



ADLABS FILMS LIMITED

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ANNUAL REPORT 2001-02



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CORPORATE INFORMATION

DIRECTORS

Mr. Manmohan Shetty
Chairman & Managing Director

Mr. Vasanji A. Mamania
Wholetime Director

Miss Pooja M. Shetty
Wholetime Director

Mr. Berjis M. Desai

Mr. Shyam G. Shroff

Mr. Pradeep K. Guha

Mr. Chandir G. Gidwani

COMPANY SECRETARY

Ms. Kirti V. Desai

AUDITORS

H. O. Agarwal & Co.
Chartered Accountants
Mumbai

BANKERS

Bank of Baroda
Chakala Branch, Mumbai

REGISTERED OFFICE

Film City Complex,
Goregaon (East), Mumbai 400 065.
Phone : (022) 842 33 33
Fax : (022) 842 22 11
E-mail: adlabs@bom.vsnl.net.in
Website: www.adlabsfilms.com

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Limited
260, Shanti Industrial Estate,
Sarojini Naidu Road,
Mulund (West), Mumbai 400 080
Phone : (022) 592 38 37
Fax : (022) 567 26 93



NOTICE

Notice is hereby given that the 15th Annual General Meeting of Adlabs Films Limited will be held at Company's Registered Office at Film City Complex, Goregaon (East), Mumbai 400 065, on Monday, 23rd September, 2002 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March, 2002.
3. To appoint a Director in place of Mr. Berjis M. Desai, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shyam G. Shroff who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By order of the Board

Registered Office
Film City Complex,
Goregaon (East),
Mumbai 400 065

KIRTI DESAI
Company Secretary

Mumbai, 16th August, 2002

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
The proxies to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, 13th September, 2002 to Friday, 20th September, 2002 (both days inclusive).
3. The dividend, if declared at the meeting, will be payable on 1st October, 2002 to those Members whose names appear on the Company's Register of Members as on 20th September, 2002.
4. Members are requested to inform any change in their addresses immediately so as to enable the Company to send communications at their correct addresses.
5. Members are requested to direct all correspondence relating to shares to the Company's Registrars and Share Transfer Agents, Intime Spectrum Registry Limited, 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400 080.
6. As per the provisions of the Income Tax Act 1961, as amended by the Finance Act, 2002, tax @ 10.5% is required to be deducted at source if the gross amount of dividend payable to a Resident Individual Shareholder during the financial year exceeds Rs.2500/-.

Resident Individual Shareholders who are likely to receive dividend amount more than Rs. 2500/- during a financial year and their total estimated income from dividend and sources as provided in Section 197 A (1B) of the Income Tax Act during such financial year is not likely to exceed Rs. 50,000/- can claim gross dividend without deduction of tax at source by submitting declaration in Form 15G (in duplicate) with the Company's R & T Agents, Intime Spectrum Registry Limited, 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (West), Mumbai - 400 080 before 14th September, 2002. Please note that it would not be possible for the Company to act upon 15G declarations received thereafter.

As per provisions of the Income Tax Act, 1961, every person from whom income tax is deducted at source is mandatorily required to intimate Permanent Account Number (PAN) to the person responsible for deducting such tax at source. In case PAN has not been allotted by the Income Tax Department, the person is required to intimate General Index Register Number (GIR No.). Shareholders of the Company whose dividend will be liable to deduction of tax at source, are requested to intimate PAN / GIR No. to the Company's R & T Agents before 14th September, 2002.

7. Members holding shares in demat form are advised to inform their bank account or change if any therein to their respective Depository Participants (DPs) before 14th September 2002.
8. Please claim your dividend for the year ended 31st March, 2001, if not yet encashed. If the dividend warrant has been lost, please apply for duplicate warrant.
9. Members / Proxies attending the meeting are requested to complete the enclosed attendance slip and handover the same at the entrance of the Meeting Hall.
10. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
11. Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance so that required information may be made available at the meeting.





ANNEXURE TO NOTICE

As required by Clause 49 (VIA) of the Listing Agreement with the Stock Exchange the information relating to the Directors proposed to be re-appointed is provided hereunder :-

Mr. Berjis M. Desai :

Mr. Desai is a graduate in Arts and holds Master's Degree in Law from the University of Cambridge, England. He is a Solicitor and Advocate by profession and is currently a partner in Udeshi, Udwardia & Berjis, Advocates & Solicitors.

Mr. Desai specialises in Mergers & Acquisitions, Derivatives, Financial Laws, International Business Law and International Commercial Arbitration and Offshore Structuring.

Details of Mr. Desai's other Directorship / Membership of Committees are given below :

Transamerica Apple Distribution Finance Limited	Director & Member of Audit Committee
Otcei Securities Limited	Director
Watson Wyatt India Private Limited	Director
Thomson Corporation India Private Limited	Director
Vadhvan Port Private Limited	Director
Praj Industries Limited	Director & Member of Audit Committee
Onward Technologies Limited	Director & Member of Audit Committee
Emcure Pharmaceuticals Limited	Director
Seafreight Private Limited	Director
Ferrari Express (I) Private Limited	Director
Centrum Fiscal Private Limited	Director

Except Mr. Berjis M. Desai no other Director of the Company is concerned or interested in the Resolution.

Mr. Shyam G. Shroff :

Mr. Shroff holds a Bachelor's Degree in Commerce. He is a well known personality in film exhibition industry and heads 'Shringar Films' a partnership firm. Mr. Shroff has vast experience in procuring of films for distribution, exhibition and exploitation thereof, marketing and management of cinema halls and film financing.

Details of Mr. Shroff's other Directorship are given below:

Shringar Films Private Limited	Director
Shringar Cinemas Private Limited	Director

Except Mr. Shyam G. Shroff no other Director of the Company is concerned or interested in the Resolution.

By order of the Board

Registered Office
Film City Complex,
Goregaon (East),
Mumbai 400 065.

KIRTI DESAI
Company Secretary

Mumbai, 16th August, 2002.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Last year we had scheduled our 14th Annual General Meeting at Imax Adlabs Theatre, Wadala to give you an opportunity to see for yourselves the completion of our Imax Adlabs Multiplex Project.

This year as you will see from the Notice for the 15th Annual General Meeting that we shall be holding next Annual General Meeting at Company's Registered Office at Film City Complex, Goregaon (East), Mumbai 400 065, so as to enable you to visit your Registered Office as also motion picture processing Lab.

In my last communication to you, I mentioned that growth in the entertainment business would have positive effects on Adlabs operations as we are engaged in some key segments of this industry. Although, this has been a lean year overall, the entertainment industry can only grow, and we are striving to be a part of it.

The motion picture processing laboratory continues to render quality, service and customer care. In order to raise our standards, we are participating in quality programs and training modules to enhance our end product and technical skills of our team.

The IMAX Dome Theatre and four screen Multiplex has had a challenging first year, however, it has seen a great beginning this year and we are working towards creating visibility / awareness and improving overall occupancy. We are also adding entertainment associated amenities to this complex, which will make it a family entertainment destination.

As a part of expansion programme Company has initiated to implement four multiplex projects covering 16 screens. All the four projects, subject to unforeseen circumstances, should be completed during the year 2003-2004.

The long-term goal is to see our company grow as a leader in all facets of the entertainment industry, thereby creating a value chain and optimizing shareholders value. This has led us to consider the possibility of entering into "film-production" which is a core segment of film industry. The new business will not work on speculation as is the case or belief at large, but will work on a purely professional and in well planned manner to protect Company's investment and make this venture contribute to the over all growth and success of our Company.

The Production, Processing and Exhibition will make your Company a leading entertainment company and will provide good value addition in the long term.

Thanking you,

Date : 16th August, 2002.

MANMOHAN SHETTY
Chairman & Managing Director



DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting their Fifteenth Annual Report and the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs. in Lacs)

	2001-2002	2000-2001
Gross Income		
Sales	2759.68	2858.88
Traded Goods	1969.63	1777.15
Theatre Operations	961.88	3.31
Other income	407.38	274.08
Total	6098.57	4913.42
Expenditure	4014.81	3105.41
Profit Before Depreciation, Interest & Tax	2083.76	1808.01
Interest	97.39	23.20
Depreciation	378.54	88.42
Profit Before Tax	1607.83	1696.39
Tax	574.00	500.00
Excess provision for depreciation in respect of prior years	—	37.75
Profit After Tax	1033.83	1234.14
Balance brought forward from previous year	38.15	52.79
Total	1071.98	1286.93
Appropriations		
General Reserve	750.00	1000.00
Proposed Dividend	268.76	225.76
Dividend Tax	—	23.02
Balance Carried Forward	53.22	38.15
Total	1071.98	1286.93

REVIEW OF OPERATIONS

During the year film processing sales was lower by 3.46% to Rs. 2760 lacs as compared to Rs.2859 lacs in the previous year. In volume terms Company had processed 13.70 million feet of 35mm motion pictures negative film and 159.69 million feet of 35mm motion picture print film as compared to 16.72 million feet of negative and 178.20 million feet of print film respectively last year. As far as number of prints released were concerned, this year Company delivered 9425 prints as compared to 10532 prints last year.

The year under review saw release of 53 Hindi feature films processed at your lab, same as last year. The print films business registered a decline of 10.38 % mainly on account of less numbers prints ordered and released by the producer clients.

In trading activity sales of unexposed motion picture negative films, registered an increase of 10.83% to Rs. 1969 lacs as compared to Rs.1777 lacs last year.

Imax Dome Theatre which was commissioned on 31st March 2001, ticketing sales was Rs. 519 lacs and four screen

multiplex ticketing sales for four and half months was Rs262 lacs. The theatre operations café sales and other income was Rs181 lacs.

Other income rose by 48.64% to Rs.407 lacs as compared to Rs.274 lacs in previous year, mainly on account of interest earned on intercorporate deposits, sale of silver and lease rent income.

Net profit registered decline of 16.23% to Rs.1033.83 lacs as compared to Rs.1234.14 lacs in the previous year reflecting decrease in print processing volume, increase in depreciation charge and provision for deferred tax liability.

DIVIDEND

The Directors are pleased to recommend a dividend of 25% (Rs.1.25 per Equity Share) for the year ended 31st March 2002. If approved by the Members at the 15th Annual General Meeting, it will absorb Rs.269 lacs, and shall be paid on 1st October, 2002 to those Members whose names appear on the Register of Members of the Company on 20th September, 2002.

MULTIPLEX PROJECT

The four screen multiplex project was successfully completed. Two screens were commissioned on 26th October 2001 and the remaining two screens were commissioned on 15th November 2001. The occupancy is satisfactory.

UTILISATION OF PUBLIC ISSUE PROCEEDS

Sr. No.	Particulars	Projected As per Offer Document (Rs in lacs)	Actual Utilisation as on 31 st March 2002 (Rs in lacs)
1	Land & Building	1600	2235
2	Plant & Machinery	2834	2092
3	Other Capital Assets	346	866
4	Issue Expenses	500	502
		5280	5695

BUSINESS OUTLOOK 2002 - 2003

In the current year the company's primary objective is to maximize revenue base through optimizing capacity utilization in the existing business operations namely Film processing facility, Imax Dome theatre and Multiplex. The company will also add two new businesses to its portfolio namely film production and theatre management, which will enhance the company's revenue profile.

Film processing laboratory

The motion picture processing business both in value and volume looks encouraging as order book position is satisfactory and major production houses' film release are coming up in the current year. The company is continuing to focus on quality control measures in order to meet international standards. In this regard, company has entered into agreement with Kodak India, to participate in the "Kodak Image Care Program." The programme is aimed at the promotion of high standard of quality in film processing and printing.

IMAX Dome Theatre and Multiplex

The theatre business will show a considerable increase in volumes due to concentrated marketing efforts and selection of best software available. Efficient cost cutting modules and exemption of entertainment tax and other income streams such as cafeteria, retail, sponsorship and simulator ride will have a positive impact on the bottom line of the theatre operations this year.

Theatre Management

Managing multiplexes is the strategy the company proposes to undertake, which requires management expertise to operate theatre. The above business activity will have minimal investment and will generate revenue as a percentage



of gross revenue or a fixed management fee. The Company is also exploring the possibilities of setting up multiplexes in Mumbai, New Mumbai and other cities in the state of Maharashtra. When finalized, this will also contribute to the bottom line and will enhance the company's brand value.

Film Production:

The Company is also considering venturing into the film production business.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association, Mr. Berjis M. Desai and Mr. Shyam G. Shroff retire by rotation and being eligible, offer themselves for reappointment.

RESPONSIBILITY STATEMENT

The Directors confirm that:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made for the same;
- b) that they have selected such accounting policies and applied them consistently and made judgements 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, 2002 and of the profit of the Company for that year.
- c) that they 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;
- d) that they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance is annexed hereto and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, The Management Discussion and Analysis Report is annexed hereto and forms part of this report.

AUDITORS

M/s. H.O. Agarwal & Co., Chartered Accountants, the statutory auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DISCLOSURE OF PARTICULARS

As required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the relevant information regarding conservation of energy, technology absorption, foreign exchange earnings and outgo is given in annexure to this report.

PARTICULARS OF EMPLOYEES

A statement giving particulars of employees required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of employees) Rules 1975, is annexed hereto and forms part of this report.

On behalf of the Board

Manmohan Shetty
Chairman & Managing Director

Mumbai, 16th August, 2002.