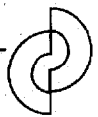


CINERAD COMMUNICATIONS LIMITED

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EIGHTEENTH
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)

JAVED GAYA

RASHPAL MALHOTRA

MANMOHAN SHETTY

AUDITORS

M/S. NAIK DANAIT & 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.

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of CINERAD COMMUNICATIONS LIMITED will be held at the Conference Hall, 16th Floor, Wing C, Mittal Tower, Nariman Point, Mumbai- 400 021, on Friday, 24th September, 2004 at 11.30 a.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2004 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 Mr. Javed Gaya, who retires by rotation and being eligible, offers himself 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.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Rashpal Malhotra, who was appointed as an Additional Director of the Company with effect from April 20, 2004 pursuant to Section 260 of the Companies Act, 1956 and Article 147 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose his candidature as a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation pursuant to Section 255 of the Companies Act, 1956."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company and subject to such approvals as may be required, approval be and is hereby accorded to the re-appointment of Mr. Zafar Hai as Managing Director of the Company for a further period of Five years with effect from November 7, 2004, on the terms and conditions as set out in the Explanatory Statement annexed to the Notice.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year during the period of Mr. Zafar Hai's re-appointment, he will be paid or provided the salary, allowance, and perquisites as set out in the foregoing part of this resolution as the 'minimum remuneration' notwithstanding the fact that such remuneration is in excess of the limits set-out in Sections 198, 309 and / or Schedule XIII of the Companies Act, 1956."

NOTES:

1. The Register of Members and the Share Transfer Registers of the Company will remain closed on September 24, 2004.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS/HER STEAD. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE MEETING.
3. Mr. Javed Gaya, Director of the Company retires by rotation at this Annual General Meeting and



being eligible, offers himself for reappointment. As required by Clause 49 of the Listing Agreement with the Stock Exchange, the brief resume and other details of Mr. Javed Gaya are given as under:

Mr. Javed Gaya, aged 49 years, is a product of Worcester College, Oxford University. He has done his M.A. (Oxon) in Jurisprudence and is a member of the Hon'ble Society of Lincons Inn, U.K. He has worked with several reputed law firms and is currently practising in association with a Delhi law firm International Law Affiliates. He has been the Director of "The Business India Policy Unit", an independent think tank on economic and regulatory matters. He was also involved in television as a founder advisor of the Business Plus channel. He has particular strengths on advising on the infrastructure sector, particularly construction and the oil and gas sector. He is currently involved with several international arbitrations and has appeared in different jurisdictions such as Switzerland, China and the Middle East.

He is on the Board of Directors of Taib Capital Corporation Limited and is a member of that company's audit committee.

4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of items of Special Business is annexed hereto.
5. Members are requested to notify change of address, if any, (a) to their respective Depository Participant in case of shares held in electronic form and (b) to the Company's Registrars & Transfer Agents, M/s. System Support Services, 209, Shivai Industrial Estate, 89 Andheri Kurla Road, Sakinaka, Near L.I.C., Mumbai - 400 072, in case of shares held in physical form.
6. Any Member desirous of obtaining any information pertaining to the Accounts may forward such queries in writing to the Accounts Department at the Registered Office at least 10 days prior to the Meeting in order to enable the Company to keep the information ready to the extent possible.
7. Members or their Authorised Representatives/ Proxies are requested to bring their copies of Annual Report at the Meeting.

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 12, 2004

18th Annual Report

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

Mr. Rashpal Malhotra was co-opted by the Board of Directors as an Additional Director on April 20, 2004 pursuant to Section 260 of the Companies Act, 1956. Mr. Malhotra holds office up to the date of this Annual General Meeting. The Company has received notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Rashpal Malhotra for the office of Director under the provisions of Sec 257 of the Companies Act, 1956.

Mr. Malhotra, aged 67 years, recently retired from the Board of Bank of India after completing his tenure. He has vast experience in the fields of Banking, Finance and Corporate Affairs. He is the Founder Director of the Centre for Research in Rural and Industrial Development, a prestigious national institution based in Chandigarh. Earlier, he was a member of the Board of Directors of the Company and had resigned on November 13, 2003, due to certain personal reasons. In view of his extensive expertise spanning three decades, the Board of Directors is of the opinion that it will be beneficial to the Company, if Mr. Malhotra is appointed as Director of the Company.

None of the Directors, except Mr. Malhotra is interested in passing of this Resolution.

Item No. 5

Mr. Zafar Hai was reappointed as Managing Director of the Company for a period of five years with effect from November 7, 1999. His term is ending on November 6, 2004. Having regard to the contributions made by Mr. Zafar Hai to the business operations of the Company, the Board of Directors of the Company, at its meeting held on August 12, 2004 has reappointed, subject to approval of the shareholders of the Company in general meeting, Mr. Zafar Hai as Managing Director of the Company for a further period of 5 years with effect from November 7, 2004 on the terms and conditions as mentioned hereinbelow :

1. General : The Managing Director shall conduct the day-to-day management of the Company subject to the supervision, direction and control of the Board.
2. Term : He shall hold office as the Managing Director of the Company for a period of 5 years from 7th November, 2004 to 6th November, 2009.
3. Salary : Salary of Rs. 70,000/- per month, with liberty to the Remuneration Committee to grant such increments as it may in its absolute discretion deem fit.
4. Perquisites : Perquisites shall be restricted to an amount equal to the annual salary. Unless the context otherwise requires, perquisites to be given to the Managing Director are as follows :
 - a. Medical Reimbursement : Expenditure incurred for him and his family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
 - b. Leave Travel Concession : Actual traveling and lodging expenses incurred on leave travel anywhere in India for him and his family once in a year up to a maximum of one month's salary in a year.
 - c. Club Fees : Fees of clubs subject to maximum of two clubs. This will not include admission and life membership fees.
 - d. Personal Accident Insurance : Premium not to exceed Rs. 10,000/- per annum.
 - e. Contributions to Provident Fund and Superannuation Fund : Contributions to the Provident Fund, Superannuation Fund or annuity will not be considered or included in computation of ceiling on perquisites to the extent these either singly or put together, are not taxable under the Income-tax Act, 1961.



- f. Gratuity : Gratuity payable shall not exceed one-half month's salary for each completed year of service.
 - g. Encashment of Leave : Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
 - h. Provision of fully maintained car with reimbursement of driver's salary for use on Company's business will not be considered as perquisites. The use of car for private purpose shall be billed by the Company to the Managing Director.
 - i. Free Use of Telephone at the Residence : Provision of telephone at the residence of the Managing Director at Company's cost will not be considered as perquisite. Personal long distance calls shall be billed by the Company to the Managing Director.
5. Minimum Remuneration :
In the event of loss or inadequacy of profits in any financial year during the term of the Managing Director, subject to the necessary approvals, if any, Mr. Zafar Hai will be paid the remuneration by way of salary and perquisites as specified above as minimum remuneration subject to the limits set out in Schedule XIII of the Companies Act, 1956, from time to time.
6. Other Terms and Conditions :
- a. Leave : Annual leave on full pay and allowances in accordance with the Company's Rules, but not exceeding one month's leave for every 11 months of service. In addition, he shall be entitled to casual leave, sick leave and other leave as per rules of company applicable to the managerial personnel of the Company.
 - b. Mr. Zafar Hai shall not be liable to retire by rotation as a Director, subject to Section 256 of the Companies Act, 1956.
 - c. The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committees thereof.

The remuneration of the Managing Director of the Company has been approved by the Remuneration Committee of the Board at its meeting held on August 12, 2004.

The above may be treated as abstract of the terms of re-appointment of Mr. Zafar Hai pursuant to Section 302 of the Companies Act, 1956.

The above Resolution is proposed to be passed pursuant to Sections 198, 269, 309, 310, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

The Directors recommend the resolution set out at Item no. 5 of the notice for approval of the shareholders.

Mr Zafar Hai may be deemed to be concerned or interested in the passing of this Resolution.

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 12, 2004

DIRECTORS' REPORT

Dear Members,

Your Directors present the 18th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

The Financial Results of the Company are as under:

	Financial Year ended 31.3.2004 (Rs. in Lakhs)	Previous Year ended 31.3.2003 (Rs. in Lakhs)
Profit/(Loss) before Depreciation and Taxation	63.06	34.27
Less: Depreciation	25.93	25.64
Less: Provision for Taxation (current)	0.90	-
Deferred Tax (Net)	(1.88)	(0.17)
Extraordinary Item	-	1.15
(Loss on Sale of Capital Asset)	-	-
Profit/(Loss) after Depreciation and Taxation	38.11	7.65
Balance brought forward from Previous Years	(120.17)	(127.83)
Balance carried forward	(82.06)	(120.17)

In view of inadequate profits, the Directors do not recommend payment of dividend for the year ended 31st March, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS**Business Overview****Industry Structure and Development**

The Indian economy appears to be in a resilient mode in terms of growth, inflation and balance of payments. The Real Gross Domestic Product (GDP) is estimated to have grown by 8.1 % in 2003 - 04, up from just 4.3 % in 2002 - 03. The services sector particularly has seen a robust performance, growing by 8.4% (Source : Government of India Economic Survey 2003 - 2004).

Advertising Industry

Advertising expenditure grew at a healthier 10 % in 2003 - 04 after stagnating at 7 % the previous two years. Advertising billings are estimated at Rs. 11,000 crores in 2003 - 04 (Source : Businessworld Survey on the Advertising Industry). Mass media advertising, featuring great creatives, seems to have garnered a larger share of total advertising spend, bucking the earlier trend where advertisers put more money into "non-advertising" services, e.g. direct marketing, public relations, events, etc. A creative renaissance in mass market advertising has helped rejuvenate brands across product categories. Some campaigns that have struck an emotional chord with consumers have been the Hutch " Wherever you go our network follows", Asian Paints and Coke's "Thanda matlab Coca Cola".

Entertainment Industry

The Indian entertainment industry has out - performed the economy - it has grown by 15% to an estimated Rs. 19,200 crores in 2003. Ernst & Young's report on the Indian Entertainment industry states that this growth has been driven primarily by an increase in television subscription and film exhibition. Higher disposable incomes and a changing demographic profile tilting towards a younger population have been the main growth drivers. However, the industry remains high-risk oriented, with very few films proving to be profitable investments.

The television software business reached Rs. 2,516 crores in 2003, of which revenues from international markets (content syndication) stood at Rs. 501 crores (Ernst & Young's report). Despite the Conditional Access System (CAS) proving a non-starter, the industry has felt the need to organize its distribution leg. The introduction of new delivery platforms like Direct to Home (DTH) services will provide competition for the existing cable business. They will also drive the need for good quality content.



Performance

In line with the expanding business environment, your Company has achieved better results during the year. The Company has posted a total income for the year of Rs. 281.11 lakhs from Rs. 270.79 lakhs in the previous year. Significantly, the Company has made an operating profit for the year of Rs. 63.06 lakhs, as against an operating profit of Rs. 34.72 lakhs for the previous year. The profit after depreciation and taxation for the year is Rs. 38.11 lakhs, as against a profit after depreciation and taxation of Rs. 7.65 lakhs for the previous year – a five-fold increase.

During the year, the Company consolidated its niche business – the production of corporate films and documentaries. The Company made corporate films for business groups / institutions as diverse as Tata Sons, the Essar Group and the L V Prasad Eye Institute, Hyderabad. The Company also produced a widely acclaimed documentary titled "Merchant Princes of Bombay" which was principally sponsored by the HSBC Bank. The Company received accolades – nationally and internationally – for the commemorative film it had produced for the Indian Hotels Company marking a hundred years of the Taj Mahal Hotel, Mumbai. It was telecast on the English newschannel NDTV 24 x 7, a first of sorts. This film received a special jury award at the Prix ITB, Berlin, a premier world travel trade exposition.

The Company has achieved remarkable operational efficiencies in the film production process, a fact borne out by a substantial 25 % reduction in job expenditure from Rs. 144.32 lakhs in the previous year to Rs. 109.07 lakhs in the current year. These efficiencies have contributed in large measure to the increased net margins.

Outlook

Institutional projections of GDP growth for 2004–05 vary from 6.0 to 7.4 per cent (Government of India Economic Survey 2003 – 2004). However recent concerns on a weak monsoon, the record increase in global crude oil prices and the resulting inflationary trends could severely test the resilience of the Indian economy, dampening GDP growth in 2004 – 05.

Advertising Industry

Advertising agencies are looking at a growth of 10–12 per cent in 2004–05. Marketers are enthused by the fact that India is a mass market with rising purchasing power, with a lot of untapped potential. India's media expenditure to GDP ratio at 0.35 % is much lower than 1.52 % for Brazil, a comparable market (Source : Zenith Optimedia 2003).

Entertainment Industry

In view of the entertainment industry generally out-performing the economy, the outlook for the industry as a whole appears robust. The afore-mentioned Ernst & Young report projects the industry to grow from Rs. 19,200 crores in 2003 to Rs. 42,300 crores in 2008, (with compounded annual growth rate of 17%). Revenues from television are expected to grow at a compounded annual growth rate of 17% over the next 5 years to gross Rs. 28,852 crores by 2008, and a significant portion of this growth is expected from the subscription stream.

Company Prospects

With an increasing number of Indian companies integrating themselves into the global economy, many corporates are discovering the benefits of highlighting the history of the organization, the firm adherence to business ethics and values in the face of competitive market pressures, enunciating the management ethos, etc. – in short going beyond the cold hard facts in a balance sheet. A corporate film, produced in a viewer-friendly communicative manner, works as an effective communications tool to disseminate corporate information to diverse interest groups. Realizing the benefits of such films, corporates are committing larger funds to such a production. In some cases, the budgets committed by corporates have matched those of small budget feature films.

Your Company will continue to focus in and build further on its leadership position in the production of such corporate films for blue – chip companies / organizations. The value additions that your Company brings – strong scripts, creative direction, high – production values and a committed and professional approach – have been accepted as critical success factors. The added advantage of this business focus is the larger profitability and the guaranteed cash flows from such corporate films.

The Company has been awarded the production assignment of a prestigious film for the Tata group. This year happens to be the hundredth death anniversary of Jamsetjee Nusserwanjee Tata, the founder of the Tata business empire. It also happens to be the hundredth birth anniversary of the legendary JRD Tata. The Company has already commenced production of a commemorative film to mark this occasion.

With a view to widening revenue streams, the Company continues to look at ways to leverage its expertise and