



CINERAD COMMUNICATIONS LIMITED

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CINERAD COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

ZAFAR HAI

(Chairman and Managing Director)

JAVED GAYA

RASHPAL MALHOTRA

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, SHIVAJI INDUSTRIAL ESTATE,
89 ANDHERI KURLA ROAD,
SAKINAKA, NEAR L.I.C.,
MUMBAI - 400 072.

20th Annual Report

NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of CINERAD COMMUNICATIONS LIMITED will be held on Tuesday, 27th June, 2006 at the Ashoka Hall, Arcadia Building, Ground Floor, Opposite NCPA, Mumbai 400 021 at 4 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2006 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. Rashpal Malhotra, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and, if thought fit to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Messrs RASTOGI NARAIN & CO., Chartered Accountants, be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be determined by the Board of Directors of the Company in consultation with the said Auditors, in addition to reimbursement of traveling and other out-of-pocket expenses, if any, as may be incurred by them in connection with the audit of the Company."

NOTES:

1. The Register of Members and the Share Transfer Registers of the Company will remain closed on June 27, 2006.
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. Messrs NAIK DANAIT & ASSOCAITES, Chartered Accountants, the retiring Auditors of the Company have given a notice to the Company of their unwillingness to be re-appointed as Auditors due to their preoccupation. Accordingly, Messrs RASTOGI NARAIN & CO., Chartered Accountants, are proposed to be appointed as the Auditors of the Company as mentioned in Item no. 3 above.
4. Mr. Rashpal Malhotra, 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. Rashpal Malhotra are as under:
Mr. Malhotra, aged 69 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. He was on the Board of IIM, Kozikode.
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, Shivaji 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: May 17, 2006



DIRECTORS' REPORT

Dear Members,

Your Directors present the 20th Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

The Financial Results of the Company are as under:

	Financial Year ended 31.3.2006 (Rs. in Lakhs)	Previous Year ended 31.3.2005 (Rs. in Lakhs)
Profit/(Loss) before Depreciation and Taxation	(67.52)	42.21
Less : Extra Ordinary & Abnormal Items	17.33	325.25
Less: Depreciation	25.93	25.93
Less: Provision for Taxation (current)	0.95	-
Deferred Tax (Net)	(3.60)	(3.54)
Profit/(Loss) after Depreciation and Taxation	(108.13)	(305.44)
Balance brought forward from Previous Years	(387.50)	(82.06)
Balance carried forward	(495.63)	(387.50)

In view of losses incurred, the Directors do not recommend payment of dividend for the year ended 31st March, 2006.

The shareholding of the current promoter, Mr. Zafar Hai, has been acquired by Pranidhi Estates Private Limited and Indiaemerging Capital Private Limited. The Acquirers have, on May 17, 2006, published the mandatory "Public Announcement" of offer to shareholders of the Company pursuant to and in compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 ("the takeover regulations"). On completion of all compliances under the takeover regulations, the incumbent management will be taken over by the Acquirers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Industry Structure and Development

The Indian economy registered a robust pace of growth in the last half decade with the growth of Gross Domestic Product (GDP) over 8.0 %. In the current fiscal, industrial growth was driven by robust performances from manufacturing and construction sectors. Services sector growth continued to be broadbased. (Source : Government of India Economic Survey 2005 – 2006)

Entertainment Industry

The Indian entertainment industry has out-performed the Indian economy and is one of the fastest growing sectors in India. The factors that have given an impetus to the entertainment industry are : rising consumer spends due to a sustained increase in disposable incomes, low media penetration in lower socio-economic classes, lower advertising spends as a percentage of GDP throwing immense potential for growth and a liberal investment regime with a conducive foreign direct investment environment. A recent report by PricewaterhouseCoopers (PWC) estimates the size of the Indian entertainment industry at Rs. 35,300 crores in 2005.

The Indian film industry is increasingly getting more corporatised with several film production, distribution and exhibition companies coming out with IPOs. This has brought about the confidence to look overseas for co-productions. Adlab Films, Percept Picture Company, Saregama India and iDream Productions have all taken significant initiatives in this sphere. The current estimate of Rs.6,800 crores of revenue in 2005 has the potential of growing to Rs. 15,300 crores by 2010 (Source : the afore-mentioned PWC report).

Television currently dominates the entertainment industry and has the potential to continue to dominate even in the future. With an estimated 185 million television households and an industry size of Rs. 14,800 crores in 2005, the largest chunk continues to be the television distribution segment. The Indian television industry is projected to grow at an annual compounded rate of 24 percent per annum over the next five years to reach an estimated size of Rs. 42,700 crores (Source : the afore-mentioned PWC report).

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Performance

Your Company has, in the previous years, produced documentaries and commemorative films for leading corporates that have been widely acclaimed. Projects such as these have, in fact, become the Company's primary source of revenue. However, such prestigious films are not made on a regular basis and therefore do not represent a consistent revenue stream. This can, at times, result in periods of business inactivity.

During the year under review, the Company has a total income of Rs. 11.53 lakhs as against Rs. 383.04 lakhs in the previous year. The Company has made an operating loss for the year of Rs. 67.52 lakhs, as against an operating profit of Rs. 42.21 lakhs for the previous year. However, owing to diminution in the value of Stores & Spares, the loss after depreciation and taxation for the year is Rs. 108.13 lakhs, as against a loss after depreciation and taxation of Rs. 305.44 lakhs for the previous year.

The performance of your Company has reinforced the view of your Directors that broadbasing revenue streams beyond just that from the production of documentaries and commemorative films is imperative. Your Directors felt the need for fresh entrepreneurial resources being drawn into the management of your Company. The logical outcome of this thinking has been the transfer of shares of the promoter as mentioned earlier in this Report.

Outlook

The Economic Survey 2005 - 2006 states that the encouraging signs of a pick up in investment and acceleration in growth have strengthened in 2005-06. With an anticipated growth of 8.1 per cent in 2005-06, the compound average growth rate of the economy is likely to exceed 8.0 per cent in the last three years ending in 2005-06. The odds are loaded heavily in favour of a continuation of the growth momentum observed in the last three years.

Entertainment industry

The entertainment industry is well poised to be a star performer of the Indian economy. With rapid advancements in technology, convergence will play a crucial role in the entertainment industry. Broadband access and Internet Protocol (IP) will be the crucial technology enablers. The challenges and opportunities that convergence will bring to the industry could see the industry growing at a compounded annual growth rate of 19 % over the next five years, taking the industry size to Rs. 83,740 crores by 2010 (Source : the afore-mentioned PWC report).

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 remained cordial during the year. The total number of people employed in the Company on an average during the year under review, was 10.

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. Rashpal Malhotra, 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;



- b. 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, 2006 and of the loss of the Company for that year;
- c. 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;
- d. 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. Naik Danait & 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.

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. Rastogi Narain & Co., Chartered Accountants as auditors of the Company in place of M/s. Naik Danait & Associates.

M/s. Rastogi Narain & Co 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 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 31.3.2006 (Rs. in lakhs)	Previous Year ended 31.3.2005 (Rs. in lakhs)
a) Total foreign exchange earned	NIL	NIL
b) Total Foreign Exchange used	4.66	61.88

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 : May 17, 2006

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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 Ltd. 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, 6 Board Meetings were held on the following dates: April 28, 2005; July 29, 2005; August 29, 2005; September 24, 2005; October 27, 2005; January 30, 2006.

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 2005-06 Attendance at		No. of Directorships	As Committee Chairman	Positions as Member
		BM	AGM			
Mr. Zafar Hai (Chairman)	Promoter Managing Director	06	Yes	01	01	00
Mr. Javed Gaya	Independent Non-Executive	06	Yes	03	01	01
Mr. Rashpal Malhotra	Independent Non-Executive	03	No	01	00	01
Mr. Manmohan Shetty*	Independent Non-Executive	05	Yes	11	00	02

* Ceased to be Director w.e.f. December 16, 2005.

Audit Committee

The Audit Committee comprises of three members, viz; Mr. Javed Gaya, Mr. Rashpal Malhotra and Mr. Manmohan Shetty. 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 four occasions:

April 28, 2005; July 29, 2005; October 27, 2005; January 30, 2006.

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.