

## **DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS**

Dear Members,  
KOFFEE BREAK PICTURES LIMITED  
MUMBAI

The Directors are pleased to present the 24th Annual Report together with the Audited Financial Statements for the financial year ended March 31, 2016. The Management Discussion and Analysis is also included in this Report.

### **1. FINANCIAL PERFORMANCE**

The brief financial results of the Company are as detailed below:

(in Rs.)

Particulars	Year Ended 31st March 2016	Year Ended 31st March 2015
Total Revenue	2,531,867	4,350,793
Profit/(Loss) before taxation	422,180	(141,582,864)
Profit/(Loss) after tax	280,330	(141,582,864)

### **2. OPERATION AND STATE OF THE AFFAIRS OF THE COMPANY**

During the financial year ended on March 31 2016, gross revenue from operations stood at Rs. 25.32 lacs as compared to Rs. 43.51 lacs in the previous year. During the financial year, the Company has earned net profit of Rs. 2.80 lacs as compared to a loss of Rs. 1415.83 lacs in the previous financial year.

### **3. CORPORATE OVERVIEW**

During the year the company is in the business of media and entertainment. There is no change in nature of the business of the Company. The Company has its registered office at Mumbai.

### **4. OVERVIEW OF THE ECONOMY AND ANALYSIS**

As per the latest GDP growth estimates, Indian economy grew by 7.9% in FY16 compared to 7.4% in FY15, mostly driven by improved economic fundamentals and revision of GDP methodology calculation. Even inflation showed signs of moderation, a welcome sign - wholesale price and consumer price inflation declined. Reduced inflation, falling crude oil prices, stable Rupee, improved purchasing power and consumer spending, higher capital inflows supported by the government policy reforms have already put India on an accelerating growth track and improved the business outlook.

Reforms like e-auctions of coal mines and telecom, FDI hike in insurance, speedier regulatory approvals etc. will be critical growth enablers to de-bottleneck stalled projects, improve the investment outlook and the ease of doing business in the country. Reforms currently underway such as GST implementation, Amendment on Land Acquisition Bill, Labour Reforms, etc. are expected to provide the requisite thrust for growth in the medium-term.

The M&E industry is expected to register a good growth in view of the digitization and enhanced number of channels and private stakeholder, momentum in crossover movies and crossover audience, increase in global presence of Indian channels and creation of domestic demand for animation and special effects. Besides adaptation to high-end digital technology, the entertainment industry is also witnessing rapid development of state-of-the-art studios and post production facilities. The digital technologies and their

innovative applications have changed the entertainment sector considerably, especially the content production and its quality. Internet has also emerged as the latest revenue stream and has become one of the fastest growing advertising medium and has made a significant impression on the entertainment industry.

#### **Opportunities and Challenges**

Apart from making animation films we are targeting products at the children segment. This age-group is easier to please as they do not have any pre-notions about the products they view. Hence they form an excellent audience. Also all products aimed at this segment have a higher repeat value ensuring better sales in fields of home video and merchandise. If kids like one thing, they would repeatedly want to do the same thing time and over again. We are using the best of hardware and software apart from specialized man-power we aim at delivering traditional 2D animation 90 minute films in a span of 9 to 12 months which usually take 25 - 30 months. After the setup of our own animation studio which is one of the best in country in terms of human resources, hardware & software we can now undertake projects for other firms & individuals. With the launch of more television channels, there is an acute shortage of material to telecast increasing our opportunities to exploit better prices for our content.

However, the media and entertainment are constrained with many challenges including rising costs (wages, inventory and interest costs),intensified competition from other low cost countries and political risk to implement the reforms like GST etc. Such issues need to be addressed to result in unlocking maximum growth potential.

#### **5. DIVIDEND AND RESERVES**

In view of the in losses incurred during the financial year, Your Directors express their inability to recommend any dividend. During the year under review, no amount was transferred to General Reserve.

#### **6. SHARE CAPITAL**

The paid up equity share capital as at March 31, 2016is stood at Rs. 130,011,000(Rupees Thirteen crores eleven thousand only).There is no change in the share capital of the company during the financial year.

The Company has not issued any equity shares with differential rights and hence no information as per provisions of Rule 4(4) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

The Company has not issued any sweat equity shares and hence no information as per provisions of Rule 8(13) of the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

The Company does not have any Employee Stock Option Scheme or Employee Stock Purchase Scheme. Hence no information as per the provisions of Rule 12(9) of the Companies (Share Capital and Debenture) Rules, 2014 has been furnished.

There are no shares held by trustees for the benefit of employees and hence no disclosure has been made under Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014.

#### **7. SUBSIDIARY AND ASSOCIATES COMPANIES**

As on March 31, 2016, the Company has no Subsidiary, Joint Ventures or Associates Company.

#### **8. CONSOLIDATED FINANCIAL STATEMENT**

The Company is not required to consolidate its financial statements in terms of the provision of Section 129(3) of the Companies Act, 2013 and Rules made there-under during the financial year.

**9. CORPORATE GOVERNANCE**

A Report on Corporate Governance, as required in terms of the provisions of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the Auditor's Certificate thereon is annexed herewith.

**10. EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT-9, as required under Section 92 of the Companies Act, 2013, is annexed herewith as Annexure - A and forms an integral part of this report.

**11. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

In terms of the provisions of section 152 of the Companies Act, 2013 and of the Articles of Association of the Company, Mr. Pikesh Sharma Director of the Company retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-appointment.

All Independent Directors had furnished to the Company a declaration under Section 149(7) of the Companies Act, 2013 stating that they meet criteria of Independence as provided under section 149(6) of the Companies Act, 2013 and SEBI Listing Regulations.

**12. BOARD EVALUATION, INDUCTION AND TRAINING OF BOARD MEMBERS**

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as evaluation of the working of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Independent Directors was completed. The performance evaluation of the Chairman and the Non-independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with the evaluation process.

The process followed by the Company for induction and training to Board members has been explained in the Corporate Governance Report.

**13. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY COMPANY**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to Financial Statements.

**14. WHISTLE BLOWER POLICY**

The Company has a whistle blower policy to report genuine concerns or grievances. The Whistle Blower policy has been posted on the website of the Company.([www.koffeekbreak.in](http://www.koffeekbreak.in)).

**15. REMUNERATION AND NOMINATION POLICY**

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members. The remuneration and nomination policy has been posted on the website of the Company ([www.koffeekbreak.in](http://www.koffeekbreak.in)).

## 16. RELATED PARTY TRANSACTIONS AND POLICY

The Company has developed a related party transactions framework through standard operating procedures for the purpose of identification and monitoring of transactions with the related parties.

The policy on related party transactions as approved by the Board of Directors has been uploaded on the website of the Company ([www.koffeebreak.in](http://www.koffeebreak.in)). None of the Directors has any pecuniary relationship or transactions vis-d-vis the Company.

The details of transactions entered into with the related parties are given here-in-below in form AOC-2 in terms of the provision of section 188(1) including certain arm's length transactions:

### A. Details of contract or arrangement or transactions not at arms' length basis ; Nil

a. Name(s) of the related party and nature of relationship	NA
b. Nature of contract /arrangements/transaction	NA
c. Duration of contract /arrangements/transaction	NA
d. Salient terms of contract /arrangements/transaction including the value, if any,	NA
e. Justification for entering into such contract / arrangements/ transaction	NA
f. Date(s) of approval by the Board	NA
g. Amount paid as advances , if any,	NA
h. Date on which special resolution was passed in general meeting as required under first proviso to section 188	NA

### B. Details of contract or arrangement or transactions at arms' length basis :

a. Name(s) of the related party and nature of relationship	NA
b. Nature of contract /arrangements/transaction	NA
c. Duration of contract /arrangements/transaction	NA
d. Salient terms of contract/arrangements/transaction including the value, if any,	NA
e. Date(s) of approval by the Board	NA
f. Amount paid as advances , if any,	NA

## 17. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators/Courts that would impact the going concern status of the Company and its future operations.

## 18. DIRECTORS' RESPONSIBILITY STATEMENT

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013:

- i. that in the preparation of the Annual Accounts for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- ii. and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis;
- v. that the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi. that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 19. STATUTORY AUDIT

M/s Agarwal Desai & Shah, Chartered Accountants, (Firm Registration No: 124850W) who are Statutory Auditors of the Company hold office up to the forthcoming Annual General Meeting and are recommended for re- appointment to audit the accounts of the Company for the financial year 2016-17. As required under the provisions of Section 139 of the Companies Act, 2013, the Company has obtained written confirmation from M/s.Agarwal Desai & Shah, that their appointment, if made, would be in conformity with the limits specified in the said Section.

## 20. COST AUDIT

Provision of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 are not applicable to the Company during the year under review.

## 21. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company has appointed Ms. Binu Singh (CP No.13806) Company Secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith as Annexure - B and forms an integral part of this report.

### **The Management comments on the qualifications in the Secretarial Audit Report as under:**

These are the technical lapses and inadvertently. The Company has appointed the Internal Auditor and in process of the appointing Company Secretary and would be complied the requirement as soon as it find the suitable candidate. The Board of Director will ensure that henceforth such lapses would not occur.

## 22. INTERNAL FINANCIAL CONTROL AND THEIR ADEQUACY

Your Company has policies, procedures and effective internal controls for ensuring orderly and efficient conduct of the business, safeguard of its assets, prevention and detection of fraud and errors, accuracy and completeness of the accounting record, timely preparation of financial statements and proper disclosure.

During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

The internal and operational audit is conducted on regular basis The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

**23. RISK MANAGEMENT**

During the year under review, the Company has identified and evaluates elements of business risk. Consequently a Business Risk Management framework is in place. The risk management framework defines the risk management approach of the Company and includes periodic review of such risks and also documentation, mitigating controls and reporting mechanism of such risks. The framework has different risk models which help in identifying risks trend, exposure and potential impact analysis at a Company level as also separately for business.

Some of the risks that the Company is exposed to are:

**Financial Risks**

The Company's policy is to actively manage its foreign exchange risk within the framework laid down. Given the interest rate fluctuations, the Company has adopted a prudent and conservative risk mitigation strategy to minimize interest costs.

**Regulatory Risks**

The Company is exposed to risks attached to various statutes and regulations. The Company is mitigating these risks through regular review of legal compliances carried out through internal as well as external compliance audits.

**24. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Provision of Schedule VII of the Companies Act, 2013 read with Companies Corporate Social Responsibility Policy) Rules, 2014 are not applicable to the Company during the year under review.

**25. ENVIRONMENT AND SAFETY**

The Company is conscious of the importance of environmentally clean and safe operations. The Company's policy requires conduct of operations in such a manner, so as to ensure safety of all concerned, compliances environmental regulations and preservation of natural resources.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Company has formulated and implemented a policy on prevention of sexual harassment at workplace with a mechanism of lodging complaints. Its redressal is placed on the intranet for the benefit of its employees.

During the year under review, no complaints were reported to the Board.

**26. STATUTORY INFORMATION**

- The information on conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Section 134(3) (m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 are not applicable to the Company during the period under review.
- The information required under Section 197 of the Companies Act, 2013 read with rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company during the financial year.
- The Company has not accepted any deposits, within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014.
- The Business Responsibility Reporting as required under SEBI (LODR), 2015 and is not applicable to your Company for the financial year under review.
- Disclosure as required under para F of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are not applicable to the Company during the financial year.

**27. CAUTIONARY STATEMENT**

Statements in this Directors' Report & Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.

**28. APPRECIATION**

Your Directors wish to thank all the stakeholders who have contributed to the success of your Company. Your Directors wish to place on record their appreciation, for the contribution made by the employees at all levels. Your Directors also wish to thank its customers, dealers, agents, suppliers, investors and bankers for their continued support and faith reposed in the Company.

**For and on behalf of the Board of Directors of  
KOFFEE BREAK PICTURES LIMITED**

Sd/-  
**Pikesh Sitaram Sharma**  
**Managing Director**  
DIN:05143923

Sd/-  
**Babita Sharma**  
**Executive Director**  
DIN:06942432

Place: Mumbai  
Dated: August 09, 2016