.73
DD Network	284.25	90.00
Surya	298.83	N.A.

Gross block

The Company's gross block, marked by state-of-the-art equipment and infrastructure, represented its competitive edge. Gross block increased from Rs 4383 lacs in 2003-04 to Rs 5593 lacs in 2004-05 as the Company invested over Rs 1077 lacs in production / post-production equipment and new state-of-the art studios. Owing to this higher investment, depreciation increased from Rs 774 lacs in 2003-04 to Rs 974 lacs in 2004-05.

Over the years, the Company invested in the following:

Captive sets: This enabled the Company to enrich its domain expertise, produce a variety of sets and ensure their availability within strict deadlines.

Captive equipment: This enabled the Company to de-risk itself from a dependence on vendor equipment with a captive investment in some of the most sophisticated equivalents (lights, sound recording and other technical equipment).

Captive post-production facilities: The Company invested in state-of-the-art post-production suites, which accelerated the conversion of recorded material into episodes and facilitated an ongoing review and improvement of shooting standards.

Overheads

In the production of entertainment software, a budgeting discipline at the Company has been responsible for a strict control on costs.

This budgeting comprises the following priorities:

Profit centre: Each programme is appraised across the creative and commercial filters covering the selection of artiste, location and other costs without compromising production values.

Project life cycle management: The Company's budgetary discipline covers shooting schedules, scene-wise artiste requirements, ongoing shooting progress and final product delivery to ensure timely and budgeted delivery.

Checks and balances: The Company's expenses are prudently covered by the budget so that any non-budgeted expense needs verification prior to sanction, an effective check and balance.

Audit: The Company's actual expenses are compared with the budget through a supervisory audit function, enabling deviations to be corrected in the shortest possible time.

Investments

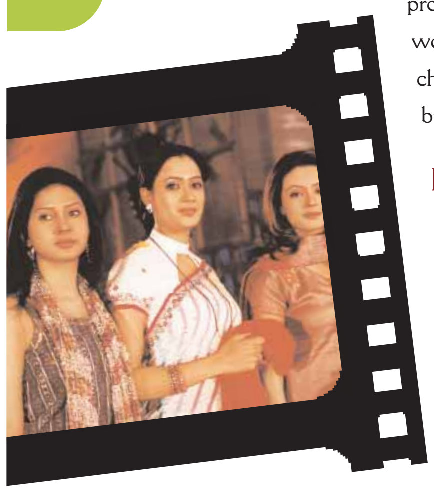
As on 31st March 2005, the Company's investments amounted to Rs 11375 lacs. It invested its surplus funds in liquid and floating rate funds with the principal aim of safety, liquidity and returns. The market value of these investments was Rs 11530 lacs as on 31st March, 2005. The Company, as a matter of policy, did not invest in risk-based financial instruments.

Dividend

The Board of Directors considered an interim dividend of Rs 16 per share (of a face value of Rs 2 per share) as the final dividend for 2004-05. This worked out to an unprecedented 800 per cent dividend translating into a payout of Rs 8242.6 lacs.

Debtors

The Company's receivables increased from 83 days in 2003-04 to 99 days in 2004-05 (equivalent to days of income). As a policy of protecting its receivables, the Company worked only with credible customer channels with a strong revenue and business model.



Inventories

The Company's inventory of programmes increased from 15 days in 2003-04 to 44 days in 2004-05, largely due to the inventory of feature films, the income of which will transpire in 2005-06.

Loans and advances

Loans and advances increased from Rs 1207 lacs in 2003-04 to Rs 1745 lacs in 2004-05, comprising lease deposits for offices and studios.

Programming hours

The total hours of programming created by an entertainment content provider indicates its inherent capacity to create content as well as the market's capacity to absorb it.

In this respect, the Company reported a favourable 2004-05: It reversed the decline of the previous year with a 16 per cent increase in programming hours from 1486 in 2003-04 to 1720 in 2004-05.

This improvement was largely on account of the introduction of new programmes across channels like MTV, Zoom TV, Surya TV, Hungama and Star TV.

Programming mix

In the business of entertainment content, the Company created programmes for its customer channels under two broad agreements - sponsored and commissioned. From a risk management perspective, it would be relevant to understand the dynamics behind each:

Sponsored: The Company creates content but must recover the proceeds from advertisers, not the channel on which the programmes are telecast. As a result, the Company prudently assumes the risk of content creation and marketing. The Company buys telecast slots and in exchange receives free commercial time, which is then marketed to the advertiser. This is a variable revenue model: if the programme becomes popular, there is an attractive prospect for an upward rate revision.

Sponsored programming hours increased 18.2 per cent from 667 in 2003-04 to 789 in 2004-05; as a proportion of the Company's turnover it declined from 19 per cent in 2003-04 to 16 per cent in 2004-05; average realisations from these programmes declined by 20.04 per cent to Rs 3.91 lacs per hour.

Sponsored programmes in 2004-05 were:

- KaarthikaDipam *(Gemini TV)*
- Kkalavaari Kkodulu *(Gemini TV)*
- Kanyadaana *(Udaya TV)*
- Kumkuma Bhagya *(Udaya TV)*
- Kadambarii *(Udaya TV)*
- Kayamat *(Doordarshan)*
- Kanavaru Kaaha *(Sun TV)*
- Kavyanjali *(Surya TV)*

Commissioned: The Company creates content at the behest of channel owners, assuming no risk in either its creation or its marketing. As a result, the content is created against a fee with the probability of rate revisions in the event of the programmes becoming successful (as measured by TRPs). These programmes represent an interesting balance between risk-neutrality and income-enhancement.

Commissioned programming hours increased from 819 in 2003-04 to 931 in 2004-05; as a proportion of the Company's turnover it increased from 81 per cent in 2003-04 to 84 per cent in 2004-05; average realisations from these programmes declined marginally by 0.23 per cent to Rs 17.70 lacs per hour.

Commissioned programmes, 2004-05

- Kyunki Saas Bhi Kabhi Bahu Thi *(Star Plus)*
- Kahaani Ghar Ghar Ki *(Star Plus)*
- Kasautii Zindagii Kay *(Star Plus)*
- K Street Pali Hill *(Star Plus)*
- Kahiin To Hoga *(Star Plus)*
- Kavyanjali *(Star Plus)*
- Kesar *(Star Plus)*
- Kkusum *(Sony TV)*
- Kaisa Ye Pyar Hai *(Sony TV)*
- Kyaa Kahein *(Zoom)*
- Kosmiic Chat *(Zoom)*
- Kaarthika Dipam *(Hungama)*
- Kitni Mast Hai Zindagi *(MTV)*

The programming distribution in 2004-05 was as follows:

Channels	2004-05	2003-04
Commissioned (hours)	931	819
Sponsored (hours)	789	667

Language mix

In the entertainment content business, it is critical to leverage an insight into compelling storytelling across different languages but within reasonably identical audience preferences.

Balaji has done so successfully over the last few years. While the Company is principally recognised as a Hindi entertainment content provider, it has gradually extended its expertise to more languages. In doing so, it has emerged as a truly national entertainment content provider. The number of non-Hindi languages increased to four in 2004-05 and the Company retained its position as one of the few multi-lingual production houses creating content in Hindi, Tamil, Telugu, Kannada and Malayalam. Hindi content was the Company's principal driver. Within it, Balaji focused on family-centric mass entertainment, which enjoyed the highest viewership and generated the highest revenue.

Language wise programming matrix (in hours and revenue in Rs/lacs)

Language	2003-04		2004-05	
	Revenues	Programming Hours	Revenues	Programming Hours
Hindi	14620.03	834	16766.23	976
Telugu	2047.04	305.50	1580.02	277.50
Kannada	1120.73	346	830.43	298
Malayalam	-	-	298.83	112
Tamil	-	-	89.84	56
Total	17787.8	1485.50	19565.34	1719.50

Time bands

In the entertainment content business, it is not enough to report a significant number of programming hours; it is important to make programmes for a time-slot where it will be viewed by the widest number of people leading to the highest TRP and the generation of the highest revenue.

In this respect Balaji has done remarkably well over the years: 85.71 per cent of its content was telecast on the evening prime time band - 7 pm to midnight - across its various customer satellite channels, showcasing its programmes for the most profitable exploitation of content.

The Company retained its position as the undisputed prime time leader accounting for 79 per cent of the aggregate TRP of the weekday prime time shows featuring in the top 100 Hindi cable and satellite shows.

When the Company's repeat programmes were telecast during the afternoon time-slots, it commanded 52 per cent of the total aggregate TRP of the weekday non-prime shows featuring in the top 100 Hindi C&S shows.

In 2005-06, the Company intends to enhance its exposure in unoccupied slots and weekend prime time programmes for leading satellite channels.

Channel-driving capabilities

In the entertainment content business, it is not enough to market content to channel customers; success is lasting when the Company's content becomes the driver of the success of its customer channels, making the Company integral to the sustainability of its customers.

This is precisely what the Company continued to demonstrate during 2004-05; its content accounted for a high audience retention across its customer channels, reflected in the Company's serials being the top TRP grossers for their respective channels.

Channel wise revenues

In the entertainment content business, success is defined by an ability to customise programmes for different channels and audiences. This is precisely what the Company has done over the years: produced programmes for Star Plus, Sony, Zee TV, Sahara, Gemini TV and Udaya TV. The Company's channel-wise revenues were as follows:

Channelwise programming mix (in hours and revenue in Rs/lacs)

Language	2003-04		2004-05	
	Revenues	Programming Hours	Revenues	Programming Hours
Major satellite channels	14530.03	819	16481.97	931
Doordarshan	90.00	15.00	284.25	45
Gemini TV	2047.04	305.50	1580.02	277.50
Udaya TV	1120.73	346	830.43	298
Surya TV	-	-	298.83	112
Sun TV	-	-	89.84	56
Total	17787.80	1485.50	19565.34	1719.50

Growth drivers

In a competitive business, the Company leveraged its insight into content creation capability with the objective to maximise financial returns through the following strategies:

Volume-value mix: The Company optimised its volume-value mix to maximise returns, reflected in its marketing of commercial slots at competitive rates to generate a superior return.

Genre mix

In the business of entertainment content, true success is derived from an ability to extend one's mastery in one to others, representing an opportunity for growth and concurrent de-risking. As a future-focused content creator, the Company extended into children's programming, talk shows, nature programming, youth programmes and films, diversifying its genre mix even as mass entertainment continued to be the Company's principal revenue earner.

Conceptualisation: The Company conducted an ideation process, sought feedback and on the basis of which ideas were either extended or rejected.

Shoot management: Following ideation acceptance and scripting, a comprehensive production schedule was drawn out. Artiste requirements were scheduled, responsibilities allocated and equipment requirements slotted. Hiring, wherever needed, was done only from approved vendors at pre-negotiated volume-based rates, lower than the prevailing market benchmarks. Changes in vendor or artiste rates were effected only subsequent to a prior approval. Costumes were comprehensively coded and their use prudently rotated. Products that needed to be purchased were sourced directly from manufacturers, eliminating intermediaries. Since this arrangement was scalable, no fresh negotiations need to be conducted, enabling growth to happen smoothly and seamlessly.

Logistics management: To enhance time management efficiency, lights and equipment were located strategically and every professional was delegated clear responsibilities for effective co-ordination. Besides, lead times to delivery were managed and monitored from the script stage onwards, ensuring timely delivery.

Artiste and technician management: The Company announced its dates well in advance leading to the timely availability and attendance of its artistes and technicians.

Centralised purchase: The Company made it possible to procure all equipment, properties and consumables round-the-clock through a single point in-house store. This strategic business unit worked with the objective to reduce dependence on external vendors, provide material on time and generate savings through economies of scale.

Internal audit control

The Company strengthened its audit process during the year under review, possibly the only one of its kind in the Asian entertainment industry. Covering more than 15 units, the audit function translated into the following:

- The creation of the first tier of cost control
- The maintenance of a comprehensive log book comprising episodes, scenes, scene details, shoot duration, equipment utilisation, scenes per artiste, attendance report as well as reasons for time over-run or under-performance or non-utilisation of resources (if any). This led to the creation of a rich database that could be accessed for ongoing benchmarking
- The creation of a daily MIS report submitted to the senior management with a view to identify and prevent wasteful expenditure
- The creation of dockets to standardise all variable costs and analyse all variables
- A methodical hiring clearance system in which the production team documents a resource need which leads to an understanding of whether it is available in-house or needs to be outsourced
- The synchronisation of various production schedules to optimise the use of artistes, technicians and hired property
- The routing of material procurement, based on a quotation process from multiple vendors through the commercial department, results in transparent conscious vendor development

These initiatives translated into attractive savings through a rationalisation of people resources, an increase in equipment utilisation, greater inter-departmental co-ordination and a restructuring of the accounting role in line with the ABC analysis of their function.

Product evolution

Episode-based television content's biggest advantage over the film medium is that the product can be customised in line with viewer feedback derived through the following sources:

TRP ratings: This industry benchmark helps ascertain the quality of the Company's ongoing performance, inspiring corrective action wherever necessary.

Websites: The Company's website invites and generates audience feedback.

Fan clubs: The various fan clubs dedicated to the serials as well as programme actors provide valuable feedback.

Word of mouth: The Company's creative team actively seeks feedback from its circle of influence.

Competition: The Company studies competing content and their respective TRPs to assess audience requirements.

Human resource management

The Company has consistently believed in recruiting the best people in the business. Besides, this was reinforced through the following initiatives:

Transparency: A visible extrapolation between individual effort, team achievement and above-average remuneration.

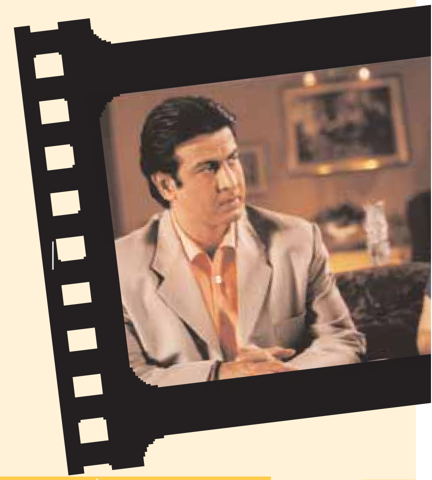
Hands-on training: The induction of new recruits on to the production floor under supervisory guidance with ongoing appraisal.

Remuneration: A higher-than-industry average pay scale to attract the best talent.

Pride: A pride in belonging, strengthening retention.

Ratios

Financial performance ratios	2004-05	2003-04
Other income/total income (%)	2.45	3.34
Cost of production/net sales (%)	54.07	41.82
Overheads/total income (%)	11.41	9.20
Interest/total income (%)	0.09	0.01
PBDIT/total income (%)	35.84	50.37
PBDT/total income (%)	35.75	50.36
Tax/PBT (%)	33.45	31.97
PAT/total income (%)	20.48	30.04
Cash profit/total income (%)	25.31	34.24
RONW (PAT/net worth) (%)	19.37	38.38
ROCE (PBDIT/average capital employed) (%)	40.44	74.09
Capital output ratio (total income/average capital employed) (%)	1.13	1.47
Total income to gross block (%)	3.61	4.21
Total income to working capital (%)	2.91	4.44
Balance sheet ratios		
Debtors' turnover (days)	99	82
Inventory turnover (days)	44	15
Current ratio (%)	3.43	3.12
Quick ratio (%)	2.59	2.75
Cash and equivalents/Total assets (%)	53.33	51.39
Asset turnover (Total income/Total assets) (%)	0.92	1.23
Growth ratios		
Growth in total income (%)	9.35	-1.6
Growth in net sales (%)	10.35	-4.12
Growth in PBDIT (%)	-22.19	-2.01
Growth in PAT (%)	-25.47	-3.48



Financial Performance Ratios	2004-5	2003-4
Per share ratios (Rs.)		
Earnings (less extraordinary income) (%)	7.61	10.76
Cash earnings (%)	7.83	12.26
Dividend (%)	16	3
Book value (%)	32.68	28.03
Shareholder-related statistics		
Dividend per share (%)	800	150
Dividend payout ratio (%)	199.59	27.89
Price-earnings (times)	11.69	7.85
Price/cash earnings (times)	11.37	6.89
Price/Book value (year end) (times)	3.55	3.10
Growth in market capitalization (%)	33.40	53.41
Net value-added		
Gross income (%)	196.75	178.30
Add: Other income (%)	4.94	6.15
Corporate output (%)	201.69	184.45
Less: Cost of production (%)	106.38	74.57
Selling and administration expenses (%)	23.01	16.97
Gross value-added (%)	72.30	92.91
Less: depreciation (%)	9.74	7.74
Net value-added (%)	62.56	85.17
Growth %	-26.55%	-5.97%
To taxes (inclusive dividend tax) (%)	31.63	29.2
To creditors (interest) (%)	0.19	0.02
To investors (dividend) (%)	82.43	15.45
To the Company (retained earnings) (%)	-51.50	40.52

Risk management

Risk management

Audience attrition risk

Implication

Audience attention is beginning to fragment in the face of more programmes and channels, which could impact the Company's fortunes.

Mitigation

While this is a reality, the Company expects that the television industry will continue to grow as distribution widens and deepens across India (especially the rural). Besides, the appeal of mass entertainment is unlikely to wane. The Company will strengthen its industry presence through the creation of content for different time slots, channels and genres.

Balaji also specialises in a differentiated kind of story telling, marked by unusual storylines marked by unexpected twists. Over the years, the Company has also retained audience attention through superior production values (sets, music scores, locations and clothing). There is always a large viewership for such content. As a proactive content creator, Balaji makes a conscious attempt to arrest viewership attrition (whenever it transpires) through a continuous sampling of audience feedback and correction. As a result, there have been a number of instances when Balaji's serials have reported a rebound in TRPs.

Stagnation risk

Implication

There is a limit to the number of channels that one can service and a limit to the prime time slots available in each. So from one perspective, Balaji's revenues may well have peaked.

Mitigation

In the opinion of the Company, there is a still a vast potential to be explored within the Company's customer channels and the number of channels that the Company can still supply content to. Even within the prime time slots, there is still room for exploration. A number of vernacular languages and formats hold out room for growth. Besides, once CAS is introduced, revenues could increase. Moreover the Company expects to generate new revenues from the endorsement of products by the characters in the content created.

Product risk

Implication

The Company is likely to face challenges from emerging entertainment forms like reality TV.

Mitigation

Since the shift towards reality TV will only happen over time, the Company will assess the market and enter it should the situation so demand. Besides, the popularity of reality TV appears to have peaked out in the international market and is moving towards soap-based entertainment, which is expected to affect the trend in India as well.

Language risk

Implication

More than 80 per cent of the Company's revenues were derived from a single language, a visible over-dependence.

Mitigation

Hindi is one language that holds India together. It is either widely spoken or widely understood - or both. Interestingly, it also holds the Indian expatriate population together, as a result of which it is the second most widely spoken language in the world, a reality that is likely to persist. So a large presence in Hindi programming represents a business de-risking. The fact that the Company is enhancing its exposure in the other languages is a sign of its expanding its market.

Creative risk

Implication

Public preference can be fickle. There is no guarantee that the Company's content may continue to be popular in the future. As in all entertainment business, the presence of a celebrative conceptual head could act as a constraint against scalability.

Mitigation

Over the years, the Company has progressively de-risked itself from such an eventuality, however plausible it may appear. For instance, its production of mass entertainment has revolved around a number of contemporary themes, enhancing familiarity. Ekta Kapoor, the Company's conceptual head, has progressively helped create a second creative tier, which is responsible for the sustainable management of the programme after the initial few episodes have been navigated by the creative head. As a result, much of the creative input is being delegated more aggressively than ever before.

Competition risk

Implication

A growing presence of entertainment content providers may increase competition and a probable decline in realisations.

Mitigation

In the business of entertainment content, what each Company delivers is a differentiated product. As a result, the realisation that a Company commands is influenced entirely by the audience response as measured in TRPs. This unambiguous measure represents the biggest competition. Besides, the industry has been an open market and the Company's customers channels have been at liberty to commission programmes from various vendors. The fact that the Company continues to be the preferred vendor is an index of its competence, a feature that has been demonstrated as not being temporary.

Technology risk

Implication

The Company had Rs 1210 lacs invested in production, post-production and allied equipment during 2004-05. In a business where newer generations of equipment are introduced all the time, their replacement could represent a financial setback.

Mitigation

The Company prudently invested in digital and state-of-the-art production and post-production equipment (Rs.1077.2 lacs in 2004-05). By their very nature, they are upgradable to the next level. This represents an adequate initiative against obsolescence. Besides, the aggressive use of the assets resulted in the Company being able to recover the amount invested in them.

Artiste and people attrition risk

Implication

The Company encouraged team working across its key artistes and professionals. Any attrition in this team could affect serial quality, viewership and TRPs.

Mitigation

Over the years, the Company entered into contracts with its team members, ensuring stability. Besides, its remuneration structure continues to be among the best in the industry. As a hedge, the Company has generally encouraged non-artiste- centric scripts, which has not affected viewership even in the event of attrition. Besides, the Company has professionalised the working environment with challenging job content, performance-oriented appraisal system, fast-growth possibilities, hands-on training, adequate empowerment and multi-level succession planning. As a result, attrition has been way below the average industry standards.

Working capital risk

Implication

On the one hand, the Company suffers from a long receivables cycle while on the other it must remunerate professionals on schedule. Any mismatch could affect the Company's reputation as a preferred employer.

Mitigation

The Company's working capital was funded from accruals. This working capital component comprised 31.66 per cent of the Company's total employed capital. Besides, the Company possessed cash and cash equivalents worth Rs 11675 lacs as on 31st March 2005, an adequate hedge against unforeseen resource requirements. Besides, an ongoing audit, centralised purchase, episode progress report and sustained serial cost evaluation helped control costs.

Debt risk

Implication

In the entertainment content business, any dependence on debt could discourage risk taking since the consumer's response can never be predicted, a risk in itself.

Mitigation

Over the years, the Company has emerged as debt free and has reinforced its net worth with accruals and additional equity. As on 31st March, 2005, the Company enjoyed a book value of Rs 32.69 and no debt, an excellent platform from which to engage in de-risked expansion, whenever opportunities arose.

The Company's Directors take pleasure in presenting the eleventh annual report and audited statement of accounts of the Company for the year ended 31st March, 2005.

Financial results

Rs (in lacs)

Particulars	2004-05	2003-04
Total income	20168.95	18444.90
Profit before interest, depreciation and tax	7229.51	9291.11
Less: interest and financial charges	18.58	2.34
Depreciation	974.03	773.69
Profit before tax	6236.90	8515.08
Provision for tax	2086.20	2722.53
Provision for deferred income tax	21.08	251.77
Profit after tax	4129.62	5540.78
Add: Balance brought forward from previous year	8832.40	5592.79
Appropriations		
Disposable profits	12983.08	11129.90
Proposed dividend	-	515.16
Interim dividend	8242.60	1030.34
Dividend tax	1077.20	198.00
Transfer to general reserve	413.00	554.00
Balance carried to balance sheet	3250.28	8832.40

Results of operations

Total revenues increased from Rs 18444 lacs in 2003-04 to Rs 20169 lacs in 2004-05. However, profit after tax declined from Rs 5541 lacs (31 per cent of net sales) to Rs 4130 lacs (21 per cent of net sales) during the period. A detailed explanation for this decline has been provided under Management's Discussion and Analysis, contained in the annual report.

Dividend

The Directors considered the interim dividend of Rs 16 per share (800per cent on a par value of Rs 2 per share) paid to shareholders in January 2005 as the final dividend for the year ended 31st March, 2005, a payout of Rs 8243 lacs.

Changes in capital structure

During the year, the Company made a preferential allotment of 1,36,94,193 equity shares of Rs 2 each, aggregating to 21 per cent of the paid up share capital of the Company, at a premium of Rs 88 to Asian Broadcasting FZ LLC, a Star Group affiliate. Paid up equity share capital of the Company increased from Rs 1030 lacs to Rs 1304 lacs.

Directors

The nominees from Asian Broadcasting FZ LLC, Ms. Michelle Guthrie and Mr. John Lau, were appointed as additional Directors of the Company with effect from 24th January, 2005. Subsequently, at the general meeting of the Company held on 25th February, 2005, they were appointed as Directors of the Company by the shareholders. Mr. Jeetendra Kapoor and Mr. Dhruv Kaji retire from the Board by rotation, and being eligible, have offered themselves for re-appointment.

Auditors

M/s. Deloitte, Haskins & Sells, Chartered Accountants, Mumbai and M/s. Snehal & Associates, Chartered Accountants, Mumbai, the joint auditors of the Company, will retire at the ensuing Annual General Meeting. Being eligible, these auditors have offered to be re-appointed and have also confirmed their eligibility and willingness for the same. In the case of being further re-appointed, as Joint Auditors of the Company, they have certified that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Particulars of employees

Particulars of employees, as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975, are set out as under:

Name / Designation	Gross remuneration (Rs)	Qualification	Experience in Years	Date of commencement of employment	Age	Last employment held
Shobha Kapoor Managing Director & CEO	1,67,93,400	N.A.	11	10th November, 1994	56	N.A.
Ekta Kapoor Creative Director	1,67,93,400	B. Com	11	10th November, 1994	30	N.A.
Tusshar Kapoor Executive Director	27,80,600	Management graduate	5	1st August, 2004	28	N.A.

Note:
1. Gross remuneration comprised salary, commission, allowances, performance remuneration and the Company's contribution to the provident fund and the taxable value of other perquisites.
2. The nature of employment of Ms. Shobha Kapoor, Ms. Ekta Kapoor and Mr. Tusshar Kapoor is contractual and terminable by twelve, twelve and three months' notice respectively.
3. Ms. Shobha Kapoor, Ms. Ekta Kapoor and Mr. Tusshar Kapoor are related to each other.

Conservation of energy and technology absorption

Since the Company is not engaged in any manufacturing activity, particulars relating to the conservation of energy and technology absorption are not applicable. However, in the post-production facility, adequate measures are taken at all times to conserve energy as far as possible.

Foreign exchange earnings and outgo

The particulars regarding foreign exchange earnings and outgo are given in point 13 in Schedule 16 (Statement of significant accounting policies and notes, forming part of accounts) of this report.

Fixed deposits

The Company has not accepted any fixed deposits and no amount of principal or interest was outstanding as on 31st March, 2005.

Corporate governance

Pursuant to Clause 49 of the listing agreement with the stock exchanges, a separate section titled Corporate Governance has been included in this report. The Auditors' Certificate on compliance of Clause 49 of the listing agreement by the Company is annexed to this report.

Directors' responsibility statement

The Company's Directors confirm:

- that in the preparation of the Company's annual accounts, the applicable accounting standards have been followed
- that they have judiciously selected accounting policies and applied them consistently. Further, reasonable and prudent judgments and estimates have been made, so as to give a realistic view of the state of affairs and profit or loss of the Company at the end of the financial year.
- that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956. This has been done in order to safeguard the assets of the Company, as well as prevent and detect fraud and other irregularities.
- that they have prepared the annual accounts on a going concern basis

Acknowledgements

The Company's Directors wish to place on record their appreciation of the contribution made by the employees at all levels.

On behalf of the Board of Directors,

Place: Mumbai
Date : 20th May, 2005

Jeetendra Kapoor
Chairman

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

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.

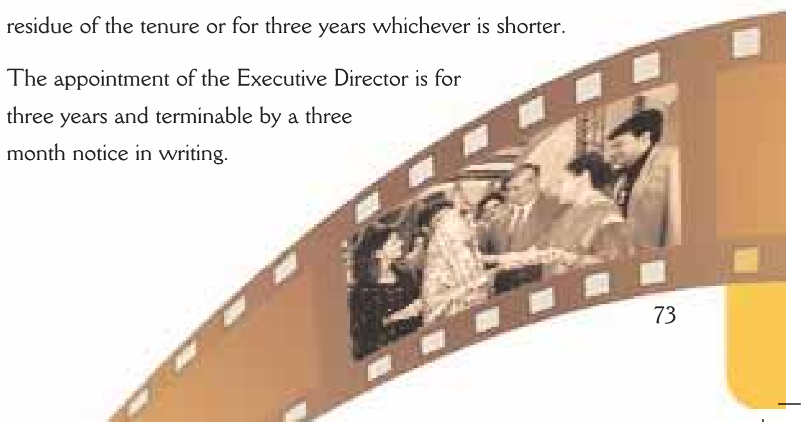
Details of the remuneration to the Directors for the year ended 31st March 2005

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 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.

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 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.sebiedifar.nic.in.

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

General shareholder information

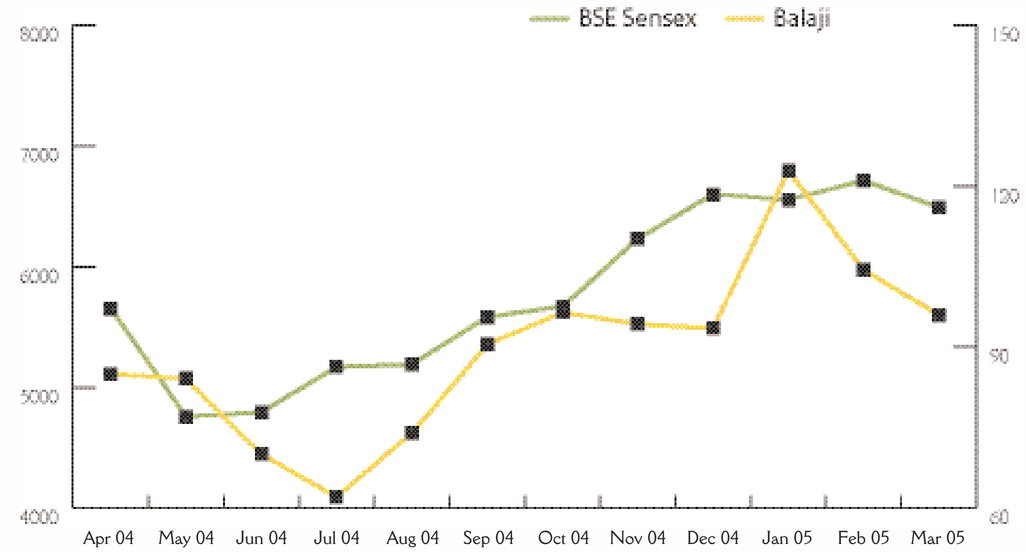
1	Date of Book Closure	23rd August, 2005 to 26th August, 2005 (both days inclusive).
2	Date, time and venue of the Annual General Meeting	26th August, 2005 at 3:30 p.m. at 'The Club', 197, DN Nagar, Andheri (West), Mumbai 400 053.
3	Dividend payment	The Board of Directors considered the interim dividend 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
FIIs	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	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 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
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	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.
		b. Remuneration Committee The Company appointed a Remuneration Committee since January 2003.
		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.
		d. Postal ballot No resolutions have been proposed to be passed through postal ballot.

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

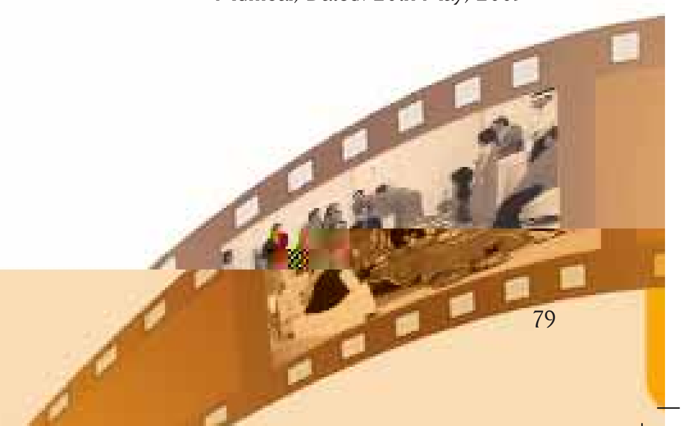
A. Siddharth
Partner

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

For **Snehal & Associates**
Chartered Accountants

Snehal Shah
Proprietor

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



financial section

Financial Section

Auditors' Report

To, the members of Balaji Telefilms Limited

1. We have audited the attached Balance Sheet of Balaji Telefilms Limited as at 31st March 2005, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that: –

   i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;

   iii. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;

   iv. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred in sub–section (3C) of section 211 of the Companies Act, 1956;

   v. on the basis of written representations received from the directors, as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub–section (1) of section 274 of the Companies Act 1956;

   vi. in our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;

      b) in case of the Profit and Loss Account, of the profit for the year ended on that date; and

      c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

(A.Siddharth)
Partner
Membership No.: 31467

Mumbai, 20th May, 2005

For **Snehal & Associates**
Chartered Accountants

(Snehal Shah)
Proprietor
Membership No.: 40016

Mumbai, 20th May, 2005

Annexure to the Auditors' Report

Referred to in Paragraph 3 of our report of even date

(i) The nature of the Company's activities during the year are such that the requirements of clause (xiii) and (xiv) of paragraph 4 of the Order are not applicable

(ii) (a) The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets.

(b) The fixed assets have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.

(c) There has not been any significant disposal of fixed assets during the year.

(iii) (a) The inventory (tapes) has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventories. No material discrepancies were noticed on verification.

(iv) The Company has not granted/ taken any loans to/ from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956, and consequently, clauses iii(a) to iii(g) of paragraph 4 of the Order are not applicable.

(v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of television serials. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls system.

(vi) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs 5 lacs in respect of each party.

(vii) The Company has not accepted deposits from the public within the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, where applicable and the rules framed there under. We are informed that no order has been passed by the Company law board or Reserve Bank of India or any Court or any other Tribunal.

(viii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(ix) The maintenance of cost records has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.

(x) (a) According to the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income–tax, sales–tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues where applicable have been generally, regularly deposited with appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2005 for a period of more than six months from the dates of becoming payable.

(b) According to the information and explanations given to us, there are no cases of non–deposit with appropriate authorities of disputed dues of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess.

(xi) The Company has no accumulated losses at the end of the financial year covered by our report and it has not incurred cash losses in the financial year covered by our report and the immediately preceding financial year.

(xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have borrowings from financials institutions and has not issued debentures.

(xiii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xv) In our opinion and according to the information and explanations given to us, term loan obtained during the year were applied for the purpose for which the loan was obtained.

(xvi) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short–term basis have been used for long –term investment.

(xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.

(xviii) No debentures have been issued by the Company and hence the question of creating security or charge in respect thereof does not arise.

(xix) During the year, the Company has not raised money by public issue(s).

(xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Deloitte Haskins & Sells**
Chartered Accountants

(A.Siddharth)
Partner
Membership No.: 31467

Mumbai, 20th May, 2005

For **Snehal & Associates**
Chartered Accountants

(Snehal Shah)
Proprietor
Membership No.: 40016

Mumbai, 20th May, 2005

Balance Sheet

(Rupees in lacs)

As at 31st March	Schedule		2005		2004
SOURCES OF FUNDS					
Shareholders' funds					
A. Share capital	1	1,304.21		1,030.33	
B. Reserves and surplus	2	20,008.90		13,407.65	
			21,313.11		14,437.98
Deferred tax liability (net)			576.54		555.46
Total			21,889.65		14,993.44
APPLICATION OF FUNDS					
Fixed assets					
Gross block	3	5,592.80		4,383.08	
Less :- depreciation		2,128.64		1,196.57	
Net block		3,464.16		3,186.51	
Capital work in progress		119.84		56.19	
			3,584.00		3,242.70
Investments	4		11,374.60		7,600.10
Current assets, loans and advances					
A. Inventories	5	2,386.84		728.37	
B. Sundry debtors	6	5,349.57		4,065.48	
C. Cash and bank balances	7	300.44		105.39	
D. Loans and advances	8	1,745.34		1,207.08	
		9,782.19		6,106.32	
Less :- Current liabilities and provisions					
A. Current liabilities	9	2,832.38		1,322.28	
B. Provisions	10	18.76		633.40	
		2,851.14		1,955.68	
Net current assets			6,931.05		4,150.64
Total			21,889.65		14,993.44
Significant accounting policies and notes on accounts	16				

As per our attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of Balaji Telefilms Limited

A. Siddharth *Partner* Membership No. 31467	Jeetendra Kapoor *Chairman*	Shobha Kapoor *Managing Director* & C.E.O.	Tusshar Kapoor *Director*
Mumbai, 20th May, 2005			
For **Snehal & Associates** *Chartered Accountants*	Akshay Chudasama *Director*	Dhruv Kaji *Director*	Michelle Lee Guthrie *Director*
Snehal Shah *Proprietor* Membership No. 40016	John Yu Leung Lau *Director*	Alpa Shah *Company Secretary*	V. Devarajan *Chief Financial Officer*
Mumbai, 20th May, 2005			Mumbai, 20th May, 2005

Profit and Loss Account

(Rupees in lacs)

As at 31st March	Schedule	2005	2004
INCOME			
Turnover		19,674.79	17,829.60
Other income	11	494.16	615.30
Total		20,168.95	18,444.90
EXPENDITURE			
Cost of production of television serials / feature films	12	10,638.21	7,456.89
Employee costs	13	539.62	423.44
Administrative and other expenses	14	1,761.61	1,273.46
Interest	15	18.58	2.34
Depreciation		974.03	773.69
Total		13,932.05	9,929.82
PROFIT BEFORE TAX		6,236.90	8,515.08
Provision for tax			
Current tax [including Rs.1.20 lacs (previous year Rs. 2.53 lacs) for wealth tax]		(2,086.20)	(2,722.53)
Deferred tax		(21.08)	(251.77)
PROFIT AFTER TAX		4,129.63	5,540.78
Excess/(Short) provision for tax in respect of earlier years		21.06	(3.67)
Balance brought forward from previous year		8,832.40	5,592.79
Amount Available For Appropriations		12,983.08	11,129.90
Appropriations			
1) Interim dividend		8,242.60	1,030.34
2) Transferred to general reserve		413.00	554.00
3) Proposed dividend		–	515.16
4) Corporate dividend tax		1,077.20	198.00
Balance Carried To Balance Sheet		3,250.28	8,832.40
Basic and diluted earnings per share (Refer note 9 of Schedule 16)		7.61	10.75
Significant accounting policies and notes on accounts	16		

As per our attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of Balaji Telefilms Limited

A. Siddharth *Partner* Membership No. 31467	Jeetendra Kapoor *Chairman*	Shobha Kapoor *Managing Director* & C.E.O.	Tusshar Kapoor *Director*
Mumbai, 20th May, 2005			
For **Snehal & Associates** *Chartered Accountants*	Akshay Chudasama *Director*	Dhruv Kaji *Director*	Michelle Lee Guthrie *Director*
Snehal Shah *Proprietor* Membership No. 40016	John Yu Leung Lau *Director*	Alpa Shah *Company Secretary*	V. Devarajan *Chief Financial Officer*
Mumbai, 20th May, 2005			Mumbai, 20th May, 2005

Cash Flow Statement

(Rupees in lacs)

For the year ended 31st March		2005		2004
A Cash flow from operating activities				
Profit before extra–ordinary item and tax	6,236.90		8,515.08	
Adjustments for:				
Depreciation	974.03		773.69	
Bad debts written off	13.98		16.84	
Loss on sale of fixed assets(net)	3.82		–	
Profit on sale of long term investments (non trade) (net)	(251.21)		(447.76)	
Provision for diminution in the value of long term investments written back (non trade)	–		(3.26)	
Excess provision of earlier years written –back	(53.39)		(43.66)	
Interest expenses	18.58		2.34	
Interest/dividend income	(175.62)		(99.63)	
Operating profit before working capital changes	6,767.09		8,713.64	
(Increase)/decrease in trade and other receivable	(1,668.79)		(730.72)	
(Increase)/decrease in inventories	(1,658.46)		(259.19)	
Increase/(decrease) in trade payables	1,554.76		351.29	
		4,994.60		8,075.02
Direct taxes paid		(2,266.18)		(2,784.84)
Net cash from operating activities (A)		**2,728.42**		**5,290.18**
B Cash flow from investing activities				
Purchase of fixed assets	(1,319.39)		(1,094.51)	
Sale of fixed assets	0.25		–	
Purchase of investments	(5,956.53)		(8,652.03)	
Sale of investments	2,433.24		6,372.20	
Income from investments	175.62		98.49	
Net cash (used in) investing activities(B)		**(4,666.81)**		**(3,275.85)**
C Cash flow from financing activities				
Interest paid	(18.58)		(2.34)	
Dividend paid	(8,749.04)		(1,798.19)	
Corporate dividend tax paid	(1,143.19)		(231.02)	
Proceeds from issue of shares (Including share premium received)	12,324.77		–	
Share issue expenses adjusted against share premium account	(280.52)		–	
Net cash from / (used in) financing activities (C)		**2,133.44**		**(2,031.55)**
Net increase/(decrease) in cash and Cash equivalents) (a+b+c)		195.05		(17.22)
Cash and cash equivalent as at 31st March, 2004 (opening balance)	105.39		122.61	
Cash and cash equivalents as at 31st March, 2005 (closing balance)	300.44		105.39	

As per our attached report of even date
For **Deloitte Haskins & Sells**
Chartered Accountants

For and on behalf of Balaji Telefilms Limited

A. Siddharth *Partner* Membership No. 31467 Mumbai, 20th May, 2005	**Jeetendra Kapoor** *Chairman*	**Shobha Kapoor** *Managing Director* & C.E.O.	**Tusshar Kapoor** *Director*
For **Snehal & Associates** *Chartered Accountants*	**Akshay Chudasama** *Director*	**Dhruv Kaji** *Director*	**Michelle Lee Guthrie** *Director*
Snehal Shah *Proprietor* Membership No. 40016 Mumbai, 20th May, 2005	**John Yu Leung Lau** *Director*	**Alpa Shah** *Company Secretary*	**V. Devarajan** *Chief Financial Officer*

Mumbai, 20th May, 2005

Schedules forming part of the Balance Sheet

(Rupees in lacs)

As at 31st March	2005	2004
1 Share Capital		
Authorised		
75,000,000 (previous year 55,000,000) equity shares of Rs. 2/- each	1,500.00	1,100.00
Issued, Subscribed and Paid–up		
65,210,443 (previous year 51,516,250) equity shares of Rs. 2/- each	1,304.21	1,030.33
Note:		
6,500,000 equity shares of the original value of Rs. 10/- each were allotted as fully paid up bonus shares by capitalisation of surplus in Profit and Loss account.		
Total	**1,304.21**	**1,030.33**
2 Reserves and Surplus		
Share premium account		
As per last Balance sheet	3,015.24	3,015.24
Add: Received during the year	12,050.89	–
Less: Share issue expenses adjusted during the year	280.52	–
	14,785.61	3,015.24
General reserve		
As per last Balance sheet	1,560.01	1,006.01
Add: Transferred from Profit and Loss account	413.00	554.00
	1,973.01	1,560.01
Surplus in Profit and Loss account	3,250.28	8,832.40
Total	**20,008.90**	**13,407.65**

3 Fixed Assets

	Gross Block				Depreciation				Net Block	
Particulars	As at 1.4.04	Additions	Deductions	As at 31.3.05	Upto 1.4.04	For the year	On Deductions	Upto 31.3.05	As at 31.3.05	As at 31.3.04
Buildings	235.75	–	–	235.75	11.56	3.94	–	15.50	220.25	224.19
Plant and machinery – Computers	325.55	109.01	–	434.56	120.53	59.36	–	179.89	254.67	205.02
Plant and machinery – Others	1,267.48	190.42	–	1,457.90	200.80	98.60	–	299.40	1,158.50	1,066.68
Studios and sets	1,874.90	777.82	37.80	2,614.92	717.34	734.44	37.80	1,413.98	1,200.94	1,157.56
Vehicles	283.85	5.68	8.22	281.31	75.81	27.20	4.16	98.85	182.46	208.04
Furniture and fixtures	108.63	94.71	–	203.34	18.19	11.68	–	29.87	173.47	90.44
Computers	164.72	51.39	–	216.11	37.53	32.07	–	69.60	146.51	127.19
Office equipments	98.66	22.05	–	120.71	12.28	5.45	–	17.73	102.98	86.38
Electrical fittings	23.54	4.66	–	28.20	2.53	1.29	–	3.82	24.38	21.01
Total	**4,383.08**	**1,255.74**	**46.02**	**5,592.80**	**1,196.57**	**974.03**	**41.96**	**2,128.64**	**3,464.16**	**3,186.51**
Previous Year	**3,504.07**	**1,038.32**	**159.31**	**4,383.08**	**582.19**	**773.69**	**159.31**	**1,196.57**	**3,186.51**	
Capital work in progress									119.84	56.19

Schedules forming part of the Balance Sheet

(Rupees in lacs)

As at 31st March	2005	2004	2005	2004
	No. of Units		Value	
4 Investments				
Long Term Investments (Non Trade)				
Unquoted				
In Units of Mutual Funds				
Alliance Short Term Fund – Growth	–	3,210,570	–	345.53
Birla Bond Plus – Institutional Plan – Growth	–	3,662,513	–	415.77
Birla Cash Plus – Retail Plan – Daily Dividend	–	1,594,184	–	260.58
Birla Cash Plus – Institutional Dividend Plan – Weekly Dividend	3,640	–	0.39	–
Birla FMP – Annual Plan – Growth	3,000,000	3,000,000	300.00	300.00
Birla Floating Rate Fund – Short Term Plan – Growth	2,854,924	–	302.87	–
Birla Fixed Term Plan Series C – Growth	3,000,000	–	300.00	–
Birla FMP – Quarterly Series 1 – Plan B – Growth	975,353	–	100.00	–
Chola Freedom Income Short Term Fund	435,069	978,905	44.44	100.00
Chola Liquid – IP – Growth	434,339	–	56.45	–
DSP Merrill Lynch Bond Fund – Short Term Fund – Growth	–	1,430,159	–	155.49
DSP Merrill Lynch – Floating Rate Fund – Growth	1,875,381	–	200.00	–
DSP Merrill Lynch Bond Fund – Floating Rate – Weekly Dividend	1,645,733	–	165.12	–
Deutsche Floating Rate – Monthly Dividend Reinvest	989,588	–	101.13	–
Deutsche Insta Cash Plus Fund – Weekly Dividend	2,986,307	–	302.83	–
FT MIP Plan A – Quarterly Dividend	1,790,629	–	210.56	–
Grindlays Cash Fund – Growth	18,619	18,619	2.18	2.18
Grindlays Dynamic Bond Fund – Growth	–	1,312,198	–	143.17
Grindlays Super Saver Short Term Fund	12,783	912,400	1.51	107.53
GSSIF – Short Term Plan – Institutional Plan B – Growth Option	–	1,341,706	–	162.89
GSSIF – Medium Term Institutional Plan – Plan B – Growth Option	–	6,459,840	–	650.00
Grindlays Fixed Maturity – Annual Plan Growth	1,000,000	1,000,000	100.00	100.00
Grindlays Fixed Maturity – 7th Plan B – Growth	3,000,000	–	300.00	–
Grindlays Floating Rate Fund – Long Term – Growth	18,982	–	1.95	–
Grindlays Floating Rate Fund – Long Term – Plan A – Monthly Dividend	1,167,085	–	116.77	–
Grindlays Floating Rate – Short Term Plan – Monthly Dividend	1,618,779	–	162.48	–
Grindlays Floating Rate – Short Term – Institutional Plan B – Growth	6,458,188	–	681.73	–
HDFC– Short Term Plan – Growth	–	1,506,520	–	162.76
HDFC Monthly Income Plan Short Term Fund – Quarterly Dividend	2,138,620	2,041,077	218.25	208.35
HDFC Fixed Investment Plan – June 2004(2) – Growth	2,500,000	–	250.00	–
HDFC Floating Rate Income Fund – Short Term Plan – Growth	3,324,364	–	361.34	–
HDFC Floating Rate Income Fund – Short Term Plan – Weekly Dividend	681,413	–	68.37	–
HDFC Cash Management Fund Savings Plan – Weekly Dividend	3,826,957	–	407.02	–
HSBC Cash Fund _ Institutional – Monthly Dividend	4,822,596	–	504.30	–
ING Vysya Liquid Fund – Weekly Dividend	2,801,890	–	302.78	–
JM Short Term Fund – Institutional Plan – Growth Plan	–	7,128,910	–	752.95
JM Floater Fund – Short Term Plan – Growth	1,952,384	–	212.07	–
JM High Liquid – Institutional Plan – Dividend	1,004,987	–	100.93	–

Schedules forming part of the Balance Sheet

(Rupees in lacs)

As at 31st March	2005	2004	2005	2004
	No. of Units		Value	
4 Investments (contd.)				
K Bond – Institutional Plan – Growth		625,896		107.09
Kotak FMP (8) – Growth	3,000,000	3,000,000	300.00	300.00
Kotak FMP Series 1 – Growth	3,000,000	–	300.00	–
Kotak Floater – Short Term – Monthly Dividend	2,132,960	–	213.37	–
Kotak Liquid (Institutional Premium) – Weekly Dividend	2,037,936	–	204.52	–
Magnum Debt Fund Series – 15 Months (Jan 05) – Growth Option	3,000,000	–	300.00	–
LIC MF Liquid fund	–	2,672,746	–	300.00
Principal Cash Management Fund – Money At Call – Daily Dividend	3,022,736	–	302.27	–
Prudential I.C.I.C.I. – Short Term Plan – Cumulative Option	–	16,217	–	1.83
Prudential I.C.I.C.I. Flexible Income Plan – Dividend	382,069	3,937,686	42.49	438.81
Prudential I.C.I.C.I. Floating Rate Plan – Growth	1,454,516	1,912,759	152.90	200.00
Prudential I.C.I.C.I. Floating Rate Plan – Dividend	3,965,792	–	398.44	–
Prudential I.C.I.C.I. Liquid Plan – Growth	–	1,273,897	–	150.97
Prudential I.C.I.C.I. Liquid Plan – Dividend	1,722,680	–	203.97	–
Prudential I.C.I.C.I. FMP Plan 1 – Growth	3,000,000	–	300.00	–
Reliance Short Term Fund – Growth	–	3,018,650	–	313.38
Reliance Fixed Term Plan – Annual – Growth	3,000,000	3,000,000	300.00	300.00
Reliance Floating Rate Fund – Monthly Dividend	1,064,023	–	107.09	–
Tata Monthly Income Fund – Dividend	2,711,911	–	312.02	–
Tata Fixed Horizon Series 1 – Plan A (371 days) – Growth	3,500,000	–	350.00	–
Templeton India Income Builder Account–Institutional Plan	–	4,413,647	–	504.90
Templeton Treasury Management Account –Daily Dividend	–	9,991	–	151.06
Templeton Treasury Management Account	6,780	6,467	102.58	101.58
Templeton Floating Rate Income Fund – Long Term Plan – Growth	2,213,619	–	255.25	–
Templeton Floating Rate Income Fund – Long Term Plan – Dividend	3,288,251	–	336.76	–
Templeton Floating Rate Income Fund – Short Term Plan – Growth	–	3,091,337	–	350.00
UTI Liquid Cash Plan – Institutional – Daily Income	49,809	–	504.19	–
			10,861.32	7,086.82
Quoted				
6.75% Tax free Bonds of Unit Trust of India of Rs.100/- each	500,000	500,000	513.28	513.28
Total			11,374.60	7,600.10

(Rupees in lacs)

Notes	Cost	Market Value
Aggregate of Quoted Investments	513.28	523.75
Previous Year	513.28	532.50
Aggregate of Unquoted investments	10,861.32	–
Previous Year	7,086.82	–
Total	11,374.60	–
Previous year	7,600.10	–

Schedules forming part of the Balance Sheet

(Rupees in lacs)

4 Investments (contd.)

Details of investments purchased and sold during the year

Particulars	Nos.	Cost
HDFC Cash Management Fund – Savings Plan – Weekly Dividend	1,888,082	200.72
Kotak Dynamic Bond Fund – Dividend	983,081	100.00
Birla Cash Plus – Institutional Plan – Dividend	5,261,805	567.94
Birla MIP II – Savings 5 Plan – Dividend	3,002,671	300.27
Prudential ICICI Liquid Plan – Dividend	2,534,447	299.91
Deutsche Dynamic Bond Fund – I.P. – Dividend	976,877	100.00
Templeton Treasury Management Account – Daily Dividend	73	1.10
Kotak Liquid (Institutional Premium) – Weekly Dividend	2,991,355	309.84
Birla Cash Plus – Daily Dividend	6,440	1.05
Birla Cash Plus – Institutional Plan – Weekly Dividend	2,774,669	300.22
Prudential ICICI Liquid Plan – Daily Dividend	8,236	0.98

Details of investments purchased and sold during the previous Year

(Rupees in lacs)

Particulars	Nos.	Cost
Grindlays Super Saver Short Term Fund – Growth	3,261,004	395.11
GSSIF Short Term Plan B Institutional Plan – Growth	4,088,608	496.39
GGSF – IP	817,160	100.00
Grindlays Cash Fund – Growth	848,716	100.00
HDFC Income Fund – Growth	1,336,059	200.00
HDFC Short Term Plan – Growth	2,101,669	230.58
HDFC Cash Management Fund – Saving Plan – Daily Dividend	1,418,843	150.91
HDFC Liquid Fund – Dividend	2,140,865	215.59
HSBC Cash Fund – Dividend Reinvestment	1,923,693	200.76
Templeton India Government Security Fund	456,965	100.00
Kotak Floater – Dividend Reinvestment	1,504,136	150.48
Birla Cash Plus – Institutional Plan – Growth	6,679,264	1,100.00
Birla Bond Plus – Institutional Plan – Growth	1,721,007	193.38
Birla Income Plus – Growth	933,668	250.00
Alliance Cash Manager – Growth	976,715	150.00
Prudential I.C.I.C.I – Liquid plan – Growth	2,014,410	300.00
Prudential I.C.I.C.I – Short Term Plan – Cumulative Option	1,086,378	122.94
JM High Liquidity Fund Institutional Plan – Growth	997,009	100.00
JM Short Term Fund – Growth	4,904,721	532.62
JM Income Fund – Institutional Plan – Growth	761,986	200.00
UTI Liquid Short Term Plan – Growth	1,000,000	100.00
DSP Merrill Lynch Short Term Fund – Growth	3,679,244	385.68
LIC Liquid Mutual Fund	1,341,910	150.00

5 Inventories

Television serials / feature films	2,367.24	713.36
Tapes	19.60	15.01
Total	2,386.84	728.37

Schedules forming part of the Balance Sheet

As at 31st March	2005	2004
6 Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	199.41	304.40
Other debts	5,150.16	3,761.08
Total	5,349.57	4,065.48
7 Cash and Bank Balances		
Cash on hand	19.23	19.33
Balances with scheduled banks		
In Current accounts	204.60	13.41
In Term deposits accounts	76.61	72.65
(on all fixed deposit receipts the banks have a lien)	281.21	86.06
Total	300.44	105.39
8 Loans and Advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	548.50	309.22
Advance tax	384.58	217.04
Deposits *	812.26	680.82
Total	1,745.34	1,207.08
Notes:		
1. *: Includes deposits given to directors for property taken on lease from them	615.00	615.00
2. Maximum amount outstanding at any time during the year for above deposits	615.00	615.00
9 Current Liabilities		
Sundry creditors		
(i) Total outstanding dues to small scale industrial undertakings	–	–
(ii) Total outstanding dues of creditors other than small scale industrial undertakings	2,314.86	1,267.53
	2,314.86	1,267.53
Advances received from customers	112.68	30.66
Other liabilities	404.84	24.09
Total	2,832.38	1,322.28
10 Provisions		
Provision for tax	18.76	52.25
Proposed dividend	–	515.16
Corporate dividend tax	–	65.99
Total	18.76	633.40

Schedules forming part of the Profit and Loss account

For the year ended	2005	2004
11 Other Income		
Interest on fixed deposits with banks (gross)	13.69	5.99
(Tax deducted at source Rs. 2.95 lacs (previous year Rs. 1.14 lacs))		
Interest on Tax Free Bonds	42.19	16.88
Interest on Income tax refund	–	28.56
Dividend on long term investments (non trade)	119.74	48.20
Excess provision of earlier years written back	53.39	43.66
Profit on sale of long term investments (non trade) (net)	251.21	447.76
Provision for diminution in the value of long term investments written back	–	3.26
Miscellaneous income	13.94	20.99
Total	494.16	615.30

12 Cost of Production of Television Serials/Feature Films

	2005	2005	2004	2004
Opening stock of television serials / feature films and tapes		728.37		469.18
Add: Cost of production				
Purchase of costumes and dresses	239.67		220.97	
Purchase of tapes	286.32		184.99	
Payment to and provisions for artistes, junior artistes, dubbing artistes fees	3,051.37		1,808.10	
Payment to and provisions for directors, technicians and other fees	3,855.69		2,280.02	
Shooting and location expenses	1,562.61		836.65	
Telecasting fees	1,129.29		1,027.18	
Uplinking charges / Special dispatch charges	200.63		418.89	
Food and refreshments	323.33		207.93	
Set properties and equipment hire charges	792.99		381.40	
Other production expenses	854.78	12,296.68	349.94	7,716.08
		13,025.05		8,185.26
Less: Closing stock of television serials / feature films and tapes		2,386.84		728.37
Total		10,638.21		7,456.89

13 Employee Costs

	2005	2004
Salaries, wages and bonus	507.41	397.62
Contribution to Provident and Other funds	12.15	9.45
Staff welfare expenses	20.06	16.37
Total	539.62	423.44

For the year ended	2005	2004
14 Administrative and Other Expenses		
Electricity and water charges	229.35	159.11
Lease rent	190.81	170.67
Rates and taxes	18.13	16.22
Insurance	418.57	173.79
Repairs and maintenance		
Building	2.50	2.42
Plant and machinery	40.29	9.70
Others	79.72	63.51
Travelling and conveyance expenses	115.45	106.09
Legal and professional charges	239.97	199.55
Communication charges	61.47	42.11
Loss on sale of fixed assets (net)	3.82	–
Donations	22.57	3.93
Bad debts written off	13.98	16.84
Director's sitting fees	1.55	0.65
Advertisement and sales promotion expenses	25.82	53.92
Miscellaneous expenses	297.61	254.95
Total	1,761.61	1,273.46

15 Interest

	2005	2004
On cash credit account	13.80	1.13
On income / wealth tax	4.78	1.21
Total	18.58	2.34

16 Significant accounting policies and notes on accounts

A. SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting

The financial statements are prepared under the historical cost convention and on accrual basis.

Fixed assets

Fixed assets are stated at cost of acquisition or construction. They are stated at historical cost less accumulated depreciation.

Depreciation

Depreciation on fixed assets is provided on straight line basis in accordance with provisions of section 205(2)(a) of the Companies Act, 1956, at the rates and in the manner specified in schedule XIV of this Act except for the following fixed assets where higher rates of depreciation have been applied:

Studios and sets @ 33.33%

Plant and machinery – Computers @ 16.21%

Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognise the decline.

Inventories

Items of inventory are valued at lower of cost and net realisable value. Cost is determined on the following basis :

Tapes	:	First In First Out
Television serials/ feature films	:	Average cost

Revenue recognition

a) In respect of sponsored programmes, revenue is recognised as and when the relevant episodes of the programmes are telecast.

b) In respect of commissioned programmes, revenue is recognised as and when the relevant episodes of the programmes are delivered to the channels.

In all other cases, revenue (income) is recognised when no significant uncertainty as to its determination or realisation exists.

Retirement benefits

Provident fund

Contribution as required under the statute / rules is made to the Government Provident fund.

Gratuity

The trustees of Balaji Telefilms Limited Employees Group Gratuity – Cum – Life Assurance (Cash Accumulation) Scheme have taken a Group Gratuity cum Life Assurance Policy from the Life Insurance Corporation of India. Provision is made on the basis of contribution payable in respect of the aforesaid policy.

Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising thereon and on realisation / payment of foreign exchange are accounted in the relevant year as income or expense.

Doubtful debts / advances

Provision is made in the accounts for debts / advances which in the opinion of the management are considered doubtful of recovery.

Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

Taxes on income

Tax expense comprises both current and deferred tax at the applicable enacted/substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period and are capable of reversal in one or more subsequent periods.

16 Significant accounting policies and notes on accounts (contd.)

Contingent liabilities

Contingent liabilities, if any, are disclosed in the notes on accounts. Provision is made in the accounts for those contingencies which are likely to materialise into liabilities after the year–end, till the approval of accounts by the Board of Directors and which have a material effect on the position stated in the Balance sheet.

B Notes on Accounts

	Rupees in lacs	Previous Year Rupees in lacs
1. Estimated amount of contracts remaining to be executed on : capital account and not provided for :	48.19	78.15
2. The Company has applied to the Office of the Commissioner of Sales– tax, Mumbai, to ascertain whether the Company's sales are liable to tax under the Sales– tax laws. The matter is still pending before the Sales –tax authority.		
3. Managerial remuneration under section 198 of the Companies Act, 1956 to Directors (including to the Managing Director)		
Salary	81.83	55.20
Commission	319.43	248.78
Perquisites in cash or in kind	0.70	0.53
Contribution to Provident Fund	5.49	3.60
Artistes fees	19.64	–
Total	**427.09**	**308.11**

4. Computation of net profit in accordance with section 198 read with section 309 of the Companies Act, 1956 :

	Rupees in lacs	Rupees in lacs	Previous Year Rupees in lacs	Previous Year Rupees in lacs
Profit before tax		**6236.90**		**8515.08**
Add:				
Loss on sale of fixed assets	3.82		–	
Managerial remuneration	406.75		307.58	
		410.57		307.58
		6647.47		8822.66
Less: Profit on sale of long term investments (non–trade) (net)	251.21		447.76	
Provision for diminution in value of long Term investments written back	–		3.26	
		251.21		451.02
Net Profit for the year		**6396.26**		**8371.64**
Commission @2% each to the Executive Directors (Previous year 1% each)		255.86		167.44
Commission @90% (Previous year 0.90%) to the Chairman		57.57		75.34
Commission to other Non–Executive Directors (Restricted to Rs. 2 lacs each) (previous year Rs. 2 lacs each)		6.00		6.00

16 Significant accounting policies and notes on accounts (contd.)

	Rupees in lacs	Previous year Rupees in lacs
5. Payment to auditors		
a) as auditors	8.00	8.00
b) as advisor, or in any other capacity, in respect of company law matters	0.75	–
c) in any other manner (certification work, etc)	4.70	4.80
d) as expenses	0.04	0.08
e) for service tax	0.12	1.02
Total	13.61	13.90

6. Cash credit facility with a bank is secured by hypothecation of the current assets (both present and future) and library assets of the Company.

7. Related Party Disclosures

(a) Name of related parties and description of relationship.

Name of the Related Party	Relationship
Mr. Jeetendra Kapoor	Key management person
Mrs. Shobha Kapoor	Key management person
Ms. Ekta Kapoor	Key management person
Mr. Tusshar Kapoor	Key management person
Mrs. Nirmala Sood	Relative of key management personnel
Mr. Ramesh Sippy	Relative of key management personnel
Mr. Rakesh Sippy	Relative of key management personnel
Screentestindia.com Pvt.Ltd B.R.A Corporation	Enterprises over which key management personnel and their relatives are able to exercise significant influence.

(b) Details of Transactions with related parties during the year

Amount in Rupees (In lacs)

Nature of Transactions	Enterprises over which key management personnel and their relatives are able to exercise significant influence		Key management personnel		Relative of key management personnel		Total	
		Previous year		Previous year		Previous year		Previous Year
Directors sitting fees								
Mr. Jeetendra Kapoor	–	–	0.45	0.15	–	–	0.45	0.15
Mr. Tusshar Kapoor	–	–	0.15	0.05	–	–	0.15	0.05
Rent								
Mr. Jeetendra Kapoor	–	–	7.20	7.20	–	–	7.20	7.20
Mrs. Shobha Kapoor	–	–	5.52	5.52	–	–	5.52	5.52
Mr. Tusshar Kapoor	–	–	2.40	–	–	2.40	2.40	2.40
Others	0.60	0.60	0.72	0.72	–	1.20	1.32	2.52

16 Significant accounting policies and notes on accounts (contd.)

Amount in Rupees (In lacs)

Nature of Transactions	Enterprises over which key management personnel and their relatives are able to exercise significant influence		Key management personnel		Relative of key management personnel		Total	
		Previous year		Previous year		Previous year		Previous Year
Recovery and payment of artistes registration fees								
M/s. Screentestindia.com Pvt. Ltd.	0.03	2.97	–	–	–	–	0.03	2.97
Managerial remuneration								
Mrs. Shobha Kapoor	–	–	167.93	113.38	–	–	167.93	113.38
Ms. Ekta Kapoor	–	–	167.93	113.39	–	–	167.93	113.39
Mr. Jeetendra Kapoor	–	–	57.57	75.34	–	–	57.57	75.34
Others	–	–	8.02	–	–	–	8.02	–
Artistes fees								
Mr. Tusshar Kapoor	–	–	19.64	–	–	–	19.64	–
Dividend paid								
Mrs. Shobha Kapoor	–	–	1688.95	347.73	–	–	1688.95	347.73
Ms. Ekta Kapoor	–	–	1653.59	340.45	–	–	1653.59	340.45
Mr. Jeetendra Kapoor	–	–	946.48	212.45	–	–	946.48	212.45
Mr. Tusshar Kapoor	–	–	345.14	–	–	141.06	345.14	141.06
Others	–	–	–	–	1.71	0.30	1.71	0.30
Amount payable as at 31st March,2005								
Mrs. Shobha Kapoor	–	–	130.28	83.72	–	–	130.28	83.72
Ms. Ekta Kapoor	–	–	130.28	83.72	–	–	130.28	83.72
Mr. Jeetendra Kapoor	–	–	57.57	75.34	–	–	57.57	75.34
Others	0.39	0.96	19.70	–	0.10	0.10	20.19	1.06
Amount receivable (Deposits for lease property) as at 31st March,2005								
Mrs. Shobha Kapoor	–	–	207.50	207.50	–	–	207.50	207.50
Mr. Jeetendra Kapoor	–	–	300.00	300.00	–	–	300.00	300.00
Mr. Tusshar Kapoor	–	–	100.00	–	–	100.00	100.00	100.00
Others	–	–	7.50	7.50	–	0.60	7.50	8.10

Note:

There are no provision for doubtful debts, amounts written off or written back during the year for debts due from or due to related parties.

8. **Segment Information**

(A) Information about primary segments

The Company has considered business segment as the primary segment for disclosure. The reportable business segments are as under:

(a) Commissioned Programmes	:	Income from sale of television serials to channels
(b) Sponsored Programmes	:	Income from telecasting of television serials on channels
(c) Other	:	Includes feature films

(Amount in Rupees in lacs)

	Commissioned programmes		Sponsored Programmes		Others		Total	
		Previous Year		Previous Year		Previous Year		Previous Year
Revenue								
From External Customers	16,481.98	14,530.03	3,192.81	3,299.57	–	–	19,674.79	17,829.60
Add: Inter Segment sale	–	–	–	–	–	–	–	–
Total Revenue	16,481.98	14,530.03	3,192.81	3,299.57	–	–	19,674.79	17,829.60
Results								
Segment result	7,419.15	8,374.37	777.74	1,331.09	–	–	8,196.89	9,705.46
Unallocable Corporate Expenses							(2,368.24)	(1,738.69)
Operating Profit							5,828.65	7,966.77
Interest Expense							(18.58)	(2.34)
Interest income/Dividend on Long–Term Investments							175.62	99.63
Profit on sale of Long–Term Investments (non trade)							251.21	447.76
Provision for Diminution in value of Investments written back							–	3.26
Provision for tax							(2,107.28)	(2,974.30)
Profit after tax							4,129.62	5,540.78
Other Information								
Segment assets	7,657.34	4,937.37	1,571.37	1,122.78	1,632.65	94.48	10,861.36	6,154.63
Unallocated Corporate assets							13,879.43	10,794.49
Total assets							**24,740.79**	**16,949.12**
Segment liabilities	1,162.90	892.45	171.70	81.83	403.24	33.28	1,737.84	1,007.56
Unallocated Corporate liabilities							1,689.84	1,503.58
Total Liabilities							**3,427.68**	**2,511.14**
Capital expenditure	1,077.25	817.07					1,077.25	817.07
Depreciation	892.40	627.85					892.40	627.85
Significant Non cash expenses other than depreciation								
Loss on sale of fixed assets							3.82	–
Bad debts written off							13.98	16.84

(B) The Company does not have any reportable Secondary Segments

9. **Earnings Per Share**

Earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year as under :

		Previous Year
Net profit after tax as per the Profit and Loss account -(Rs. in lacs)	4,129.62	5,540.78
Excess / (Short) provision for tax in respect of earlier years -(Rs.in lacs)	21.06	(3.67)
(A) Profit for the year attributable to equity share holders-(Rs.in lacs)	4,150.68	5,537.11
(B) Weighted average number of equity shares outstanding during the year (Nos.)	54,555,235	51,516,250
(C) Earnings per share – Basic and diluted (Rs.)	7.61	10.75
(D) Nominal value of shares (Rs.)	2	2

10. **Components of Deferred Tax Assets/(Liabilities)**

		As at 31st March,2005 Rupees in lacs	As at 31st March,2004 Rupees in lacs
Difference in the written down value of the assets		(576.54)	(555.46)
Deferred tax asset/ (liability)-net	Total	(576.54)	(555.46)

11. **Lease Transactions:**

a) Future lease rentals in respect of fixed assets taken on non–cancellable operating lease basis are as follows:

	Rupees in lacs	Previous Year Rupees in lacs
1) Amount due within 1year	10.80	14.40
2) Amount due later than 1year and not later than 5 years	–	10.80
3) Amount due later than 5 years	–	–

b) Amount of lease rentals charged to the profit and loss account in respect of operating leases is Rs.190.81 lacs (previous year Rs.170.67 lacs)

12. Unutilised money aggregating to Rs.2704.00 lacs out of the issue of shares have been partly invested in the units of mutual funds (Rs.2500.00 lacs) and the balance are lying in current account with the bank (Rs.204.00 lacs).

13. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956 (to the extent applicable)

	Rupees in lacs	Previous Year Rupees in lacs
a. Expenditure in foreign currency		
Travelling expenses	178.51	42.53
b. Earnings in foreign exchange:		
Export of television software/ serials	109.42	40.19

c. Amount remitted during the financial year in foreign currency on account of dividends:

Schedules forming part of the accounts

16 Significant accounting policies and notes on accounts (contd.)

The Company has not made any remittance in foreign currency on account of dividend and does not have information as to the extent to which remittances in foreign currency on account of dividends have been made by or on behalf of non–resident shareholders. The particulars of dividend paid to non–resident shareholders are as under:-

Year to which dividend relates	Rupees in lacs	Previous Year Rupees in lacs
Amount of Dividend		
a) Final dividend for the financial year 2002–2003	–	772.74
b) Interim dividend for the financial year 2003–2004	–	1030.34
c) Final dividend for the financial year 2003–2004	515.16	–
d) Interim dividend for the financial year 2004–2005	8242.60	–
Number of non–resident shareholders		
a) Final dividend for the financial year 2002–2003	–	105
b) Interim dividend for the financial year 2003–2004	–	120
c) Final dividend for the financial year 2003–2004	192	–
d) Interim dividend for the financial year 2004–2005	189	–
Number of equity shares held by them on which dividend was due		
a) Final dividend for the financial year 2002–2003	–	81,398
b) Interim dividend for the financial year 2003–2004	–	84,017
c) Final dividend for the financial year 2003–2004	1,36,305	–
d) Interim dividend for the financial year 2004–2005	2,06,045	–
Amount remitted (net of tax) to banks or power holders in India of the non–resident shareholders		
a) Final dividend for the financial year 2002–2003	–	1.22
b) Interim dividend for the financial year 2003–2004	–	1.68
c) Final dividend for the financial year 2003–2004	1.36	–
d) Interim dividend for the financial year 2004–2005	32.97	–

Schedules forming part of the accounts

14. Balance Sheet Abstract and Company's General Business Profiles

I. Registration Details

Registration No. 1 1 - 8 2 8 0 2 State Code 1 1

Balance Sheet Date 3 1 (Date) 0 3 (Month) 2 0 0 5 (Year)

II. Capital Raised during the year (amount in Rs. thousands)

Public issue: N I L	Right Issue: N I L
Bonus issue: N I L	Private placement: 2 7 3 8 8

III. Position of Mobilisation and Deployment of Funds (amount in Rs. thousands)

Total Liabilities: 2 4 7 4 0 7 9	Total Assets: 2 4 7 4 0 7 9

Sources of funds

Paid-up Capital: 1 3 0 4 2 1	Reserves & Surplus: 2 0 0 0 8 9 0
Secured loans: N I L	Unsecured loans: N I L

Application of funds

Net fixed assets: 3 5 8 4 0 0	Investments: 1 1 3 7 4 6 0
Net current assets: 6 9 3 1 0 5	Miscellaneous expenditure: N I L
Accumulated Losses: N I L	Defferred tax liability (net): (5 7 6 5 4)

IV. Performance of Company (amount in Rs. thousands)

Turnover: 2 0 1 6 8 9 5	Total Expenditure: 1 3 9 3 2 0 5
Profit/(Loss) before tax: 6 2 3 6 9 0	Profit/(Loss) after tax: 4 1 2 9 6 2
Earning Per Share in Rs.: 7 . 6 1	Interim Dividend rate: 8 0 0 %

Refer note no. 9 of Schedule 16

V. Generic names of three principal products/ services of company (as per monetary terms)

Item Code (ITC code) Not applicable Product Description Television software/serials/feature films

15. Figures of the previous year have been regrouped wherever necessary to correspond with those of the current year.

Signatures to Schedule 1 to 16

As per our attached report of even date
For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of Balaji Telefilms Limited

A. Siddharth
Partner
Membership No. 31467
Mumbai, 20th May, 2005

Jeetendra Kapoor
Chairman

Shobha Kapoor
Managing Director & C.E.O.

Tusshar Kapoor
Director

For Snehal & Associates
Chartered Accountants

Akshay Chudasama
Director

Dhruv Kaji
Director

Michelle Lee Guthrie
Director

Snehal Shah
Proprietor
Membership No. 40016
Mumbai, 20th May, 2005

John Yu Leung Lau
Director

Alpa Shah
Company Secretary

V. Devarajan
Chief Financial Officer

Mumbai, 20th May, 2005

Television is actually closer to reality than anything in books. The madness of TV is the madness of human life.

– Camille Paglia in *Harper's Magazine*

Radio and television... have succeeded in lifting the manufacture of banality out of the sphere of handicraft and placed it in that of a major industry

– Nathalie Sarraute in the
Times Literary Supplement (London)

For me, the cinema is not a slice of life, but a piece of cake

– Alfred Hitchcock

Balaji Telefilms Limited

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