

A still from 'Yai! Nee Romba Azhaga Irukey'



GV

G V FILMS LIMITED



Vijay and Priyanka Chopra star in your production 'Tamizhan'

Annual Report 2001-2002



G V FILMS LIMITED
Regd. Office : "Sujatha Centre", No.4, Seshadri Road, Alwarpet, Chennai – 600 018.

THIRTEENTH ANNUAL REPORT

BOARD OF DIRECTORS

Mr. G. VENKATESWARAN, B.Com., F.C.A.
(Chairman & Managing Director)
Prof. P.M. GOPALAKRISHNA, M.Com.
Mr. DE. RAMAKRISHNAN
Mr. C.L. NARASA REDDY, B.A.

COMPANY SECRETARY

Mr. K. RAMARATHNAM

REGISTERED OFFICE

"SUJATHA CENTRE", No.4, Seshadri Road
Alwarpet, Chennai – 600 018.

REGISTRARS & SHARE TRANSFER AGENTS

CAMEO CORPORATE SERVICES LIMITED
"SUBRAMANIAN BUILDING"
No.1, Club House Road, Chennai – 600 002.
Phone No. 8460390 (6 Lines)

AUDITORS

M/s. MAHADEV & CO.
M M Complex, No.57, Kodambakkam High Road
T.Nagar, Chennai – 600 017.

BANKERS

- CENTRAL BANK OF INDIA
Nungambakkam, Chennai – 600 006.
- BANK OF INDIA
- STATE BANK OF INDIA
- INDIAN BANK

THEATRE DIVISIONS

- GOODLUCK PREVIEW THEATRES, CHENNAI
- SHANTI-KAMALA THEATRES, THANJAVUR

COMMITTEES OF DIRECTORS

Share Transfer Committee

Mr. G. VENKATESWARAN - Chairman
Mr. P.M. GOPALAKRISHNA - Member

Shareholders'/Investors' Grievance Committee & Audit Committee

Mr. P.M. GOPALAKRISHNA - Chairman
Mr. DE. RAMAKRISHNAN - Member
Mr. C.L. NARASA REDDY - Member

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NOTICE

NOTICE is hereby given that the 13th Annual General Meeting of the shareholders of the Company will be held at Kumararajah M.A.M. Muthiah Hall, "Chettinad Vidyashram", Thandavarayan Street, R.A. Puram, Chennai - 600 028 on Friday, the 27th September, 2002 at 10.15 A.M. to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the accounts of the Company for the financial year ended 31st March 2002, the Balance Sheet as at that date and the reports of the Directors and Auditors thereon.
2. To elect a Director in place of Mr. DE. Ramakrishnan, who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint Auditors and fix their remuneration.
(M/s. Mahadev & Co. are eligible to be re-appointed.)

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification, the following Resolution as an ORDINARY RESOLUTION.

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging on such terms and conditions and at such time or times, and in such form and manner, as it may think fit, the whole or substantially the whole of the undertaking or all the undertakings, including the present and future properties, whether movable or immovable, comprised in any existing or new undertaking as the case may be in favour of lenders for the loans (short term / medium term / long term) (both rupee and foreign currency loans) upto an aggregate value not exceeding Rs.25 crores (Rupees twenty five crores only) to be raised by the Company upon such terms and conditions as may be deemed fit by the Board of Directors of the Company.

"RESOLVED further that the securities to be created by the Company as aforesaid may rank pari-passu with the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board of Directors and as may be agreed to between the concerned parties.

"RESOLVED further that the Board of Directors or person(s) authorised by the Board be and is hereby authorised to finalise, and execute any and all agreements and documents, necessary for the purpose of creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be necessary, desirable, expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered to be in the best interest of the Company."

By Order of the Board

Place : Chennai
Dated: 24th July, 2002

K. RAMARATHNAM
Company Secretary



G V Films Limited

NOTES

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member of the Company. The proxy forms, in order to be effective, must be received by the Company not less than 48 hours before the time fixed for commencement of the meeting.
- (2) The Explanatory Statement as required under Section 173 of the Companies Act, 1956, in respect of item No.4 is annexed hereto.
- (3) The Register of Members and the Share Transfer Books of the Company will remain closed from 17.09.2002 to 27.09.2002.
- (4) Members are requested to notify immediately any change in their address to the Company's Share Department.
- (5) Pursuant to Section 205-A of the Companies Act, 1956, all unclaimed/ unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in prescribed Form No.II to The Registrar of Companies, Tamilnadu, "Shastri Bhavan", No.26, Haddows Road, Chennai - 600 006.
- (6) Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109-A of the Companies Act, 1956, are requested to submit the prescribed Form-2B for this purpose to the Registered Office of the Company.
- (7) SEBI has notified that trading in the shares of your Company would be compulsorily in demat form with effect from 25th September, 2000. Members in their own interest are requested to open an account with their nearest depository participant for availing the demat facilities.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No.4

In order to meet the requirement of funds for financing of capital expenditure / working capital requirements and / or general corporate purposes, the Company has to raise funds from time to time from Banks / Financial Institutions / Investment Institutions / Mutual Funds / Bodies Corporate / Foreign Financial Institutions / Individuals and / or any other agent or agencies by way of term loans, both in rupee and foreign currency (for short term / medium term / long term) which are normally secured by a mortgage / charge over the immovable / movable property of one or more units of the Company.

It is in the above circumstances that the resolution as in this item of the Notice is commended for your acceptance.

By Order of the Board

Place : Chennai
Dated : 24th July, 2002

K. RAMARATHNAM
Company Secretary



Brief resume and other information in respect of the Director seeking re-appointment at the Annual General Meeting: Mr. DE. Ramakrishnan

Mr. DE. Ramakrishnan is aged about 44 years. He joined the Board of Directors of the Company in the year 1991.

He is a member of the following committees of the Board of Directors of the Company:

- Audit Committee
- Shareholders' / Investors' Grievance Committee.

He is Director, Paramount Group Private Limited and he is actively involved in the small industry movement. He is also the President of the Industrial and Financial Reconstruction Association for Small and Tiny Enterprises (IFRASTE), a small industry organisation involved in the revival and reconstruction of small and tiny enterprises.

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REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors submit their Report and Audited Accounts for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

	For the year ended 31.03.2002 Rupees	For the year ended 31.03.2001 Rupees
Turnover	3,00,31,015	6,86,22,150
Net Profit/(Loss) before depreciation and tax	(39,54,510)	3,65,44,692
Less: Depreciation	18,02,205	20,48,205
Profit/(Loss) before tax	(57,56,715)	3,44,96,487
Provision for taxation	Nil	32,91,069
Profit/(Loss) after tax	(57,56,715)	3,12,05,418
Proposed dividend	Nil	Nil

PERFORMANCE DURING 2001-2002

During the year under review, your Company recommenced production of feature films after a gap of six years. It launched two Tamil films "Tamizhan" and "Yai Nee Romba Azhaga Irukey" and they were still under production during the period ended 31st March 2002. The loss during the year has arisen due to the under production of the above movies. Hence, your Directors are not in a position to declare any dividend for the financial year 2001-2002.

FILM INDUSTRY

Indian Entertainment Industry is poised to grow to Rs.500 billion in the next five years; at the same time, to achieve 1% share of the global entertainment industry pie, the size of the industry would have to more than treble. The need for the industry is to pool its resources and efforts.

The most important issues facing the industry pertain to financing, corporatisation, piracy, entertainment tax, fragmentation and lack of training facilities in the country. The Government needs to play a proactive role in promoting the industry and building an internet backbone across the country (courtesy: CII Communique: March 2002).

REVIEW OF OPERATIONS

The Tamil film "Tamizhan" starring leading Tamil star Mr. Vijay and former Miss World Priyanka Chopra hit the silver screen on 12th April, 2002. The film got rave reviews, both from the cinema going public and the press. The movie was hailed for its thematic value and strong message emphasising the need on the part of every citizen to know the basic laws of our country to voice his/her grievance in the appropriate forum against the social evils pervading the contemporary society. It is disheartening to note that the rave review this movie got did not translate itself into a box office bonanza, as expected.

The other Tamil movie "Yai Nee Romba Azhaga Irukey" starring Mr. Shyam and Miss Sneha, directed by Mr. Vaasanth, for which shooting commenced during the month of November 2001 was released on 13th July, 2002.



The highlight of this movie is the musical score rendered by five young music directors. The songs of the movie have become very popular with the cinema going public and are sure to generate lot of revenue for your Company.

During the year under review, your Company distributed Kamal Hasan's magnum opus "Alavandan" in parts of Tamilnadu. But unfortunately, this movie did not click at the box office, as expected, thus belying your Company's expectations of making good profit from the movie.

OUTLOOK

The growth of the film industry is promising. This growth will be driven by various factors. Expansion and upgradation of exhibition infrastructure is expected to result in more people watching films in theatres. Multiplexes, which will provide people with a wholesome entertainment experience, will draw more people into theatres.

Availability of institutional finance and increasing adoption of digital technology will lead to more and better quality films for which viewers will be willing to pay more owing to increase in disposable incomes and improvement in standard of living. Film exports are also expected to increase steadily on account of demand from the ever-increasing NRI population, measures such as strong and ruthless drive against piracy, lowering of entertainment tax rates and removal of restrictions on ticket pricing will accelerate industry growth. Once the broadband internet access becomes available in the country, the industry can access new markets and new revenue streams from services such as video on demand, pay-per view, etc. to grow faster.

Your Company's prospects are bright with the resumption of production of films after a lull of six years, apart from distribution and exhibition of films coupled with the prospects of exploiting the internet rights available with the Company.

Your Company is also in the process of launching its production no.8 in Tamil, starring Mr. Vijaykanth and others. This movie is likely to hit the screen on 14th January, 2003, the day of Pongal Festival in Tamilnadu.

RISKS AND CONCERNS

Piracy is the biggest problem facing the industry. Pirated VCDs of a film enter the country within a few days of its release in the theatres and are also available in video libraries. Some of the cable channels also display these pirated VCDs. The film industry is estimated to lose about Rs.3.6 billions per annum due to this phenomenon. The agreement between the film industry and cable operators to curb cable piracy is a welcome step. However, the effectiveness will depend on how rigorously it is implemented across the country, since the technological evolution is making it increasingly difficult to keep pace with the anti-piracy measures. In order to combat video piracy, regular organised raids throughout the country on regular basis and special courts to speedily mete out punishment to defaulters are the only options.

ADEQUACY OF INTERNAL CONTROLS

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, and that transactions are authorised, recorded, and reported correctly.

An extensive programme of internal audits, reviews by management, and documented policies, guidelines and procedures supplement the internal control systems. The internal control systems are designed to ensure that the financial and other records are reliable, for preparing financial statements and other data and for maintaining accountability of assets.



SHARE CAPITAL

The share capital of the Company is Rs.19.25 crores comprising of 1,92,50,000 equity shares of Rs.10/- each.

THEATRE DIVISIONS

During the year under review, we had exhibited some good hit Tamil movies at Shanthi/Kamala Theatres, Thanjavur viz., Alavandhan, Anandam, Dhill, Dum Dum Dum, Samuthiram, Pandavar Bhoomi, Azhagi, Shajahan, and Mummy Returns (English).

The collection through sale of tickets in these two theatres for the first quarter ended 30th June, 2002 amounted to approximately Rs.54,23,253/-.

DEPOSITS

No fixed deposits were accepted by the Company during the year.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. DE. Ramakrishnan retires by rotation and being eligible, offers himself for re-election.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (1) That in the preparation of the accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- (2) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 or loss of the Company for the year under review;
- (3) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (4) That the Directors have prepared the accounts for the financial year ended 31st March, 2002 on a 'going concern' basis.

CORPORATE GOVERNANCE

Your Company has complied with the requirements regarding corporate governance as required under Clause 49 of the Listing Agreement of the Stock Exchanges where its shares are listed. A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance is attached to this report.

DECLARATION UNDER SECTION 217 OF THE COMPANIES ACT, 1956

There were no employees drawing a remuneration of Rs.24,00,000 per annum or Rs.2,00,000 per month, either on full time or on part time basis during the year under review.



G V Films Limited

The nature of the business of the Company is such that it is not necessary to report about the technological absorption and conservation of energy.

During the year under review, the foreign exchange earnings amounted to Rs.Nil and the foreign exchange outgo amounted to Rs.Nil.

AUDITORS

M/s. Mahadev & Co., retire at the close of the 13th Annual General Meeting and are eligible to be re-appointed. Your Directors recommend that they be re-appointed to hold office till the end of the 14th Annual General Meeting.

EMPLOYEE RELATIONS

During the year under review, on an average, 56 employees were working in the Company and the relationship between the management and the employees of the Company was very cordial. Your Directors wish to place on record their appreciation of the sincere services rendered by the employees.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep sense of gratitude to our bankers, distributors, exhibitors, customers and shareholders for their active co-operation during the year under review.

For and on behalf of
the Board of Directors

Place : Chennai
Dated : 24th July, 2002

G. VENKATESWARAN
Chairman & Managing Director

ADDENDUM

With reference to the Auditors' remarks at Item Nos.13 & 14, your Directors report as follows:

1. The delay in remitting the contributions towards the provident fund during the months of April and May 2001 was mainly due to temporary cash crunch experienced by the Company during those months. The remittances for the above months were made on 15th June, 2001 and thereafter the contribution towards provident fund and pension have been made on due dates and there are no arrears pending in this regard.
2. Regarding the income tax liability for the financial year 1999-2000 a sum of Rs.13,43,595 has been since remitted after deducting a sum of Rs.16,371 being the TDS amount to the credit of the Company. As far as the income tax liability for the financial year 2000-2001 is concerned, post dated cheques to the tune of Rs.31,91,069 have been deposited with the Income Tax Department.

For and on behalf of
the Board of Directors

Place : Chennai
Dated : 24th July, 2002

G. VENKATESWARAN
Chairman & Managing Director