

# Corporate governance

Balaji Telefilms Limited is committed to strong corporate governance and believes in its indispensability in investor protection. The Company's compliance with the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai and National Stock Exchange of India Limited is given hereinbelow:

## Company's philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is as under:

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

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

## Composition of the Board

The Board currently has nine members, of whom three are Executive Directors. The Board has a non-Executive Chairman. One third of the strength of the Board of Directors comprises Independent Directors. The Board functions either as a full Board or through Committees. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board, while the Committees oversee operational issues.

Four meetings of the Board of Directors were held during the year – on 20th May, 4th August and 27th October in 2005 and on 31st January in 2006. The maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company held committee membership of more than ten committees nor committee chairmanships of more than five committees across all companies in which the person was a Director.

The names of members of Board of Directors, their attendance at Balaji Telefilms 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)	4	Present	3	2	1
Ms. Shobha Kapoor (P, E)	4	Present	3	1	0
Ms. Ekta Kapoor (P, E)	3	Not Present	1	1	0
Mr. Akshay Chudasama (N, I)	3	Not Present	4	1	0
Mr. Dhruv Kaji (N, I)	3	Present	2 + 1	1	1
Mr. Tusshar Kapoor (P,E)	4	Present	2	0	0
Mr. Pradeep Sarda (N,I)	1	Present	19	1	0
Ms. Michelle Guthrie (N,NI)	2	Not Present	2 + 32	0	0
Mr. John Lau (N,NI)	2	Present	0 + 142	0	0
Ms. Liza Newnham (N, A)	2	N.A.	1	0	0
Ms. May Oh (N, A)	1	N.A.	1 + 2	0	0

P = Promoter; E = Executive; N = Non-executive; I = Independent; NI = Non-Independent; A- Alternate  
+ Directorships of foreign companies

## Audit Committee

### Terms of reference

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

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

### Composition

The composition of the Audit Committee is as follows:

Chairman	: Mr. Dhruv Kaji
----------	------------------

Members	: Mr. Akshay Chudasama Mr. Jeetendra Kapoor Mr. Pradeep Sarda
Secretary	: Ms. Alpa Shah
Invitees	: Representatives of statutory auditors and internal auditors Mr. V. Devarajan, Chief Financial Officer

### Meetings and attendance

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

Dates of meetings: 20th May and 27th October in 2005 and 31st January in 2006.

### Attendance

Name of the Director	No. of meetings attended
Mr. Dhruv Kaji	3
Mr. Akshay Chudasama	3
Mr. Jeetendra Kapoor	3
Mr. Pradeep Sarda	1

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 "Limited Review" of the quarterly, half yearly accounts, yearly audit of the Company's accounts and other related matters.

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

### Shareholders' Committee

#### Terms of reference

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

#### Composition

The composition of the Shareholders' Committee is as follows:

Chairman	:	Mr. Jeetendra Kapoor
Members	:	Ms. Shobha Kapoor Ms. Ekta Kapoor
Secretary	:	Ms. Alpa Shah

#### Meetings and Attendance

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

Dates of Meetings – 4th April, 17th June and 4th October in 2005 and 6th January in 2006

#### Attendance

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

The committee oversees share transfers and monitors investors' grievances. The committee reviewed the shareholder grievances and the share transfers for the year and expressed satisfaction with the same. The committee also noted the shareholding in dematerialised mode as on 31st March 2006 being 99.91%.

### Remuneration Committee

#### Terms of reference

The Committee is entrusted with the role and responsibilities of approving compensation packages of Managing Director/ Whole Time Director, reviewing and approving the performance based incentives to be paid to the Managing Director/ Whole Time Director and reviewing and approving compensation package and incentive schemes of senior managerial personnel.

#### Composition

The composition of the Remuneration Committee is as follows:

Chairman	:	Mr. Akshay Chudasama
Members	:	Mr. Dhruv Kaji Mr. Jeetendra Kapoor
Secretary	:	Ms. Alpa Shah

#### Meetings and Attendance

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

Dates of Meeting: 20th May 2005

#### Attendance

Name of the Director	No. of meetings attended
Mr. Akshay Chudasama	1
Mr. Dhruv Kaji	1
Mr. Jeetendra Kapoor	1

### Remuneration policy and details of remuneration paid

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

No fixed component and performance linked incentives have been paid or is payable to the Managing Director and the Creative Director for the period under review, other

than the commission @ of 2% each, of the net profits of the Company.

No remuneration was paid to Non-Executive Directors apart from Directors' sitting fees and commission at fixed rate of 0.90% to 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 28th August 2003. The Non-executive Directors are paid remuneration having regard to the prevalent practice in the Industry and commensurate with their experience. Besides the above remuneration, there is no pecuniary relationship or transactions by the Company with Non-Executive Directors.

### Details of the remuneration to the Directors for the year ended 31st March 2006

Name	Designation	Remuneration for the year 2005-06 (in Rs.)				Total	No. of shares held by Non-executive Directors
		Salary	Commission	Sitting fees	Employer contribution to Provident Fund / Gratuity		
Ms. Shobha Kapoor	Managing Director & CEO	5,220,000	18,330,000	–	360,000	23,910,000	N.A.
Ms. Ekta Kapoor	Creative Director	5,220,000	18,330,000	–	360,000	23,910,000	N.A.
Mr. Tusshar Kapoor	Director	1,104,000	–	–	72,000	1,176,000	N.A.
Mr. Jeetendra Kapoor	Non-executive Chairman	–	8,248,000	50,000	–	8,298,000	5,567,500
Mr. Akshay Chudasama	Independent Director	–	183,200	35,000	–	218,200	–
Mr. Dhruv Kaji	Independent Director	–	183,200	35,000	–	218,200	–
Mr. Pradeep Sarda	Independent Director	–	183,200	15,000	–	198,200	–
Ms. Michelle Guthrie	Director	–	183,200	20,000	–	203,200	–
Mr. John Lau	Director	–	183,200	20,000	–	203,200	–
Ms. Liza Newnham	Alternate Director	–	–	30,000	–	30,000	–
Ms. May Oh	Alternate Director	–	–	15,000	–	15,000	–

The agreements with Managing Director and the Creative Director is for a period of five years. The nature of employment of Ms. Shobha Kapoor and Ms. Ekta Kapoor is contractual and terminable by twelve month's 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 a period of three years and is terminable by three month's notice in writing.

## Annual General Body Meetings

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

Annual General Meeting	Day, Date	Time	Venue
9th Meeting	Thursday, <b>21st August 2003</b>	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai – 400 053.
10th Meeting	Friday, <b>27th August 2004</b>	3:30 p.m.	'The Club', 197, D N Nagar, Andheri (West), Mumbai – 400 053.
11th Meeting	Friday, <b>26th August 2005</b>	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.

## Disclosures

### 1. Related parties' transactions

None of the transactions with any for the related parties were in conflict with interest of the Company. Transactions with the related parties are disclosed in Note No. B - 7 in Schedule 16 "Notes on Accounts" annexed to the Financial Statements of the year.

### 2. Compliances by the Company

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

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

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

## Re-appointment of Directors

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

## Means of communication

The Company believes that all stakeholders should have access to adequate information, regarding the Company's position to enable them to accurately assess its future potential. In accordance with the applicable guidelines / listing agreement with the stock exchanges, all information which could have a material bearing on Balaji Telefilms share price is released at the earliest.

The Company's financial results were published in Business Standard and *Sakal* (regional daily). The financial results and official news releases were displayed on the Company's web site [www.balajitelefilms.com](http://www.balajitelefilms.com). No formal presentations were made to the institutional investors and analysts during the year under review. The Company sent a copy of its half-yearly results to each shareholder.

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

Managements' 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

**11th August 2006 to 18th August 2006** (both days inclusive).

### 2. Date, time and venue of the Annual General Meeting

**18th August 2006** at 3:30 p.m. at 'The Club', 197, DN Nagar, Andheri (West), Mumbai 400 053.

### 3. Dividend payment

The Board of Directors has recommended final dividend of 150% for the year ended **31st March 2006**. The dividend will be paid within the stipulated number of days once it is approved at the AGM.

### 4. Listing on Stock Exchanges

(i) 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)

(ii) National Stock Exchange of India Limited  
Exchange Plaza, 5th floor, Plot No. C/1, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400 051.  
Tel: +91-22-26598235 / 36,  
Fax: +91-22-26598237/38  
(Stock Code – BALAJITELE)

### 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](mailto:balaji@balajitelefilms.com)  
Web site: [www.balajitelefilms.com](http://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: +91-40-23420818  
Fax: +91-40-23420814  
Email: mailmanager@karvy.com

#### 9. Share transfer system

Shares sent for physical transfer are registered and returned within one month from the date of receipt, if the documents are clear in all respects. The Share Transfer Committee meets as often as required. The total number of shares transferred in physical form during the year 2005-2006 were 250. There was no share transfer pending as on **31st March 2006**.

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

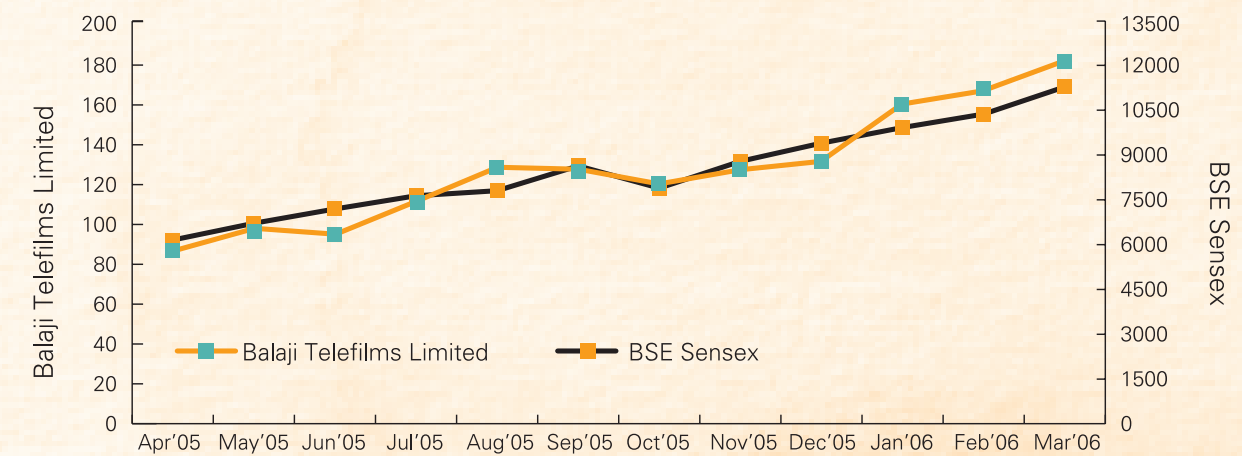
The Company's shares are listed on the Stock Exchange, Mumbai and National Stock Exchange of India Limited, since **22nd November 2000**. The Company's market capitalisation as on **31st March 2006** was Rs. 1204.76 crores. The monthly high and low quotations as well as the volume of shares traded during the year are as below:

Month	BSE, Mumbai			National Stock Exchange		
	High	Low	No. of Shares Traded	High	Low	No. of Shares Traded
April	105.00	90.00	595,072	104.7	89.65	1,798,164
May	116.50	98.65	881,759	115.85	98.2	2,774,935
June	110.00	99.85	400,591	110.7	99.1	1,320,954
July	133.40	106.10	1,127,698	134	106.7	2,907,005
August	151.00	119.00	958,318	153.9	119	2,401,870
September	148.00	120.25	454,554	148	122	1,039,639
October	140.00	115.05	518,747	139.95	116.3	1,515,384
November	141.00	126.75	166,645	141	126	531,384
December	147.30	128.00	231,695	147.5	125	554,001
January	184.50	142.25	374,525	195	138.25	756,774
February	180.00	158.65	132,093	181	154.85	488,464
March	196.95	150.00	463,083	198	165	890,742

#### Fact sheet

Items	2005-06	2004-05
Earnings per share	9.15	7.61
EPS – fully diluted	9.15	7.61
Dividend per share	Rs. 3	Rs. 16
Number of shares	65,210,443	65,210,443
Share price data (Rs.)		
High	198	130.85
Low	89.65	54.1
Closing	184.75	89

The performance of Balaji Telefilms equity share relative to the BSE Sensitive Index (Sensex) is given in the chart below.



#### 11. Investor service – complaints / correspondence received during the year

Year ended 31st March 2006

Nature of complaints / requests	Received	Disposed
Change/correction of address	15	15
Receipt of dividend warrants for revalidation	13	13
Receipt of Indemnity Board for issue of duplicate dividend warrant	16	16
Non receipt of dividend warrants	69	69
Letter of intimation of bank mandate	4	4
Registration of power of attorney	1	1
Non receipt of annual report	3	3
Request for ECS facility	5	5
Change/correction of bank mandate	1	1
Change/correction of bank mandate on instruments	2	2
Change/correction of name on securities	1	1
Request for consolidation/split of securities	2	2

The Company has disposed of all of the investor grievances / correspondence. There is no share transfers pending as on **31st March 2006**.

## 12. Shareholding pattern of Balaji Telefilms as on 31st March 2006

Category	No. of shares held	Percentage of shareholding
Promoters	27,268,720	41.82
Bank	1,500	0.00
Indian financial institutions	93,071	0.14
Mutual Funds and UTI	1,606,111	2.46
FIs	16,980,452	26.04
Private corporate bodies	462,896	0.71
Resident individuals	1,633,998	2.51
HUFs	35,815	0.06
NRIs	145,898	0.22
FCB	16,948,194	25.99
Trusts	51	0.00
Clearing members	33,737	0.05
<b>Grand Total</b>	<b>65,210,443</b>	<b>100</b>

## 13. Distribution of shareholding as on 31st March 2006

Number of shares	Number of shareholders	Percent of shareholders	Amount	Percent holding
1 to 5000	7,838	98.23	2,784,002	2.13
5001 to 10000	66	0.83	505,018	0.39
10001 to 20000	28	0.35	402,662	0.31
20001 to 30000	8	0.10	561,870	0.16
30001 to 40000	5	0.06	175,888	0.13
50001 to 100000	7	0.09	451,540	0.35
100001 & above	27	0.34	125,896,926	96.53
<b>Total</b>	<b>7,979</b>	<b>100.00</b>	<b>130,420,886</b>	<b>100.00</b>

## 14. Shares under lock-in

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

## 15. Dematerialisation of equity shares

The Company's shares are traded in dematerialised form only. To facilitate trading in dematerialised form there are two depositories, i.e., National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The Company has entered into agreement with both these depositories. Shareholders can open account with any of the depository participants registered with any of these depositories. As on **31st March 2006** about 99.91% comprising 65,151,842 equity shares were in the dematerialised form.

## 16. Financial calendar (tentative and subject to change)

Particulars	Date
Annual General Meeting	18th August 2006
Financial reporting for 1st quarter ending <b>30th June 2006</b>	Last week of July, 2006
Financial reporting for 2nd quarter ending <b>30th September 2006</b>	Last week of October, 2006
Financial reporting for 3rd quarter ending <b>31st December 2006</b>	Last week of January, 2007
Financial reporting for the year ended <b>31st March 2007</b> (audited)	June, 2007
Annual General Meeting for year ended <b>31st March 2007</b>	August, 2007

## 17. Plant locations

The details of regional offices of the Company are available on page 54 of the 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. Sandeep Jain, *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: sandeep.jain@balajitelefilms.com

## 19. Insider trading

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

## 20. Non-mandatory requirements

### a. Chairman of the Board

The Company has Non-executive Chairman, who is entitled to maintain a Chairman's office at the Company's expenses. The expenses incurred by him during performance of his duties are reimbursed to him.

### b. Remuneration Committee

The Company has appointed a Remuneration Committee since January 2003.

### c. Shareholder rights

The Company has been sending to each shareholder, a copy of its half-yearly results, starting from the half-year ended **30th September 2001**.

### d. Postal ballot

No resolutions have been proposed to be passed through postal ballot.

## CEO declaration

I, Shobha Kapoor, Managing Director & CEO of Balaji Telefilms Limited based on confirmation received from all the directors and senior management of the Company, do hereby state that all Board Members and senior management personnel has affirmed compliance with the code of conduct of the Company on annual basis.

**Shobha Kapoor**  
*Managing Director & CEO*

Mumbai, 9th May 2006

## 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 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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.

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*

Mumbai,  
Dated: 9th May 2006

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

**Snehal Shah**  
*Proprietor*

Mumbai,  
Dated: 9th May 2006

## CEO and CFO certification

We, Ms. Shobha Kapoor, Managing Director and CEO of Balaji Telefilms Limited and Mr. V. Devarajan, CFO of Balaji Telefilms Limited, do hereby certify to the Board that:

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief :
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**Shobha Kapoor**  
*Managing Director & CEO*

Mumbai, 9th May 2006

**V. Devarajan**  
*CFO*

Mumbai, 9th May 2006