



CINERAD COMMUNICATIONS LIMITED

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SEVENTEENTH
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R E P O R T
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CINERAD COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

ZAFAR HAI

(Chairman and Managing Director)

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.

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.

17th Annual Report**Details of Director seeking appointment/reappointment in forthcoming Annual General Meeting (pursuant to clause 49 of the Listing Agreement)**

Name of Director	Mr. Manmohan Shetty
Date of Birth	February 24, 1948
Date of Appointment	September 27, 2001
Expertise in functional areas	Accounts, Management and Business
Qualifications	B. Com.
List of Companies in which outside Directorships held as on March 31, 2003	Adlabs Films Ltd. Adlabs Finance Ltd. Adlabs Shringar Multiplex Cinemas Pvt. Ltd. Mamania Films Pvt. Ltd. Maya Entertainment Ltd. Entertainment One India Ltd. Mukta Arts Ltd. Whistling Woods International Pvt. Ltd.
Chairman/Member of the Committees of the Boards of the other Companies on which he is a Director as on March 31, 2003	Mukta Arts Ltd. - Shareholder/Investor Grievance Committee - Member

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 3**

The retiring Auditors of the Company, M/s. GANDHI NAIK & ASSOCIATES, Chartered Accountants, have given a notice to the Company intimating their inability to be reappointed as Auditors at the ensuing Annual General Meeting, on account of restructuring of their firm. The Company has received a Special Notice from a Member, pursuant to Section 225 of the Companies Act, 1956 of his intention to propose the appointment of M/s. NAIK DANAIT & ASSOCIATES, Chartered Accountants, as Auditors of the Company in place of M/s. GANDHI NAIK & ASSOCIATES.

M/s. NAIK DANAIT & ASSOCIATES have given their consent to act as Auditors of the Company, if appointed, and have certified that their appointment, if made, will be in accordance with the limits specified in Section 224 (1-B) of the said Act.

Copies of the intimation received from M/s. GANDHI NAIK & ASSOCIATES, the Special Notice and the letter of consent received from M/s. NAIK DANAIT & ASSOCIATES will be available for inspection by the Members at the Registered Office of the Company on any working day except Saturday, between 11.00 A.M. and 1.00 P.M.

None of the Directors of the Company is in any way concerned or interested in the Resolution at Item No.3.

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
Mumbai- 400 034.
Dated: August 13, 2003



DIRECTORS' REPORT

Dear Members,

Your Directors present the 17th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

The Financial Results of the Company are as under :

	Financial Year ended 31.3.2003	Previous Year ended 31.3.2002
Profit/(Loss) before Depreciation and Taxation	34.27	(41.75)
Less : Depreciation	25.64	25.52
Less : Provision for Taxation (Current)	-	-
Deferred Tax (Net)	(0.17)	3.54
Extra ordinary item (Loss on Sale of Capital Asset)	1.15	-
Profit/(Loss) after Depreciation and taxation	7.65	(70.81)
Balance brought forward from Previous Years	(127.83)	(57.02)
Balance carried forward	(120.17)	(127.83)

In view of the low profits, the Directors do not recommend payment of dividend for the year ended 31st March, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Industry Structure and Development

The Indian economy witnessed a growth of 4.7 % during 2002-2003, whereas in the previous year the growth had been 5.3%. (Confederation of Indian Economy – Report on the state of the Indian economy).

Advertising Industry

The pressures on the economy have meant sluggish growth in media expenditure which was estimated to have grown @ 6 %. According to a report by Initiative Media (Lowe's media arm), the total media expenditure for the calendar year 2002 was Rs.9472 crores of which television advertising revenues are estimated to have been Rs. 3900 crores.

Entertainment Industry

The entertainment industry too has seen a disappointing performance. Management consultant KPMG's stock-taking report on the Indian entertainment sector states that a crippling loss of Rs. 300 crores on shrinking gross revenues of Rs. 3900 crores paralysed the film industry. The continued economic downturn, operational inefficiencies resulting in time and cost overruns and unchecked digital piracy have plagued the film and music sectors.

The television industry has, on the other hand, seen a 17 % growth over the previous year, registering a gross revenue of Rs.11,100 crores in 2002. The television software sector, which supplies content to broadcasters, grew at 30 % to Rs. 2300 crores in 2002. The increasing popularity of family dramas, increased programming rates and the growing number of niche channels, like the mushrooming news channels, have spurred this growth.

Performance

Despite an increasingly competitive business environment your Company has posted improved results during the year. The total income for the year has increased to Rs. 270.79 lakhs from Rs. 228.54 lakhs in the previous year, representing an increase of 18%. Significantly, the Company has made an operating profit for the year of Rs. 34.27 lakhs, as against an operating loss of Rs. 41.75 lakhs for the previous year. The profit after depreciation and taxation for the year is Rs. 7.65 lakhs, as against a loss after depreciation and taxation of Rs. 70.81 lakhs for the previous year.

The Company's turn-around this year can be attributed to its profitable performance in the production of corporate films and documentaries. The nascent revival being witnessed in Indian industry has resulted in an increased demand for corporate image films. During the year, the Company made corporate films for prestigious clients such as Tata Sons, Tata Chemicals, and the Aditya Birla Group. The Company also produced a commemorative

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film for the Indian Hotels Company marking a hundred years of the Taj Mahal Hotel, Mumbai. This film has been greatly appreciated by the clients and is currently being screened to invited audiences in the Indian metros. It is also expected to be telecast in the near future.

A reduction in administrative overheads and an eschewing of the recruitment of highly paid staff, coupled with increased operational efficiency, has resulted in higher net margins. The Company's policy of hiring experienced freelance specialists on a job to job basis has been borne out by reduced employee costs. This policy will be continued in the forthcoming years.

Outlook

Advertising Industry

Prospects for the advertising and entertainment industries are encouraging. Based on an abundance of improving economic indicators that support a positive outlook, the Confederation of Indian Industries (CII) have forecast a 6.0 - 6.4 % GDP growth in 2003-04. Accelerating industrial activity should see advertising revenues grow robustly in 2003-04.

Entertainment Industry

The increased entry of corporate entities into film and television production, financing and distribution is already beginning to herald the incorporation of better business practices across the entire gamut of content production, post production, distribution and marketing. The KPMG study forecasts a compounded annual growth rate (CAGR) of 20 % for the Indian entertainment industry from Rs. 16,600 crores in 2002 to Rs. 41,900 crores in 2007.

Company Prospects

The Company continues to exploit profitably the niche that it has developed - the production of corporate films and documentaries. In F.Y. 2003-2004 it has already completed and delivered a documentary of which the principal sponsor was HSBC Bank. It is currently into production of corporate films for the Essar Group, Indian Hotels Company Limited and the L V Prasad Eye Institute, Hyderabad. Your Company is also in an advanced stage of negotiations to produce a prestigious film for the Tata Group that is intended to mark the hundredth Death Anniversary of their Founder, Jamsetji Tata, together with the hundredth Birth Anniversary of J.R.D. Tata, both of which happen to fall next year.

The Company also continues to look at the development of viable film projects and television programmes as a long term objective, and efforts in this direction are continuing.

We are now close to completing half the current financial year. On the strength of the work already completed and future assignments on hand, your Company expects improved results in F. Y. 2003-2004.

In an effort to maximise shareholder value, the Company is also exploring prospective alliances / partnerships / joint ventures with like-minded persons / companies in similar / allied areas of operations. The Company is yet to conclusively identify any such strategic initiative.

Segment-wise Reporting

The Company has only one segment and segment-wise reporting does not apply to it.

Internal Control & Systems

The Company maintains an adequate and effective internal control system commensurate with its size and complexity. We believe that these internal control systems provide a reasonable assurance that transactions are executed with management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of the company are adequately safe-guarded against significant misuse and loss. Significant findings of the Internal Auditor are brought to the notice of the Audit Committee of the Board and corrective measures recommended for implementation.

Personnel

Relations with employees continued to remain cordial during the year. The total number of people employed in the Company as on March 31, 2003 was 11.

Cautionary Statement

The statements forming part of the Directors' Report may contain certain forward looking remarks within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

FIXED DEPOSITS

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



DIRECTORS

Mr. Manmohan Shetty, Director, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Directors recommend his re-appointment.

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;
- 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, 2003 and of the profit of the Company for that year;
- 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;
- the Directors have prepared the annual accounts on a 'going concern' basis.

CORPORATE GOVERNANCE

A separate section on Corporate Governance forming part of the Directors' Report and the certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is included in the Annual Report.

AUDITORS

The Auditors M/s. Gandhi Naik & Associates, Chartered Accountants, retire at this Annual General Meeting and have given a notice to the Company intimating their inability to be reappointed as Auditors on account of restructuring of their firm.

The Company has received a Special Notice from a member, pursuant to Section 225 of the Companies Act, 1956, of his intention to propose the appointment of M/s. Naik Danait & Associates, Chartered Accountants, as auditors of the Company in place of M/s. Gandhi Naik & Associates.

M/s. Naik Danait & Associates have given their consent to act as Auditors of the Company, if appointed, and have certified that their appointment, if made, will be in accordance with the limits specified in Section 224(1-B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

There were no employees covered by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules 1975, as amended.

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 31.3.2003	Previous Year ended 31.3.2002
	(Rs. in lakhs)	
a) Total foreign exchange earned	NIL	NIL
b) Total Foreign Exchange used	8.60	59.25

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 13, 2003

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CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

Company's philosophy on Corporate Governance

The Company is listed on the Bombay Stock Exchange and has complied in all material respects with the features of corporate governance as specified in the Listing Agreement.

Board of Directors

During the year under review, 5 Board Meetings were held on the following dates: April 30, 2002; July 30, 2002; August 28, 2002; October 30, 2002; January 30, 2003.

The composition of the Board, attendance at Board meetings (BM) held during the financial year under review and at the last Annual General Meeting (AGM), number of Directorships and memberships / chairmanships in public companies (including the Company) are given below :

Name of Director	Category	FY 2002-03 Attendance at		No. of Directorships	Committee Positions	
		BM	AGM		Chairman	Member
Mr. Zafar Hai (Chairman)	Promoter Managing Director	05	Yes	01	01	01
Ms. Sartaj Noorani (upto 30.9.2002)	Independent Non-Executive	03	No	01	00	01
Mr. Javed Gaya	Independent Non-Executive	05	Yes	01	01	01
Mr. Rashpal Malhotra	Independent Non-Executive	01	Yes	02	00	01
Mr. Manmohan Shetty	Independent Non-Executive	02	No	09	00	02

Audit Committee

The Company has constituted an audit committee in the previous year. The scope of the activities of the audit committee is as set out in clause 49 of the listing agreement with the stock exchange read with section 292 A of the Companies Act, 1956. The terms of reference of the audit committee broadly are as under:

- To hold periodic discussions with the statutory and internal auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the auditors;
- To review compliance with the internal control systems;
- To review the quarterly, half yearly and annual financial results of the Company before submission to the board;
- To make recommendations to the board on any matter relating to the financial management of the Company, including the audit report of the statutory and internal auditors.

During the period under review the audit committee met on five occasions:

April 30, 2002; July 30, 2002; August 28, 2002; October 30, 2002; January 30, 2003

Remuneration Committee

The Company has no wholtime Director on the Board other than the Managing Director whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the members.

In view of this, no Remuneration Committee is required to be constituted.