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# COLOR CHIPS (INDIA) LIMITED

COLORCHIPS

## 13th Annual Report

**2002-2003**

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**Board of Directors**

| | |
|---|---|
| Sudhish S Rambhotla | Chairman and Managing Director |
| Y. Suryanarayana | Executive Director |
| William Bill Buck | Director |
| Y Kasipathy | Director |
| KCh. A.V.S.N.Murty | Director |
| Dr.Jaydev Babu | Director |

**Registered Office**

Plot No.16, Road No.5
Jubilee Hills, Hyderabad - 500 033
Tel No. 040-23550268, 23544862-4

**Bankers**

Global Trust Bank Limited,
Ameerpet, Hyderabad

ICICI Bank Limited
Jubilee Hills, Hyderabad

State Bank of India,
Film Nagar, Hyderabad

**Auditors**

S N Murthy & Co.,
Chartered Accountants
Chikkadapally
Hyderabad - 500 020

**Registrars (NSDL and CDSL)**

Venture Capital and Corporate Investments Pvt Ltd
6-2-913/914, 3rd Floor
Progressive Towers, Khairatabad
Hyderabad
Phone No. +91-040-2332226/4, Fax No.+91-040-23303221



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COLORCHIPS

www.colorchipsindia.com

31-12-2003

D.H.Shah,
D.N.R.Equitire,
C / 139 Zealawad Nagar 2nd Floor,
C.D.Barfiwala Marg Andheri (W),
Mumbai – 400 058

Dear Sir,

Sub : Annual Report for the year 2002 – 2003 .
Ref No. ISC/A-20/20031000372

With reference to above, we would like to inform you that we have already dispatched the Annual Report for the year 2002 –2003 at the time of AGM. However we are sending once again one more copy of the same as per your request.

Thanking you

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Yours faithfully
For Color Chips India Limited

Y Suryanarayana
Executive Director

COLOR CHIPS (INDIA) LTD., PLOT #16, ROAD #5, JUBILEE HILLS, HYDERABAD-500 033. INDIA. PHONE: 23544862/63 FAX: 91-040-2355 9333, email: info@colorchipsindia.com

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# NOTICE

Notice is hereby given that the 13th Annual General Meeting of the members of the company is scheduled to be held on 30th day of September 2003 at the Registered office of the company situated at Plot No.16, Road No.5, Jubilee Hills, Hyderabad at 10.00 a.m. to transact the following Business:

**ORDINARY BUSINESS**

1. To consider and adpot the Director's Report, the Auditor's Report, the Balance Sheet as at 31st day of March 2003 and the Profit and Loss Account for the year ended 31st March 2003.
2. To appoint a Director in place of Mr. Y Suryanarayana who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. KCh A V S N Murthy who retires by rotation and is eligible for re-appointment.
4. To consider, and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

   "RESOLVED that M/s S N Murthy & Co., Chartered Accountants, Hyderabad be and hereby appointed Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company in addition to actual out-of-pocket expenses incurred by them for the purpose of audit."

**SPECIAL BUSINESS**

5. To consider, and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution for the appointment of Mr. Y Kasipati as Director of the Company:

   "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 Mr.Y Kasipati who was appointed as an Additional Director of the Company U/S 260 of the Companies Act, 1956 and who holds the office upto date of the Annual General Meeting and being eligible, offers himself for appointment and in respect of the whom the Company has received notice from a member pursuant to the provisions of section 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Mr. Y Kasipati for the office of Director, be & is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification the following resolution as an Special Resolution:

   "RESOLVED THAT pursuant to section 81(1A) and other application provisions of the Companies Act, 1956, and in accordance with the provisions of the Articles of Association of the Company and subject to necessary approvals/permissions from SEBI/RBI/any other appropriate authorities, the consent of the Company be and is hereby accorded to the Board of Directors of Company (hereinafter referred to as the "Board") to issue, offer and allot 40,00,000 warrants, convertible into shares at a later date to be decided by the board in compliance with the SEBI Guidelines, in one or more trenches, on such terms and conditions as the Board may deem fit to any Banks/Bodies Corporate/Institutions /Promoters Group/FIIs/NRIs/OCBs/business partners and/or any person or persons, as may be decided



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by the Board whether such person or persons is/are existing member or members of the company or not, on a preferential basis/private placement.

RESOLVED FURTHER that for the purpose of giving effect to this resolution the Board be and is hereby authorised to do all such acts, deeds and things as it may deem necessary or desirable.

FURTHER RESOLVED that the Board be hereby authorised to take steps to increase Share Capital of the Company to the extent required to allot shares on Conversion at the time of Conversion warrants"

7 To consider, and if thought fit, to pass with or without modification the following resolution as an Ordinary Ressolution:

"RESOLVED that pursuant to the provisions of section 94(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the company and inconformity with the regulations/guidelines issued by SEBI and other statutory authorities and subject to all such approvals, permissions, consents and sanctions of Reserve Bank of India and all other concerned statutory authorities, if any, as may be required by law and to the extent necessary, and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions which may be agreed to by the Board of Directors of the Company, (hereinafter referred to as the Board, which term shall be deemed to include any committee of the Board) the Board is hereby authorised to sub-divide 3,93,15,000 equity shares of Rs. 10/- each, being the authorised share capital of the company, into 39,31.50,000 equity shares of Rupee 1/- each.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to call back the existing share certificates from the shareholders and to issue in cancellation thereof, new share certificates in the aforesaid proportion subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960."

8 To consider, and if thought fit, to pass with or without modification the following resolution as an Special Resolution:

"RESOLVED that pursuant to Clause 47 of the Listing Agreement and other provisions, if any, as may be applicable, the Company be is hereby authorised to make voluntary de-listing of the shares from the Hyderabad Stock Exchange Limited, the Regional Stock Exchange."

Hyderabad
September 05, 2003

By order of the Board
Sudhish S Rambhotla
Chairman and Managing Director



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**NOTES:**

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the company.
2. Duly executed instrument of proxy should be deposited with the company as least 48 hours before the commencement of the meeting.
3. The Registrar of Members and Share Transfer books shall remain closed on 29th September 2003 and 30th September 2003 in connection with the ensuing Annual General Meeting.
4. Explanatory statement as required by Section 173 of the Companies Act, 1956 is annexed and forms part of this Notice.

**EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

ITEM NO.5:

Mr. Y Kasipathy, a Director who was appointed as an Additional Director in the meeting of the Board of the Directors on 05-09-2003 Under Section 260 of the companies Act, 1956 would hold office till the date of the Annual general meeting i.e. 30th September, 2003. The Company has received a notice from a member U/S 257 of the Companies Act, 1956 signifying his intention to propose Mr. Y Kasipathy as a candidate for the office of Director.

Your director's are of the opinion that the Company will be immensely benefited with the Appointment of Mr. Y Kasipathy on the Board and accordingly recommend for passing of the resolution.

No Director of the Company except Mr. Y Kasipathy is interested in the resolution.

ITEM NO. 6:

In order to consolidate the Capital base and to augment the long term financial requirements as disclosed in the objects below, your company is proposing to offer and issue warrants not exceeding 40 Lakhs in number of Rs.10/- each for cash on preferential basis to select group as per SEBI Guidelines.

The details required under Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 are given below:

i ) Objects of the Issue:

- To consolidate its Capital base
- To meet its long term Financial requirements.

ii ) Intention of the Promoters:

Directors of the Promoter Bodies Corporate, M/s. Color Chips Animation Park Limited intends to subscribe the warrants issued under preferential allotment.

iii) Shareholding Pattern before and after the conversion:



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| Sl. No. | Name | Pre-Allotment in terms of shares and percentage | | Post Allotment in terms of shares and percentage | |
|---|---|---|---|---|---|
| | | Shares | % | Shares | % |
| 1. | Promoter Group - Color Chips Animation Park Limited | 2873390* | 22% | 2873390* | 16.80% |
| 2. | MF/FIIs/OCB's/NRI's /PCB's | 2921709* | 22% | 2921709* | 17.08% |
| 3. | Public | 7309601* | 56% | 11309601 | 66.11% |
| | Total Paid-Up Equity Capital | 13104700* | 100% | 17104700 | 100% |

Note: * The shareholding pattern given above does not take into account the changes that may occur in the shareholding from the current date till the date of conversion and hence may change accordingly.

Iv ) Proposed time for completion of Preferential Allotment:

Warrants shall be allotted within three months from the date of passing of this resolution.

V ) Identity of the proposed allottees and Acquisition Details:

Approval under Section 81 (1A) is sought for issue of 40 Lakhs warrents of Rs.10/- each on preferential basis and is proposed to be allotted as given below.

| Name | No. Of warrants proposed to be allotted | % of post-preferential issue capital that may be held by them after conversion of warrants |
|---|---|---|
| Sudhish S Rambhotla | 30 Lakhs | 7.8% |
| Y. Suryanarayana | 10 Lakhs | 2.3% |

Note: Conversion of warrants shall be made in compliance with the provisions of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997.

PRICE AT WHICH ALLOTMENT IS PROPOSED:

The above warrants shall be allotted for Rs. 10/- each.

MEMORANDUM OF DIRECTOR'S INTEREST:

As the Warrants are proposed to be allotted to Mr. Sudhish S Rambhotla, Chairman cum Managing Director and Mr. Y Suryanarayana, Executive Director, they may be deemed to be interested. Conversion of warrants shall be made in compliance with the provisions of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 1997.

ITEM NO.7:

As a step towards serving Small Investors your Company has decided to Sub-divide the equity shares of the company from one equity share of Rs.10/- each to 10 equity shares of Rupee 1/-



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each. In terms of section 94 (d) of the Companies Act 1956 it is required to ascertain the approval of shareholders by passing a ordinary resolution in the General Meeting for the sub-division of shares and accordingly your Board of Directors place before you the above resolution for your approval.

None of the Directors except to the extent of their shareholding are interested in the resolution.

ITEM NO.8:

The Company is listed in Bombay Stock Exchange and National Stock Exchange besides the Hyderabad Stock Exchange (Regional Stock Exchange). Though the shares are being traded only on BSE and NSE since listing and not on the Hyderabad Stock Exchange, the directors did not recommend for delisting earlier because it was the designated Regional Stock Exchange.

SEBI has recently, enacted SEBI (Delisting of Securities) Guidelines, 2003 and through these guidelines, abolished the concept of Regional Stock Exchange and has allowed Companies to go for Delisting from such stock exchange, whether regional or otherwise provided the Company was listed on any Stock Exchange having nationwide trading terminals. As the Company shares are listed on two exchanges having nationwide trading terminals, the Directors propose the above resolution for Delisting of the Company shares from the Hyderabad Stock Exchange.

The Board recommends the resolution for your approval.

None of the Directors are interested in the above Resolution.

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Hyderabad
September 5 2003

By order of the Board
Sudhish S Rambhotla
Chairman and Managing Director



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## Directors Report & Management Discussion and Analysis Report

To
The Members

Your Directors have pleasure in placing before you the 13th Annual Report of the company with Audited Financial statements for the year ended 31st March 2003.

### OPERATIONS AND FUTURE OUTLOOK:

(Rs In Lakhs)

| | 2002-03 | 2001-02 |
|---|---|---|
| Net Sales / Income from operations | 325.92 | 63.74 |
| Other Income | 0.23 | 8.86 |
| Total Expenditure | 377.23 | 213.82 |
| Profit before Interest, Depreciation and Tax | (51.08) | (46.34) |
| Provision for Taxation | Nil | Nil |
| Profit after Tax | (51.08) | (140.47) |
| Profit of the Py brought forward | (167.64) | (104.54) |
| Provision for Deferred tax asset current year | 25.61 | 35.59 |
| Transitional Cum Deferred tax asset | Nil | 41.78 |
| Profit / Loss carried to Balance Sheet | (193.25) | (167.64) |

Your Company is planning to enter into own production of Animation Films, TV Serials by using own content library (Intellectual Property) and also trying to enter into Joint Production and Co-Production arrangements with other studios and Production houses.

### DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of association of the Company, Mr. Y Suryanarayana and Mr. KCH A V S N Murthy, Directors will be retiring by rotation at the Annual General Meeting and being eligible, offers themselves for reappointment. Mr. M Ugandhar and Mr. A V Rao have resigned from the Board with effect from 5th of September 2003 due to pre occupation, however Mr. Y Kasipathy joined the Board as additional director on 5th September, 2003 and his appointment is valid till the Annual General Meeting and the Company has received notice from a member proposing his candidature.

### DIRECTORS REPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies Act, 1956, we directors of the Company, confirm the following:

1. That in the preparation of the accounts for the financial year ended 31st March 2003, the application accounting standards have been following along with proper explanation relating to material departures;



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2. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of financial year and of the profit and loss of the company year under review;
3. That the Director has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the accounts for the financial year ended 31st March 2003 on a 'going concern' basis.

**Animation Industry – Opportunities & Treats:**

Animation is not just about cartoon; it is just one genre of animation. Animation has several applications like educational CDs, online education, video games, Internet, mobile phones, commercials and industry-specific applications in architecture, medical, law and insurance. Besides, newer applications for animation are already in progress. In a classical sense, animation is converting drawing skills to a moving format it could be either on paper (two dimensional) or on the computer (three dimensional). By 2008, the global animation market is expected to grow at the rate of eight percent, while the Indian market is expected to have a 2.5 percent growth rate, according to a study carried out by the National association of Software and Service Companies.

The study carried out by Nasscom puts the animation production from Indian producers at $600 million in 2001 and projects it to touch $1.5 billion by 2005. The global animation market is expected to generate revenues of $50 billion to $70 billion by 2005. it is estimated that the amount spent on animation by Indian producers, which was $600 million in 2000, will touch $1.5 billion by 2005. (Source: Deccan Chronicle, Hyderabad July 27, 2003)

The Competitors for the Company include all major domestic animation companies. The Company also faces stiff competition from Far East Companies from Countries like China, Philippines, Taiwan etc., the other major challenge faced by the company being changing technologies, and upgrading the technologies is a task in itself.

Our strength vis-à-vis our competitors are our trained staff, Content library and Creative team.

We are catering to requirements of the print media, visual media and corporate communications. These activities give our Company more visibility and wider market.

**INTERNAL CONTROL SYSTEM:**

Your Company has an established internal controls which provides reasonable assurance with regard to maintaining proper financial system, preserving economy and efficiency of operations, safeguarding assets against unauthorized use or losses and facilitating reliability of financial and operational information.

The Company's internal control systems are adequate and are routinely tested and certified by the statutory and internal auditors.

An Audit Committee of the Board of Directors regularly reviews the audit plans, significant audit findings, adequacy of internal controls as well as compliance with accounting standards. The Audit Committee met four times during the year to review and monitor implementation of management actions for continuous improvement.



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