

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:

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 maximising long-term value to the Shareholders and

the Company

COMPOSITION OF BOARD

The Board currently has six members, of whom two are Executive Directors. The Board has a non-executive Chairman. More than one third of the strength of the Board of Directors comprises of 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.

Six meetings of the Board of Directors were held during the year – on May 24, July 27, July 30, September 2, October 22 in 2002 and on January 30 in 2003. The maximum time gap between any two meetings was not more than four calendar months. None of the Directors of the Company held committee membership of more than 10 committees nor committee chairmanships of more than five committees across all companies in which the person was a Director.

The names of members of 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)	6	Present	3	3	1
Ms. Shobha Kapoor, (P, E)	6	Present	3	1	0
Ms. Ekta Kapoor, (P, E)	5	Not Present	1	1	0
Dr. Raj Bothra, (N, I,)	0	Not Present	0	0	0
Mr. Chandresh Gandhi*, (N, I,)	1	Present	0	1	1
Mr. Rakesh Roshan *, (N, I,)	1	Not Present	1	0	0
Mr. Akshay Chudasama, (N, I,)	5	Present	2	2	1
Mr. Dhruv Kaji, (N, I,)#	3	N. A.	4	2	1

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

* Resigned as Director w.e.f. September 2, 2002

Appointed as Additional Director w.e.f. September 2, 2002

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
Secretary	: Mr. Ajay Patadia
Permanent Invites	: Representatives of Statutory Auditors and Internal Auditors Mr. V. Devarajan, Chief Financial Officer

Mr. Chandresh Gandhi, who was the Chairman of the Committee, resigned as Director of the Company with effect from September 2, 2002 and hence also ceased to be the member of the Committee. Mr. Dhruv Kaji, who was appointed as Additional Director of the

Company, was also appointed as the member and Chairman of the Audit Committee with effect from September 2, 2002.

Meetings and Attendance

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

Dates of Meetings: May 24, July 30 and October 22 in 2002 and January 30 in 2003.

Attendance

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

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

SHAREHOLDER'S COMMITTEE

Terms of Reference

The functions and powers of the Shareholders Committee include approval / rejection of transfer / transmission 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 : Mr. Ajay Patadia

The 'Share Transfer Committee' (STC) and the 'Shareholders'/ Investors' Grievance Committee' (S/IGC) constituted in 2000 had overlapping functions and the members constituting the committees were also the same. Also, with more than 99 per cent Company's shares held in dematerialised form, the frequency of share transfer requests received was very less. Hence, at the Board Meeting held on January 30, 2003, both these committees were merged into one committee named as "Shareholder's Committee" (SC), with powers and functions of both the committees.

Meetings and Attendance

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

Dates of Meetings : S/IGC - April 19, 2002
STC - May 23, June 12, July 5, July 15,
October 3, and January 20 in 2002
SC - February 8, 2003

Attendance

Name of the Director	No. of Meetings attended
Mr. Jeetendra Kapoor	8
Ms. Shobha Kapoor	8
Ms. Ekta Kapoor	8

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 March 31, 2003 being 99.19 per cent.

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.

Details of the remuneration paid to Managing Director / Whole Time Director during the year ending March 31, 2003 is as under:

Name	Designation	Remuneration (Rs.)			
		Salary & Allowances	Perquisites	Commission	Employer Contribution to Provident Fund / Gratuity
Ms. Shobha Kapoor	Managing Director	22,20,000	26,400	9,00,000	1,44,000
Ms. Ekta Kapoor	Whole Time Director	22,20,000	26,400	9,00,000	1,44,000

The agreement with the Managing Director and the Creative Director is for a period of five years ending November 10, 2004. The nature of employment of the Managing Director and the Creative Director is contractual and terminable by three months' notice.

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% of the net profits of the Company, subject to the ceiling of 75% of their annual salary.

No remuneration was paid to non-executive Directors apart from Directors' Sitting Fees.

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
6th Meeting	Thursday, May 25, 2000	3:00 P.M.	C-13, Balaji House, Dalia Industrial Estate, Opp. Laxmi Industries, New Link Road, Andheri (West), Mumbai - 400 053
7th Meeting	Thursday, September 27, 2001	3:30 P.M.	'The Club', 197, DN Nagar, Andheri (West), Mumbai - 400 053.
8th Meeting	Friday, August 23, 2002	3:30 p.m.	'The Club', 197, DN Nagar, Andheri (West), Mumbai - 400 053.

No special resolutions were put through postal ballot till last year.

DISCLOSURES

1. The transactions with related parties have been disclosed vide point no. 8 of the notes to accounts, as detailed under Schedule 17 of the financial statements.
2. There were no instances of non-compliance on any matter related to the capital markets during the last three years.

Means of Communication

Balaji Telefilms 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.

Balaji Telefilms financial results are generally published in Business Standard, Economic Times and Sakal (regional daily). The financial results, official news releases and presentations are also displayed on the Company's web site www.balajitelefilms.com. Balaji Telefilms has been sending to each household of shareholders, a copy of its half-yearly results.

The Financial Results of the Company for each quarter are 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.

GENERAL SHAREHOLDER INFORMATION

1. Date of Book Closure

August 19, 2003 to August 21, 2003 (both days inclusive)

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

August 21, 2003 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 75 per cent for the year ended March 31, 2003 over and above, 75 per cent interim dividend declared and paid during the year. The final dividend will be paid within the stipulated number of days once it is approved at the AGM.

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 Consultants 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: karvyhyd@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 2002-2003 were 1,100. There was no share transfer pending as on March 31, 2003.

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 November 22, 2000. The Company's market capitalisation as on March 31, 2003 was Rs. 283.60 Cr. The monthly high and low quotations as well as the volume of shares traded during the year are as below:

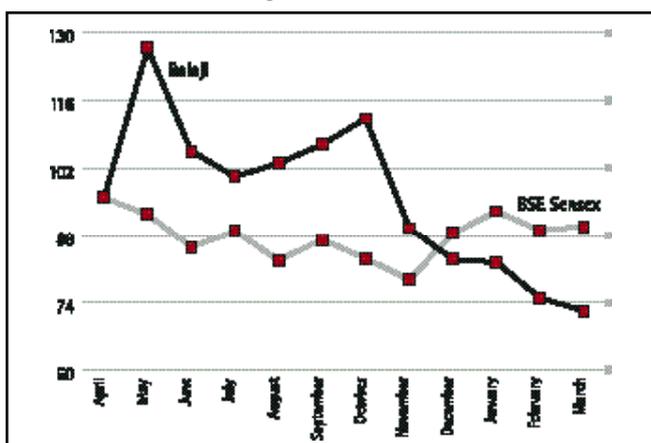
Months	Closing price on the last trading day of the month		Volume BSE + NSE
	BSE	NSE	
April	119.80	119.48	53837796
May	105.67	105.09	31805006
June	100.33	100.49	8209820
July	98.14	98.51	8151814
August	106.97	106.98	8761638
September	106.55	106.55	8976789
October	84.20	84.40	13992749
November	83.10	82.95	9017434
December	85.05	85.50	8830862
January	75.05	75.40	3221212
February	72.45	72.70	2217361
March	55.05	55.15	2097828

Fact Sheet

Items	2001-02		2002-03
	Factual figures	Reworked figures	
Earnings per share	Rs. 28.16	Rs. 5.63	Rs. 11.14
EPS – Fully diluted	Rs. 28.16	Rs. 5.63	Rs.11.14
Dividend per share	Rs. 5.00	Rs. 1.00	Rs. 3.00
Number of shares	1,03,03,250	5,15,16,250	5,15,16,250
Share price data (Rs.)			
High	449.30	89.86	132.98
Low	92.70	18.54	52.00
Closing	144.70	28.94	55.05

With effect from October 3, 2002, the Company's shares of face value of Rs. 10 (Ten) each have been sub-divided into five equity shares of Rs. 2 (Two) each credited as fully paid up. Accordingly, for better comparability, the EPS, dividend and share price data figures for the corresponding period in previous year have been reworked based on the face value of equity share of Rs. 2 (Two).

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



Weekly closing price and BSE Sensex (the last week of the month)

11. Investor Service – Complaints Received During the year

Nature of Complaints	Year ended March 31, 2003	
	Received	Disposed
Change / Correction of Address	20	20
Receipt of Dividend Warrants for revalidation	68	68
Receipt of IB for issue of duplicate Dividend Warrant	2	2
Query Regarding payment of dividend warrant	2	2
Non-Receipt of Dividend Warrants	27	27
Letter of Intimation of Bank Mandate	3	3
Registration of Power of Attorney	1	1
Receipt of 15F, 15H Forms for exemption of tax	16	16
Non Receipt of Annual Report	3	3
Request for ECS Facility	62	62
Query regarding undelivered documents	6	6
Change / Correction of Bank Mandate	17	17
Intimation of Nomination Form	13	13
Change / Correction of Bank Mandate on Instrument	35	35
Correspondence / Query relating to NSDL Operations	2	2
Request for consolidation / split of securities	52	52
Non Receipt of Securities	2	2
Request for Transmission of Securities	1	1
Total	332	332

The Company has disposed of all of the investor grievances / correspondence. There is no share transfers pending as on March 31, 2003.

12. Shareholding Pattern of Balaji Telefilms as on March 31, 2003

Category	No. of shares held	Percentage of shareholding
Promoters	2,97,70,250	57.79
Bank	180	0.00
Mutual Funds and UTI	68,41,353	13.28
FIs	83,90,357	16.29
Private Corporate Bodies	32,57,290	6.32
Indian Public	31,14,522	6.05
NRIs/OCBs	83,936	0.16
Clearing Members	58,362	0.11
Grand Total	5,15,16,250	100

13. Distribution of shareholding as on March 31, 2003

Number of Shares	Number of Shareholders	Percent of Shareholders	Total Number of Shares	Per cent Holding
1 to 5000	10746	89.96	14921830	2.90
5001 to 10000	658	5.51	5387850	1.05
10001 to 20000	259	2.17	3944640	0.77
20001 to 30000	90	0.75	2257300	0.44
30001 to 40000	32	0.27	1155310	0.22
40001 to 50000	43	0.36	2058500	0.40
50001 to 100000	43	0.36	3186620	0.62
100001 & above	74	0.62	482250450	93.61
Total	11945	100.00	515162500	100.00

14. Shares under Lock-in

In accordance with SEBI Guidelines, 1,03,03,250 Equity Shares held by promoters (representing 20% of the post-issue capital) are subject to lock-in for a period of 3 years from the date of allotment i.e. upto November 16, 2003.

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 March 31, 2003 about 99.19 % comprising 5,10,97,776 Equity Shares are in the dematerialised form.

16. Financial Calendar (tentative and subject to change)

Particulars	Date
Annual General Meeting	August 21, 2003
Financial reporting for 1st quarter ending June 30, 2003	July 30, 2003
Financial reporting for 2nd quarter ending September 30, 2003	October 30, 2003
Financial reporting for 3rd quarter ending December 31, 2003	January 30, 2004
Financial reporting for the year ended March 31, 2004 (audited)	June 30, 2004
Annual General Meeting for year ended March 31, 2004	August, 2004

17. Plant Locations

The details of regional offices of the Company are available on page no. 95 of the report.

18. Investors' Correspondence

Investors' correspondence may be addressed to:

Mr. Ajay Patadia

President - Corporate Affairs & 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: ajay@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, 1992, the Company has framed 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 on January 30, 2003, details whereof are as under:

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 : Mr. Ajay Patadia

The Remuneration Committee met on May 22, 2003, when all the Committee members were present, to consider the matter of revision of remuneration payable to Ms. Shobha Kapoor, Managing Director & CEO and Ms. Ekta Kapoor, Creative Director of the Company for remaining tenure of their current appointment.

C. SHAREHOLDER RIGHTS

Balaji Telefilms sends to each household of shareholders a copy of its half-yearly results.

D. POSTAL BALLOT

No resolutions are being proposed to be passed through postal ballot.

Auditors' Report

on corporate governance

To The Members of

BALAJI TELEFILMS LIMITED

We have examined the compliance of conditions of corporate governance by BALAJI TELEFILMS LIMITED, for the year ended on 31st March, 2003, 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 of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

For Deloitte Haskins & Sells
Chartered Accountants

For Snehal & Associates
Chartered Accountants

(A.Siddharth)
Partner
Mumbai, May 22, 2003

(Snehal Shah)
Proprietor
Mumbai, May 22, 2003