



CINERAD COMMUNICATIONS LIMITED

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| A N N U A L |
| R E P O R T |
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CINERAD COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

ZAFAR HAI

(Chairman and Managing Director)

SARTAJ NOORANI

JAVED GAYA

RASHPAL MALHOTRA

MANMOHAN SHETTY

AUDITORS

M/S. GANDHI NAIK & ASSOCIATES

Chartered Accountants

BANKERS

BANK OF INDIA

HONGKONG & SHANGHAI BANKING CORPORATION LTD.

ABU DHABI COMMERCIAL BANK LTD.

REGISTERED OFFICE

G-3, BOMBAY MARKET APARTMENTS CO-OP. SOCIETY LIMITED

78, TARDEO ROAD, TARDEO,

MUMBAI- 400 034.

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CORPORATE OFFICE

91-A, MITTAL TOWER,

NARIMAN POINT,

MUMBAI - 400 021.

REGISTRARS AND SHARE TRANSFER AGENTS

SYSTEM SUPPORT SERVICES

209, SHIVAI INDUSTRIAL ESTATE,

89 ANDHERI KURLA ROAD,

SAKINAKA, NEAR L.I.C.,

MUMBAI - 400 072.



NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of CINERAD COMMUNICATIONS LIMITED will be held at Conference Hall, 16th Floor, Wing C, Mittal Tower, Nariman Point, Mumbai- 400 021, on Monday, 30th September, 2002 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Sartaj Noorani, who retires by rotation but does not offer herself for re-appointment.
3. To appoint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTES :

1. The Register of Members and the Share Transfer Books of the Company will be closed on 30th September, 2002.
2. Members are requested to intimate changes, if any, in their registered address along with the pin-code number to the Company's Registrars & Transfer Agents, M/s. System Support Services.
3. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES, TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER. THE PROXY FORM, DULY COMPLETED SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
4. Members are requested to bring their copy of the Annual Report and Attendance Slip at the Annual General Meeting.

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For and on behalf of the Board of Directors

ZAFAR HAI

Chairman and Managing Director

Registered Office :

G-3, Bombay Market Apartments,
78, Tardeo Road, Tardeo,
Mumbai- 400 034.

Dated : August 28, 2002

CHAIRMAN'S STATEMENT

I want first of all to share with you the strength of my optimism for your Company's future, in the immediate as well as the medium and long terms. It may seem odd that I should want to express a sentiment of optimism after a year in which your Company made a loss. But, there is good reason for this, both in terms of industry prospects as well as in your company's actual performance in being able to garner potentially very profitable confirmed orders in the first 6 months of the financial year 2002-03. The good news is that, based on business gained during this period alone, your company is expecting a reasonable operating profit for the year 2002-03. Subsequent business orders during the latter half of the year will only add further to profits. The confirmed orders for which work is already in progress are for corporate films and documentaries for prestigious clients such as Tata Sons, the Aditya Birla Group, HSBC Bank, Jardine Matheson & Co., P & O Ports, and the Indian Hotels Company for whom we are producing a film to mark 100 years of the Taj Mahal Hotel.

The continuing economic downturn in the financial year 2001-02 had compelled companies to size down and cut expenditure. In such circumstances, one of the first remedial measures that companies resort to is the scaling down of advertising budgets. This fact has been of considerable consequence to companies such as yours, which rely on corporate films and television commercials for the bulk of their revenue.

While the company was able to increase sales volumes, it witnessed longer sales realisation cycles. Its profit margins also came under enormous pressure. Owing to a preponderance of supply over demand there has been widespread price cutting among production houses, and there has been a significant drop in profit margins which have more than halved as compared to the previous year. This coupled with a significant increase in overhead expenditure resulted in an operating loss of Rs. 41.75 lacs. This loss was due, to a significant extent, to an increase in overhead costs resulting from the induction of senior staff, including a Chief Executive Officer. This was to be offset by a resultant increase in revenues. We have since taken measures to reduce overheads for the time being by downsizing highly paid staff, and resorting to the induction of expertly qualified and experienced freelance individuals on a job to job basis. In the film and television industries this is by no means unusual.

The upturn in the company's fortunes during the first half of financial year 2002-03 has, however, once again opened up vistas for growth. The company can now look beyond the immediate term and plan bigger ventures with longer gestation periods.

A report brought out by consultancy firm PricewaterhouseCoopers(PwC) on the industry predicts that film entertainment will drive the growth of the entertainment and media sector in India due to the increasing popularity of Indian films abroad, the Indian film entertainment business is poised to touch \$ 1.5 billion by 2006, from \$ 617 million in 2001.

The institutionalisation of corporate governance and a combination of creative professionals with professional management has attracted financing from the organised sector, particularly for film production activities. Financial institutions and banks are now lending funds for film production at attractive rates. Large industrial houses are committing funds to film production activities. A case in point is Tata Infomedia Limited, which has also set aside a separate fund for the financing of medium budget feature films.

Keeping in mind this favourable environment, your company has decided to develop film projects to be financed by outside sources, as above. In this, we will be venturing into an area with great potential, and one in which I myself have valuable experience, having directed an international feature film produced by the world famous Merchant Ivory Productions.

Together with our growing leadership position in the production of documentaries and corporate films, and with the current level of reduced overheads being maintained, I strongly believe your company is poised to deliver value added growth in the years to come.

ZAFAR HAI

Chairman and Managing Director

PLACE : MUMBAI

DATED : August 28, 2002



DIRECTORS' REPORT

Dear Members,

Your Directors present the 16th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

The Financial Results of the Company are as under :

| | Financial Year ended 31.3.2002 | (Rs. in Lakhs) Previous Year ended 31.3.2001 |
|--|-----------------------------------|--|
| Profit/(Loss) before Depreciation and Taxation | (41.75) | 36.74 |
| Less : Depreciation | 25.52 | 24.63 |
| Less : Provision for Taxation (Current) | - | - |
| Deferred Tax (Net) | 3.54 | - |
| Profit/(Loss) after Depreciation and taxation | (70.81) | 12.11 |
| Balance brought forward from Previous Years | (57.02) | (69.13) |
| Balance carried forward | (127.83) | (57.02) |

In view of the losses incurred during the year, the Directors do not recommend payment of dividend for the year ended 31st March, 2002.

BUSINESS PERFORMANCE AND FUTURE SCENARIO

The total income for the year has increased to Rs. 228.54 lakhs from Rs. 181.63 lakhs for the previous year, an increase of 25.8%. However, the Company has incurred a loss before depreciation and taxation for the year of Rs. 41.75 lakhs, as against a profit before depreciation and taxation of Rs. 36.74 lakhs for the previous year. The loss after depreciation and taxation for the year is Rs. 70.81 lakhs, as against a profit after depreciation and taxation of Rs. 36.74 lakhs for the previous year.

The total expenditure was higher for the year mainly on account of reduced profit margins on production jobs, which have more than halved as compared to the previous year. Revenues from studio operations have dropped to Rs.5.46 lakhs, from the previous year's Rs. 18.82 lakhs. The Company's post-production facility with its increasingly obsolete studio equipment has not been able to compete effectively with larger, more integrated studios. As outlined in an earlier communication, the Company has made a strategic shift away from the capital-intensive post-production studio hire business. Currently, the studio is predominantly being used as an in-house facility. Administrative and other expenses for the year have also gone up to Rs. 102.81 lakhs from Rs. 75.78 lakhs in the previous year mainly on account of increased expenditure on remuneration to senior managerial and technical personnel.

The Company has, however, started the current financial year on a strong note. It has confirmed orders for corporate films and documentaries which should see it making a reasonable operating profit for the year 2002-03. Film entertainment is expected to drive the growth of the entertainment and media sector in India. Consultancy firm Pricewaterhousecoopers (PwC) predicts that the Indian film entertainment business is poised to touch \$ 1.5 billion by 2006, from \$ 617 million in 2001. With a view to exploiting this area of great potential, your Company has decided to develop feature film projects to be financed by outside sources.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits from the Public during the financial year under review.

DIRECTORS

Sartaj Noorani, Director retires by rotation at the ensuing Annual General Meeting but does not offer herself for reappointment, in view of her other pre-occupations. Your Directors place on record their sincere appreciation for the valuable advice and guidance provided by her during her tenure as a Director of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;

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- ii. the directors have selected such accounting policies 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 at the end of the financial year ended 31st March, 2002 and of the loss of the Company for that year;
- iii. the Directors had 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;
- iv. the Directors have prepared the annual accounts on a 'going concern' basis.

AUDITORS

Messrs. Gandhi Naik & Associates, Chartered Accountants, the Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished a Certificate to the effect that the proposed re-appointment, if made, will be in accordance with Sub-section (1B) of Section 224 of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, as amended, form part of this report. However, the above information is not being sent along with the Annual Report as per Section 219(1)(b)(iv) of the Act. Any shareholder, interested in obtaining the said information, may write to the Company at its Registered Office.

INFORMATION PURSUANT TO SECTION 217(1)(e)

Provisions of Section of 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to the Company, in respect of Conservation of Energy and Technology Absorption and Research & Development.

FOREIGN EXCHANGE EARNINGS AND OUTGO

| | Financial Year ended 31.3.2002 Rs. in lakhs | Previous Year ended 31.3.2001 Rs. in lakhs |
|----------------------------------|---|--|
| a) Total foreign exchange earned | NIL | NIL |
| b) Total Foreign Exchange used | 59.25 | 0.68 |

CORPORATE GOVERNANCE

As per the listing agreement with the Stock Exchange, the Company is required to comply with the requirements of Corporate Governance during the current year by 31st March, 2003.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the contribution of employees at all levels. Your Directors also take this opportunity to thank the Company's Bankers, Shareholders and all others concerned for their valuable support and co-operation extended to the Company.

For and on behalf of the Board of Directors

ZAFAR HAI

Chairman and Managing Director

PLACE : MUMBAI

DATED : August 28, 2002