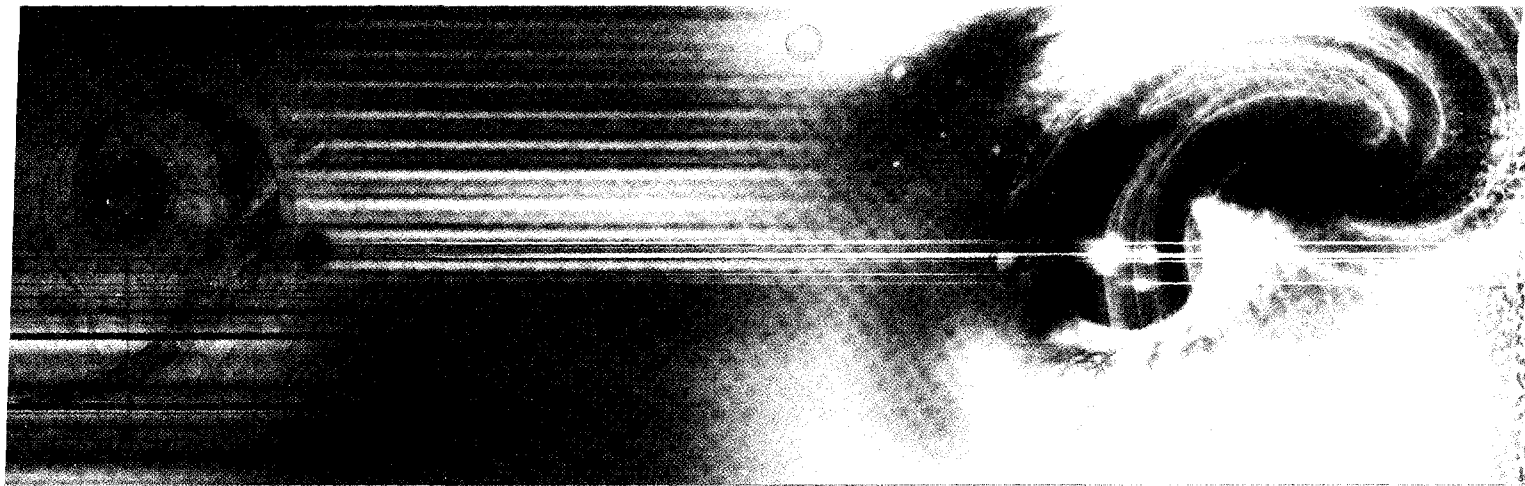


Annual Report 2004 - 2005



Aakhir Dil Hai Hindustani
Dil Apna Punjabi

ETC Networks Limited (Formerly Econnect India Limited)



etc values

*to maintain the Company's pioneering
status as a multimedia content and
service provider, driven by market
response and shareholder confidence*

*We will continue to contribute towards
growth, innovation and productivity by
creating value in existing properties, look-
ing for new ones and advertisers.*

*Our success through the flow of group
synergies shall make innovation an
integral part of the etc brand*

contents

Directors' Report	4
Corporate Governance	12
Management Discussion and Analysis	22
Auditors' Report	29
Annexure to Auditors' Report	31
Balance Sheet	34
Profit & Loss Account	35
Schedules	36
Balance Sheet Abstract	50
Cash Flow Statement	51



Registered Office

7-B Shah Industrial Estate
Off Veera Desai Road
Andheri (West)
Mumbai - 400 053
Tel: +91-22-2821 5168/2832 9828
www.entertainmenttv.com

Chairman

Subhash Chandra

Board of Directors

Surjit Banga	Director
Rajiv Garg	Managing Director
Subhash Chand Garg	Director
Vikas Gupta	Director
C R Mehta	Director

Senior Management Team (June 2005)

Jagjit Singh Kohli	Chief Executive Officer
Vikas Gupta	Director - Finance & Business Head - etc Music
Rabindra Narayan	Business Head - etc Channel Punjabi
Afzal Lakdawala	Head - Technical and Uplinking
Deepak Bondre	Vice President - Accounts
Jason Anthony	General Manager - Production
Manjeet Singh Raina	General Manager - Marketing & T.A.R.
Neelam Gupta	General Manager - Corporate Communication
P. R. Balasubramanian	Vice President - Corporate Services & Commercial
Praveen Garg	Head - Technical etc Channel Punjabi
Rajjee Shinde	Vice President - Programming etc Channel Punjabi
Ravindra Acharya	General Manager - Programming and Promo
Sam Mall	Vice President - National Sales
Surendran Nair	Head - Network Development
Subramanian Iyer	Associate Vice President - Sales etc

Company Secretary

Vijay Shah

Solicitors

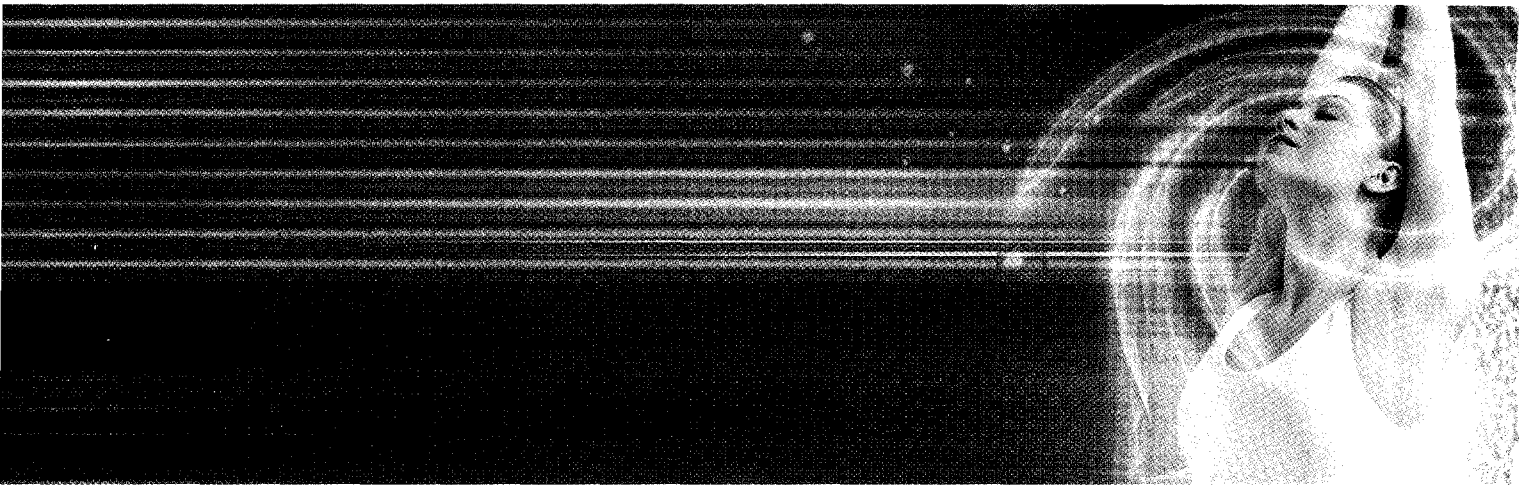
Thakore Jariwala & Associates
Solicitors and Advocates

Auditors

MGB & Co.
Chartered Accountants
Mumbai

Registrar and Transfer Agents

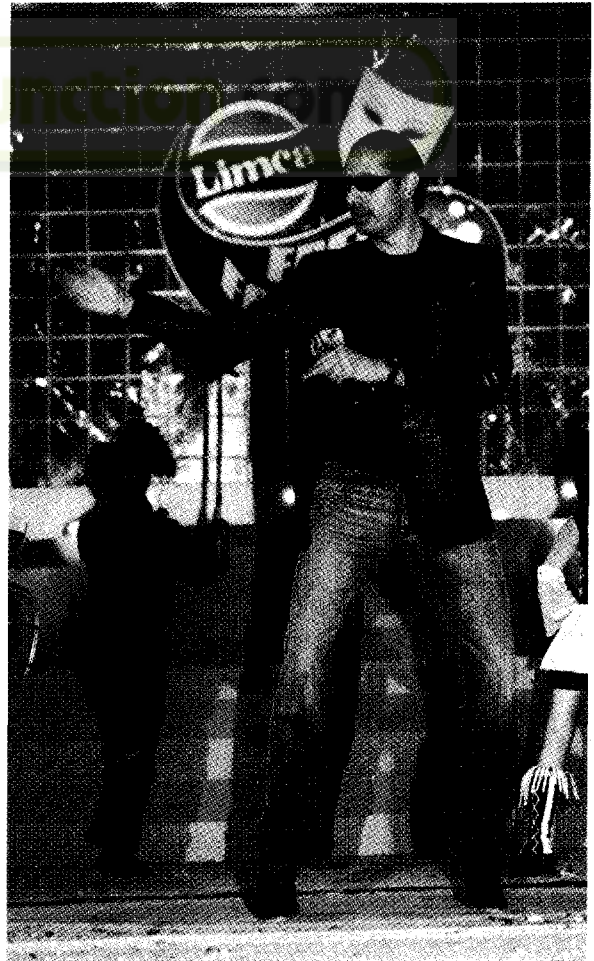
Sharepro Services (India) Pvt. Ltd.
Satam Industrial Estate, 3rd Floor,
Cardinal Gracious Road,
Chakala, Andheri (East),
Mumbai 400 099
Tel.: +91-22-2821 5168/2832 9828
Fax: +91-22-2837 5646
Email: sharepro@vsnl.com




music

Report  junction.com





Directors' Report

To

The Members of

ETC Networks Ltd.

(Formerly known as Econnect India Limited)

Your Directors are pleased to present 6th Annual Report of your Company together with the Audited Statement

of Accounts for the year ended 31st March 2005.

As you are aware, in terms of the sanctioned Scheme of Amalgamation the name of your Company is changed from Econnect India Ltd. to ETC Networks Ltd. and its Registered Office is shifted from the National Capital Territory of Delhi to the State of Maharashtra.

Financial Highlights

(Rs. in lacs)

	For the year ended	
	31st March 2005	31st March 2004
Total Income	4,787	4,430
Total Expenditure	2,960	2,468
Profit/ Loss before Financial Charges, Depreciation and Tax	1,827	1,962
Financial Charges	32	77
Depreciation	645	516
Profit / (Loss) before Tax	1,150	1,370
Provision for taxation	428	(208)
Profit / (Loss) after tax before exceptional items	722	1,578
Profit / (Loss) after exceptional items	722	1,578
Balance Brought Forward	629	(2,186)
Adjustments on account of Reduction of Capital and Amalgamation	—	1,733
Proposed Dividend	150	299
Tax on Dividend	21	39
Transfer to General Reserve	20	158
Balance carried to Balance Sheet	1160	629



Review of Performance

Total income during the year under review was Rs. 4787 lacs as against Rs. 4430 lacs during the previous year. Profit before tax was Rs. 1150 lacs as against Rs. 1370 lacs during the previous year. Profit after tax was Rs. 722 lacs as against Rs. 1578 lacs during the previous year. The fall in profit after tax was mainly attributable to higher tax provision, reversal of deferred tax, increase in operational and other costs and higher depreciation.

etc channels continued to maintain leadership among music channels and Punjabi speaking populace. **etc (Music)** is predominantly a Hindi Music Channel closely associated with Bollywood and enjoys 40%+ channel share amongst the music channels. **etc** channel Punjabi is commanding highest rating amongst Punjabi language channels and is a default channel in Punjabi speaking populace.

Appropriations

Your Directors have recommended payment of dividend of Rs. 1 per share (10%) for the year under review. Total payout on account of dividend and distribution tax thereon will be Rs. 171 lacs for the year. Your Directors propose to transfer an amount of Rs. 20 lacs to the General Reserve and carry the balance Rs. 1160 lacs to the Balance Sheet.

Share Capital

During the year under review 1,39,20,312 equity shares of Rs. 10 each were allotted to the shareholders of the erstwhile ETC Networks Ltd. in the ratio of 1:1 as per the sanctioned Scheme of Amalgamation.

Operations and Future Prospects

The performance of your Company has significantly improved as a result of amalgamation with the erstwhile ETC Networks Ltd. The Company has started reaping dividends and has consolidated itself in the business of broadcasting.

Pursuant to the Scheme, the shareholders of erstwhile ETC received one equity share of your Company for every share held by them in that Company. The Board welcomes the shareholders of erstwhile ETC Networks Ltd.

Listing of Shares

The equity shares of the Company including new shares issued to the shareholders of erstwhile ETC Networks Ltd. pursuant to the Scheme have been listed on Bombay Stock Exchange and National Stock Exchange from 9th February 2005. The Company has established necessary connectivity with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialization of shares.

Report on Corporate Governance

The equity shares of your Company are listed on The Stock Exchange, Mumbai and National Stock Exchange of India Limited with effect from 9th February 2005. As a listed company, necessary measures are being taken to comply with the Listing Agreements with the stock exchanges. A Report on Corporate Governance along with a certificate of compliance from the Auditors is given in this Annual Report.

Public Deposit

During the year under review, your Company has neither accepted nor renewed any Deposits within the meaning of section 58A of the Companies Act, 1956 and rules made thereunder.

Auditors

M/s MGB & Co., Chartered Accountants, the statutory auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible offers themselves for re-appointment as auditors of the Company. The Audit Committee of the Board recommends the appointment of M/s MGB & Co. as Auditors for a further period of one year.

Directors

The Board of Directors at their meeting held on 18th January 2005 appointed Mr. Rajiv Garg as the Managing Director and Mr. Vikas Gupta as the Whole Time Director for a period of 3 years commencing from 1st January 2005 at a remuneration mentioned in the notice convening the Annual General Meeting and explanatory statement accompanying thereto.

The appointment is subject to approval of members.

Mr. Subhash Chand Garg retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Brief resume of Mr. Rajiv Garg, Mr. Vikas Gupta and Mr. Subhash Chang Garg, nature of their expertise in specific functional areas and names of companies in which they hold the directorship and the membership of committees of the Board as stipulated under clause

49 of the Listing Agreement with the Stock Exchanges are given in the notice convening the Annual General Meeting.

Buyback of Shares

The Company has surplus funds in excess of its requirement, which are invested in fixed income securities. These investments generate nominal returns which are quite low as compared to market expectations. The Company does not anticipate major capital expenditure or has diversification plan in immediate future and the normal capital expenditure will be met out of current cash flows.

In order to optimize returns to shareholders and enhance overall shareholders' value, the Board of Directors at their meeting held on 21st April 2005 decided to return the surplus cash back to the shareholders by buying back shares from them. The Buyback would be implemented through the methodology of "Open market purchases through Stock Exchanges", as provided under the Companies Act, 1956 and SEBI (Buyback of Securities) Regulations, 1998.

The Buyback of shares will be made at a price not exceeding Rs. 50 per share and the maximum amount required for such buyback shall not exceed Rs. 616.30 lacs representing approximately 10% of the aggregate of the Company's paid-up equity share capital and free reserves as on 31st March 2005. The outlay for buyback will be met out of the current surplus and/or cash balances and/or internal accruals of the Company.

The Promoters of the Company do not intend to tender



their equity shares under the Buyback and your Board of Directors expects to complete the Buyback during the current fiscal year.

Directors' Responsibility Statement u/s. 217 (2AA) of the Companies Act, 1956

The Board of Directors hereby confirms and declares: -

- (i) That in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That 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 and of the profit of the Company for that period;
- (iii) That the Directors have taken proper and sufficient care of the maintenance of the adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

Additional Information

The provisions of Section 271(1)(e) regarding Conservation of Energy and Technology Absorption are not applicable to your Company. The particulars of foreign exchange earnings and out go during the year under review are given in Schedule 17 Para 18 to the Notes to the Accounts forming part of the Annual Accounts.

Particulars of Employees

There were no employees drawing remuneration in excess of limits specified u/s 217(2A) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988.

Acknowledgement

Your Directors place on record their thanks to clients, the Central and State Governments and Shareholders for their continued support and assistance to the Company. Your Directors also sincerely acknowledge the significant contributions made by the employees during the year.

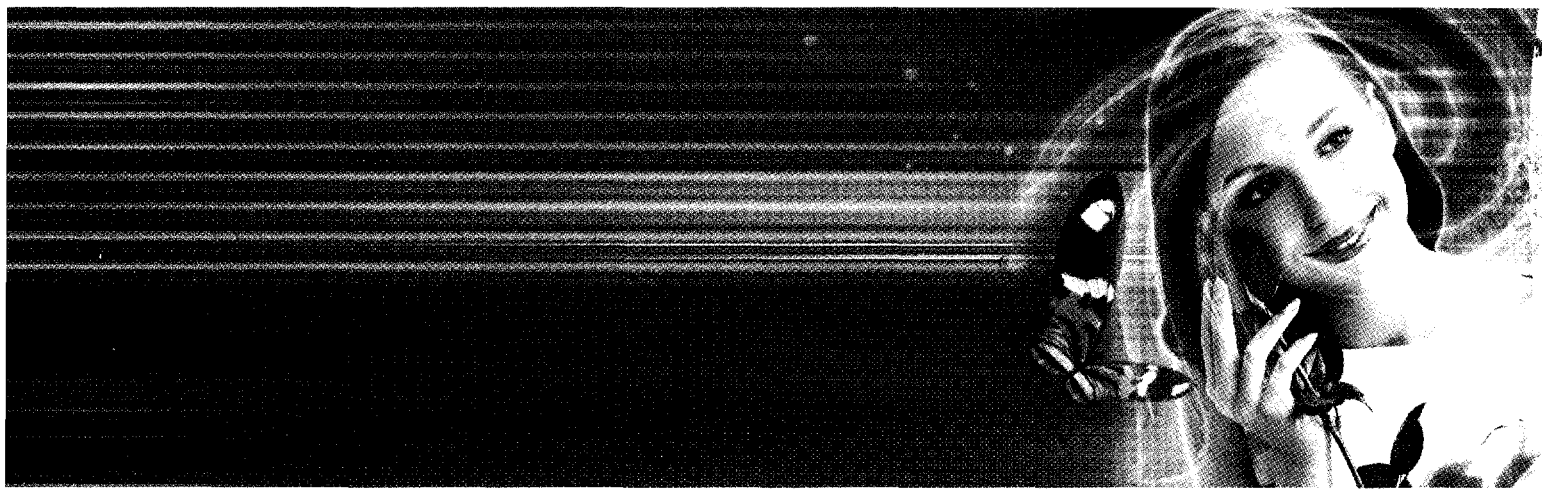
For and on behalf of the Board of Directors

Rajiv Garg
Managing Director

Vikas Gupta
Director - Finance

Date : 21st April 2005

Place : Mumbai



etc events

