

WTECH ENTERTAINMENT LIMITED

9th Annual Report (1999-2000)



The logo for Report Junction.com features the text "Report" in a light grey font, a yellow diamond icon with a black arrow pointing up and to the right, and the text "junction.com" in a light green font. The entire logo is enclosed in a light green rounded rectangular border.

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BOARD OF DIRECTORS

Mr. Vinay Mudgil
Executive Vice President

Mr. Kirit R. Kanakiya
Director

Mr. Mahendra Kanakiya
Director

Mr. Kr. Vir Vikram Singh
Director

Mr. Babubhai Thiba
Director

Auditors

Durgesh Kabra & Company
Chartered Accountants

Bankers

UTI Bank
Mogaveera Coop. Bank

Registered Office

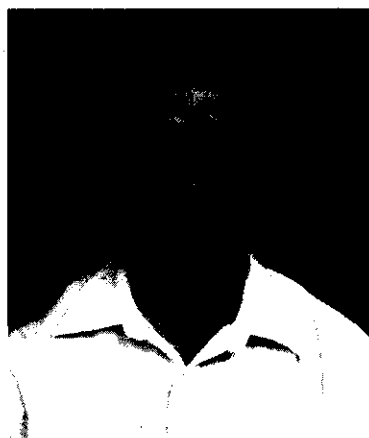
Hilton Center, Plot No. 66, Sector No. 11,
Unit No. 23 & 24, 1st Floor,
CBD Belapur,
Navi Mumbai - 400614.

Message from the Executive Vice President

As we enter the new millenium, we are at the cross-roads with changed perspective of business activities. A liberalized economy and an open competition have changed our mindsets in regard to many parameters of the business. Perched on the strong foundation of improved methodology of expert planning, professional services, and better utilization of resources, Hitech is poised to meet new challenges and opportunities with clear vision and well-defined strategies. Armed with these strategies the company has set up a production house for making Information Technology-based software, multimedia and entertainment programs. The programs are developed for a foreign broadcaster, who will telecast the same as an exclusive IT channel. We, Hitech Entertainment Limited would be coming out with an magazine focussing on Information Technology.

The company's turnover has increased to Rs.1,93,87,850/- for the year ended March 2000 from Rs. 36,97,110/- for the year ended March 31, 1999. The company has seen a jump of 424.41 per cent in its turnover for the year ended March 2000 ; gross profit by 404.98 per cent to Rs. 1, 80,14,350/- from Rs. 35,67,390/- and net profit by 347.22 percent to Rs. 1,59,44,880/- from Rs. 35,65,390/- during the year. Our company has declared an interim dividend of 20 percent for the year 1999-2000 for their shareholders.

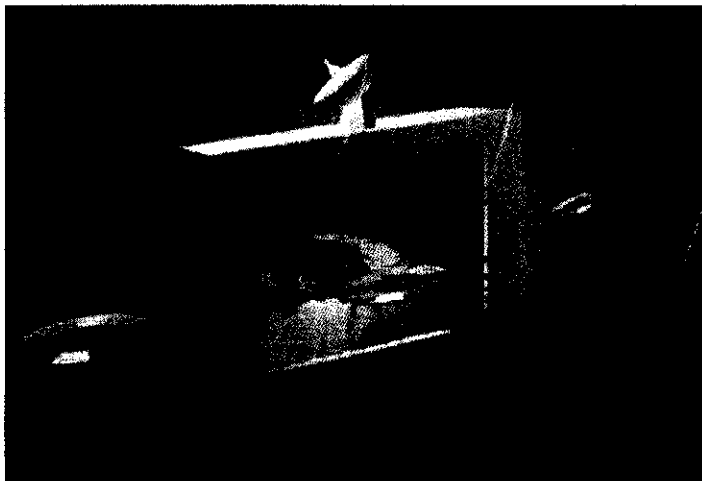
The company is all set for developing software for T.V serials, motion pictures, audio and video albums. Along with all this our company is launching a movie abiding to Indian culture, and is complete family oriented musical love story. Presently the company is also planning to make audio and video albums "MEIN TO TITALI HUN" & "VOH JO HAASINA". This can be achieved only with total commitment and dedication from all our employees, and the wholehearted support from our customers. We are aware of the hurdles in our way as we move ahead. However, our resolution and commitment to strengthening our business and making decision at right time for long term prospect is stronger than before.



Industry Overview

Indian TV broadcasting industry

- 1) The current proliferation of satellite TV channel including several foreign broadcasting companies belie the fact till 1990, there were no channels other than state owned terrestrial Doordarshan Network (DD). The advent of satellite television was heralded by the Gulf War of 1990 and its coverage on CNN, which was beamed into small number of Indian homes through cable operator channel. Since then, satellite and cable television never looked back.
- 2) The period 1991-1994 has seen veritable explosion in the satellite television scenario in India. All major international broadcasters now have presence in India. These include STAR TV (with a bouquet of 5 channels), BBC, CNN, ESPN CNBC & MTV. In addition to local to local majors like ZEE which offers 3 specific channels, and Sony Entertainment Television, there are close to 20 other regional and cable channels available.
- 3) The government owned Doordarshan has responded by offering eleven regional and three prime channels to Indian Viewers. Doordarshan is now the second largest television broadcast network in the world after China's state owned network. While the satellite TV channels pose serious competition, DD retains a strong market share
- 4) Amongst the satellite channel, Zee TV dominates the Hindi viewing audience, STAR TV dominates the upper income English speaking population while Sun TV and clutch of local channels control viewership in the south of the country. Whilst several others are looking to build market share, the going is very tough and only those with long term perspective and resources to match are expected to survive.



Television programming "a large avoid"

- 1) This is one area in the media industry that is expected to grow the fastest over the next five years. With the advent of over 40 satellite channels plus the existing DD network, there is huge gap between demand and supply of television programming.
- 2) Current estimates indicate that viewers can access more than 600 hrs of programming each day up from 8-10 hours in 1990. Typically, each channel requires about 8-10 hrs of fresh programming each day to ensure viewer interest but current levels are much than 3-4 yrs., exposing the 'supply' potential.
- 3) It is now clearly established that for any channel to be successful, more than 80% of the programming has to cater to local tastes in case of entertainment channels and atleast 30% in case of news of sports based channels. All the international players despite owning large libraries abroad are sourcing new programs locally.
- 4) Based on all these factors, one can safely infer that the Indian TV industry requires about 20000 hours of new programming each year translating into market size of Rs. 6 billion and growing rapidly.
- 5) The production industry in India is highly dispersed and unorganised. There are over 2000 independent, many of who have no track record. Their access to

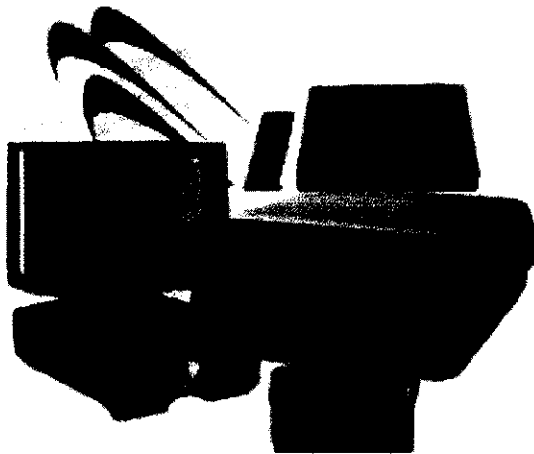
capitalise is also limited and their existence is highly precarious. Only a handful of well known producers have their own production facilities and even these have also come up recently. Historically, the quality of TV programming has been poor due to limited hi-tech production studios



- 6) The main criteria for successful producers is as follow :
- Access to captive production and post production facilities which increases efficiency and trims production costs.
 - Access to capital or bank finance that can enable them to invest in quality projects which require large investments.
 - A creative team capable of servicing all media segments advertising TV serials films music graphics and special effects for advertisements and films.

The ADVERTISING INDUSTRY

- 1) The industry has been one of the major beneficiaries of India's economic liberalization programme. The opening up of consumable durables food and beverages as well as service sectors has seen a flood of foreign brands in the last two years
- 2) Understandably, the size of total advertising has increased at a rapid of 25% over the last two years. TV ad spends has grown even faster at 30% per annum and currently constitutes a fourth of total advertising. Current estimates put total advertising spend at Rs 40 billion and TV advertising spend at Rs 10 billion
- 3) Another important reason for rapid growth in TV advertising is the increase in the television population in the country. TV sales has grown 30% in last three years and there are about 50 million TV (of which 15 million are color TVs) in the country.



STUDIO INFRASTRUCTURE

- 1) There is huge dearth of quality studios in the country. The existing studios offer old equipment and lim-

ited post production facilities. However, all these studios have high occupancy because of demand for post production facilities

- 2) The growth in demand for television software has led to a sharp growth in demand for post production studios, specifically large integrated set ups which offer whole range of facilities like shooting equipment editing, sound recording and dubbing graphics animation special effects, large shooting floors as well as professional creative and technical teams.
- 3) In response to this demand, several large existing producers have drawn up ambitious plans to put up expensive studios but only few like Crest Communications have been able to implement these plans. A modern studio equipped with shooting floors and hi-tech post production equipment costs between Rs 300 and Rs 500 million and 24-30 months to set up
- 5) Existing independent studios in the industry include CMM, Crest Communications, United studio and Western outdoors

COMPETITION

The largest and most organised players in the TV industry are listed above. While several have plans to become one stop entertainment shops, Hitech has huge plans to implement it in near future



Corporate Profile

Hitech Entertainment Ltd., having its registered office at Hilton Center, CBD Belapur, is all poised to enter the glamorous world of entertainment. It plans to come out with feature films, telefilms, TV serials, Music albums and also software magazine.

The company plans a foray into Entertainment Industry by setting up its own production house for development and post-production activity & software for Television programs of different genres including drama, comedy, short stories, music, action, detective, talk show and countdown shows, feature films, Audio/Video albums & Multimedia and other entertainment related activities. The programs will cater to the needs of satellite broadcasters. One of the foreign broadcasters has already been signed who will telecast the same as an exclusive IT channel.

You'll find here famous personalities from the world of stardom, fashion, education, home and society. It claims to be India's largest and most comprehensive multi-divisional entertainment and communications company, covering every aspect of the audio-visual industry.

The company would be providing programming

