



SAREGAMA INDIA LIMITED



Annual Report

Accounts 2002-03



SAREGAMA INDIA LIMITED

BOARD OF DIRECTORS

Mr. R. P. Goenka, *Chairman*
 Mr. S. Goenka, *Vice Chairman*
 Mrs. S. Goenka
 Mr. S. Banerjee
 Mr. P. K. Mohapatra
 Mr. H. V. Neotia
 Mr. J. N. Sapru
 Mr. D. Basu
 Mr. C. Ancliff
 Mr. T. K. Maji

MANAGING DIRECTOR

Mr. D. R. Mehta

SECRETARY

Mr. I. Sengupta

AUDITORS

Price Waterhouse
Chartered Accountants

LEGAL ADVISORS

Khaitan & Company

REGISTRARS AND SHARE TRANSFER AGENTS

MCS Limited
 77/2A, Hazra Road, 5th Floor
 Kolkata - 700 029

BANKERS

United Bank of India
 State Bank of India
 Canara Bank

REGISTERED OFFICE

33, Jessore Road,
 Dum Dum, Kolkata - 700 028

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Notice

Notice is hereby given that the Fifty-Sixth Annual General Meeting of the Members of Saregama India Limited will be held at G. D. Birla Sabhagar, 29, Ashutosh Chowdhury Avenue, Kolkata - 700 019 on Wednesday, the 24th day of March, 2004 at 10.00 A.M. to transact the following business :

1. To receive, consider and adopt the Profit & Loss Account for the period ended 30th June, 2003, the Balance Sheet as at that date and the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Mr. R. P. Goenka who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. C. Ancliff who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mrs. S. Goenka who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modification(s), the following resolutions :

6. (As a Special Resolution)
"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 of the Companies Act, 1956 read with Schedule XIII thereto and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the variation in terms of remuneration of Mr. Abhik Mitra as Managing Director of the Company from 1st July, 2001 as set out in the Explanatory Statement attached to this Notice."
7. (As an Ordinary Resolution)
"RESOLVED that Mr. D. R. Mehta be and is hereby appointed a Director of the Company."
8. (As a Special Resolution)
"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 316 read with Schedule XIII thereto and other applicable provisions, if any, of the Companies Act, 1956 ('Act'), the consent of the Company be and is hereby accorded to the appointment of Mr. D. R. Mehta as Managing Director of the Company for a period of five years and the remuneration initially payable to him for a period not exceeding three years with effect from 3rd September, 2003 on the terms and conditions as set out in the Agreement executed by the Company with Mr. D. R. Mehta on 27th November, 2003, a copy whereof is laid on the table for the purpose of identification initiated by the Chairman hereof, with liberty to the Board of Directors to vary and increase the remuneration, perquisites, incentives and bonus as the Board may

consider appropriate subject to the limits contained in the relative provisions of the Act."

Registered Office :

33, Jessore Road, Dum Dum
Kolkata 700 028, India

Dated : 20th February, 2004.

By Order of the Board

I. Sengupta
Secretary

Notes :

1. The Explanatory Statements in respect of Items 6, 7 and 8 are hereto annexed.

2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY OR AT THE OFFICE OF THE COMPANY'S SECRETARIAL DEPARTMENT AT DUNCAN HOUSE, 31, NETAJI SUBHAS ROAD, KOLKATA-700 001 NOT LESS THAN 48 HOURS BEFORE THE MEETING.

3. In accordance with Clause 49 VI (A) of the Listing Agreement, the brief profile regarding each of the Director seeking re-appointments/appointment according to Items 2, 3, 4 and 7 of this Notice for the forthcoming Annual General Meeting are provided in the Explanatory Statement.
4. The Register of Members and Share-Transfer Books shall remain closed from 22nd March, 2004 to 24th March, 2004 (both days inclusive).
5. Pursuant to the provision of Section 205A of the Companies Act, 1956, dividend for the Financial Year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (IEPF) established under Section 205C of the Companies Act, 1956. Shareholders who have not encashed their Dividend Warrant(s) so far for the Financial Year ended 31st March, 1997, or any subsequent Financial Years, are requested to make their claims at the earliest to the office of the Registrar and Transfer Agents Messrs. MCS Limited, 77/2A, Hazra Road, 5th Floor, Kolkata-700 029. It may also be noted that once the unclaimed dividend is transferred to IEPF, as above, no claim shall lie in respect thereof. The Dividend for the Financial Year ended 31st March, 1997 is due to be transferred to the aforesaid account on or before 2nd December, 2004.
6. Members can avail the nomination facilities under Section 109A of the Companies Act, 1956 by filling Form No. 2B with the Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, 5th Floor, Kolkata-700 029 (in the case of physical shares) or to the Depository



Participants (in the case of dematerialised shares). Blank forms will be supplied on request.

7. Members are requested to notify immediately any change of address :
 - To the Depository Participants in respect of electronic share accounts and
 - To Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, 5th Floor, Kolkata-700 029 in respect of physical share accounts.
8. In case the mailing address mentioned in the Annual Report is without the Pin Code, Members are requested to inform their Pin Code immediately.
9. Consequent to the reduction of the share capital of the Company, pursuant to the Order of the Hon'ble High Court, Calcutta dated 24th July, 1996, the old shares of the Company stands cancelled. As per the Court Order, two new shares were issued to the shareholders in lieu of five old shares held by them in the Company. Accordingly, circulars were sent to shareholders from time to time, requesting them to send their old share certificates to the Company and to obtain their new share certificates in lieu thereof. The Company once again requests to those shareholders, who are yet to send their old share certificates held prior to reduction to capital, to send the same to its Registrars, MCS Limited at the aforesaid address, and get their old share certificates

exchanged for new share certificates. Shareholders may note that the old share certificates are neither tradeable in the stock market nor will they be acceptable for dematerialisation.

10. Members, holding shares in identical order of names in more than one folio and which have the same addresses, are requested to send their share certificates to the Registrars of the Company, Messrs. MCS Limited, to enable them to consolidate the holdings into one folio.
11. Members who are still holding their share certificates in physical form are requested to get their shares dematerialised. Shareholders may note that SEBI, vide its Circular No. SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000, has decided to include the Company for compulsory dematerialised trading of securities.
12. Members/Proxies should bring the Attendance Slip sent herewith, duly filled in, for attending the Meeting.
13. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
14. Members having queries relating to Accounts may send their queries at least 7 days before the date of the Meeting, i.e., it should reach the Company's Secretarial Department at 31, Netaji Subhas Road, Kolkata-700 001 by 17th March, 2004.

Annexure to the Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

1. In terms of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to items 6, 7 and 8 of the accompanying Notice dated 20th February, 2004.

2. Item 6

The Members at the Annual General Meeting held on 24th September, 2001 approved the appointment of Mr. Abhik Mitra as Managing Director of the Company for a period of 5 years with effect from 12th December, 2000 to 11th December, 2005. An abstract of the terms and conditions of appointment of Mr. Abhik Mitra as Managing Director of the Company are reproduced herein for your convenience.

- a) Basic Salary : Rs. 92,000 per month subject to a maximum of Rs. 3,00,000 per month as may be decided from time to time by the Board or the Committee.
- b) Special Allowance : Rs. 69,000 per month subject to a maximum of Rs. 2,00,000 per month as may be decided from time to time by the Board or the Committee.

- c) Bonus : In accordance with Rules of the Company.
- d) Perquisites : Perquisites shall be restricted to an amount equal to his annual salary to be reckoned on the basis of actual expenditure or liability incurred by the Company. Perquisites are classified as set out in the Agreement executed by the Company with Mr. Abhik Mitra on 30th January, 2001.

The Central Government amended the provision of Schedule XIII of the Companies Act, 1956 on 16th January, 2002 and in compliance thereof, the Compensation Committee and Board of Directors of your Company at its meetings held on 25th January, 2002 ratified the remuneration being paid to Mr. Abhik Mitra, an extract of which is given below :

- a) Basic Salary : Rs. 1,40,000 per month.
- b) Special Allowance : Rs. 80,000 per month with effect from 1st July, 2001. All other terms and conditions would remain unchanged as per the Agreement executed by the Company with Mr. Abhik Mitra on 30th January, 2001.



In case of absence for inadequacy of profits, Mr. Abhik Mitra is entitled to receive a minimum remuneration as specified in Part II Section II (B) of Schedule XIII of the Companies Act, 1956 (as amended) provided a Special Resolution is passed by the Members of the Company.

Mr. Abhik Mitra is a B. Tech. and was previously posted as the Managing Director of Ceat Kelani Limited in Sri Lanka and was recipient of best Manager and Outstanding Achiever Award from amongst all RPG Managers in 1997-98. Mr. Abhik Mitra resigned from the post of Managing Director of your Company on 3rd September, 2003 to take the new position as President - Business Improvement, Strategy and IT in RPG Enterprises. Prior to joining RPG Group, Mr. Abhik Mitra worked with Hindustan Lever Limited in various senior capacities.

The approval of Members is accordingly being sought by way of Special Resolution for payment of minimum remuneration as per item 6 of the Notice.

Your Directors recommend that the resolution set out in item 6 of the Notice be passed in the interest of the Company.

None of the Directors is interested in the resolution.

Copy of the Agreement dated 30th January, 2001 is available for inspection of members at the Registered Office of the Company and also at the Secretarial Department at 31, Netaji Subhas Road, Kolkata-700 001 between the hours 10 A.M. to 12 noon on any working day of the Company and will also be available at the meeting.

3. Item 7

Mr. D. R. Mehta was appointed as an Additional Director of your Company with effect from 3rd September, 2003. Mr. D. R. Mehta holds office upto the date of the forthcoming Annual General Meeting.

Notice under Section 257 of the Companies Act, 1956 has been received from an individual member of your Company along with a deposit of Rs. 500/- signifying his intention to propose the new appointee as Director of your Company.

Your Directors recommend the resolution set out at item 7 of the Notice be passed in the interest of the Company.

None of the Directors of the Company other than Mr. D. R. Mehta is interested in the resolution relating to his appointment.

4. Item 8

The Board of Directors of the Company at its meeting held on 27th November, 2003, as recommended by the Compensation Committee of Directors, has appointed Mr. D. R. Mehta as Managing Director of the Company

for a period of five years and the remuneration initially payable to him for a period not exceeding three years with effect from 3rd September, 2003 as set out in the Agreement executed between the Company and Mr. D. R. Mehta on 27th November, 2003 an abstract of which is given below :

1. Basic Salary : Rs. 2,00,000/- per month.
2. Perquisites : Perquisites shall be restricted to an amount equal to his annual salary to be reckoned on the basis of actual expenditure or liability incurred by the Company.

PART A

- (i) Housing including gas, electricity, water and furnishing :
 - (a) The Company shall provide Mr. D. R. Mehta with furnished accommodation on which the expenditure to the Company shall be subject a ceiling of sixty percent of his salary.
 - (b) If the Company does not provide accommodation to Mr. D. R. Mehta, he shall be entitled to house rent allowance in accordance with clause (a) as mentioned above.
 - (c) The expenditure incurred by the Company on gas, electricity and water shall be valued as per Income Tax Rules, 1962. This shall however be subject to a ceiling of ten percent of the salary of Mr. D. R. Mehta.
- (ii) Medical reimbursement : Reimbursement of domiciliary medical expenses incurred for self and family subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years.
- (iii) Personal Accident Insurance : As per the rules of the Company.

NOTE : For the purpose of domiciliary medical expenses stated herein above, family means the spouse dependant children and the dependant parents of Mr. D. R. Mehta.

PART B

- (iv) Company's contribution towards Provident Fund and Superannuation Fund or Annuity Fund for Mr. D. R. Mehta shall be subject to the ceilings as may be prescribed from time to time by the Income Tax Act, 1961 and the Rules framed thereunder and these either singly or put together are not taxable under the Income Tax Act, 1961.
- (v) Gratuity payable to Mr. D. R. Mehta shall be in accordance with the Rules of the Company.

PART C

- (vi) Provision of one car for use of Company's business as per Company's policy alongwith one driver, telephone at residence and one cellular phone (the rentals and usage expenses for official purposes to be reimbursed by the Company), will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Mr. D. R. Mehta.
- (vii) Earned leave : Mr. D. R. Mehta shall be entitled to one month's leave on full pay and allowances for every eleven months of service with a right to accumulate such leave for a period not exceeding one hundred and eighty days and Mr. D. R. Mehta shall be entitled to encash the leave accumulated and not availed.
3. In case of absence or inadequacy of profits, Mr. D. R. Mehta shall be entitled to receive minimum remuneration as per the provisions of Part II Section II (B) of Schedule XIII of the Companies Act, 1956.
4. Mr. D. R. Mehta shall continue to act as Managing Director of Spencer & Company Limited without any remuneration.

Mr. D. R. Mehta possesses over 35 years of business experience relating to various aspects of Management including general management, business strategy, marketing, administration etc. with the reputed companies in diverse and relevant fields like consumer products/FMCG, telecom/cellular, hospitality, tourism, paints, retailing etc. He has an impressive academic background which includes MBA from IIM, Ahmedabad and AEP from Kellogg's School of Management, North Western University, U.S.A.

Mr. D. R. Mehta has spent over 19 years with various RPG Group Companies winning several top performance awards and recognition.

The Company is engaged in the entertainment business and the information envisaged pursuant to the provisions of fourth proviso to Paragraph (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 have been fully set out in the accompanying Directors' Report.

Your Directors feel that it will be advantageous to appoint Mr. D. R. Mehta as Managing Director of the Company with liberty to the Board of Directors to vary the terms as mentioned in the resolution.

The Special Resolution set out at item 8 of the annexed Notice is intended to obtain approval of the Members to the appointment of Mr. D. R. Mehta and payment of remuneration as mentioned above to him as Managing Director of the Company. Your Directors recommend the said resolution be passed.

Copy of the Agreement executed between the Company and Mr. D. R. Mehta on 27th November, 2003 is available for inspection of Members at the Registered Office of the Company and also at the Secretarial Department at 31, Netaji Subhas Road, Kolkata-700 001 between the hours 10 A.M. to 12 noon on any working day of the Company and will also be available at the meeting.

MEMORANDUM OF INTEREST

None of the Directors of the Company other than Mr. D. R. Mehta is concerned with or interested in this resolution. An abstract of the terms and conditions of appointment of Mr. D. R. Mehta as Managing Director of the Company has already been sent to the Members of the Company on 27th November, 2003 as required under Section 302 of the Companies Act, 1956.

Brief profile of Directors seeking re-appointments/appointment at the Annual General Meeting**Rama Prasad Goenka**

Date of Birth	1st March, 1930
Expertise in specific Functional areas	Mr. Rama Prasad Goenka is the Chairman Emeritus of Rs. 70 billion RPG Group. Amongst the Group's core business are Power (CESC Limited supplies power to Kolkata), Tyre (CEAT, one of India's top tyre companies), Retailing (FoodWorld, India's largest retail chain) and other companies involved in IT, tea, chemicals and life sciences. Mr. Goenka is currently a Member of Parliament (Rajya Sabha), is Chairman of Board of Governors, International Management Institute and a Trustee of the Jawaharlal Nehru Memorial Fund, Indira Gandhi Memorial Trust and Rajiv Gandhi Foundation. He is a former President of the Federation of Indian Chambers of Commerce and Industry and the Confederation of Asia Pacific Chambers of Industry. He is also the immediate past Chairman of the Board of Governors of the Indian Institute of Technology, Kharagpur.
Qualification	B.A. (Hons.), Presidency College, Calcutta University, Advanced Management Programme, Harvard University, U.S.A.



Directorship including position held in other companies (excluding foreign companies)	CEAT Limited – Chairman, CESC Limited – Chairman, Jubilee Investments & Industries Limited – Chairman, Hilltop Holdings India Limited – Chairman.
Committee position	Nil

Christopher John Ancliff

Date of Birth	3rd September, 1965
Expertise in specific Functional areas	Mr. Christopher John Ancliff was the Vice President: Legal and Business Affairs at Polygram International (now Universal Music International) in London. Mr. Ancliff worked with EMI, and is presently the Associate General Counsel & Senior Vice President of Legal Affairs, EMI Group plc.
Qualification	Solicitor.
Directorship including position held in other companies (excluding foreign companies)	Nil
Committee position	Nil

Sushila Goenka

Date of Birth	15th August, 1936
Expertise in specific Functional areas	A connoisseur of Indian art, music and culture. Mrs. Sushila Goenka is associated with several social organizations including Ladies Study Group, Kolkata and FICCI Ladies Organisation, New Delhi.
Qualification	Home educated.
Directorship including position held in other companies (excluding foreign companies)	Nil
Committee position	Nil

Dilip R. Mehta

Date of Birth	8th March, 1943
Expertise in specific Functional areas	Mr. Dilip R. Mehta possesses over 35 years of business experience relating to various aspects of Management including general management, business strategy, marketing, administration etc. with the reputed companies in diverse and relevant fields like consumer products/FMCG, telecom/cellular, hospitality, tourism, paints, retailing etc. He has an impressive academic background which includes MBA from IIM, Ahmedabad and AEP from Kellogg's School of Management, North Western University, U.S.A. He has spent over 19 years with various RPG Group Companies winning several top performance awards and recognition.
Qualification	B. Sc., LLB, MBA – IIM (Ahmedabad) AEP, Kellogg's School of Management, North Western University, U.S.A.
Directorship including position held in other companies	Spencer & Company Limited – Managing Director, Jubilee Investments & Industries Limited – Director, RPG Cellular Services Limited – Director, RPG Paging Services Limited – Director, Music World Limited – Director, Music World Entertainment Limited – Director, Spencer International Hotels Limited – Director, Spencer Travel Services Limited – Director, Great Wholesale Club Limited – Director, Saregama Films Limited – Director.
Committee position	Nil



Directors' Report

Your Directors present the Fifty-Sixth Annual Report of Saregama India Limited along with the audited statement of accounts for the 15 months period ended 30th June, 2003.

The Company has extended the accounting period by three months i.e. upto 30th June, 2003 and postponed the date of holding the Annual General Meeting (A.G.M) in order to present financial position duly incorporating the impact of the Scheme of Arrangement between the Company and its wholly owned subsidiary, Saregama Films Limited submitted for approval by the Hon'ble High Court at Calcutta. The Registrar of Companies, West Bengal on seeking extension, has granted the time upto 25th March, 2004 for convening the A.G.M.

Financial Results

The Company's broad financial results are summarised below :

	(Rs. in lakhs)	
	15 Months ending 30th June '03	12 Months ending 31st March '02
Total income	12351	12328
Profit/(Loss) from operations	(4746)	(2720)
Extraordinary item	Nil	15
Profit/(Loss) before tax	(4746)	(2735)
Net Profit/(Loss) (after tax and extraordinary items)	(4809)	(2576)
Dividend (including tax thereon)	-	-
Transfer to General Reserve	-	-
Reserves (excluding Revaluation Reserves)	5333	19078

Scheme of Arrangement

The Scheme of Arrangement proposing the transfer and vesting of Television Software Division of the Company to its wholly owned subsidiary, Saregama Films Limited was submitted to the Hon'ble High Court at Calcutta with effect from appointed date i.e. 30th June, 2003. Thereafter, a Special Resolution under the direction and supervision of the High Court was passed with overwhelming majority by the members of the Company as well as the members of Saregama Films Limited on 11th September, 2003. The Hon'ble High Court at Calcutta passed an Order under Section 394(2) of the Companies Act, 1956 on 3rd November, 2003 sanctioning the Scheme of Arrangement. The adjustments in respect of Fixed Assets, Investments, loans and advances, debit balance in the Profit and Loss Account against Share Premium account, elaborated in the Note No. 1.4 of Schedule XIX of the Accounts and commented by the Auditors in their Report, are in accordance with the Scheme of Arrangement approved by the Hon'ble High Court at Calcutta.

Dividend

In view of the loss incurred during the year, your Directors regret their inability to recommend any dividend for the period ended 30th June, 2003.

Domestic Operations

The year 02-03 did not bring any respite to music and film industry. The Indian music market which is still largely in cassette format declined substantially across the country. This was due to a combination of adverse factors – spread of FM Channels, increasing popularity of video CDs, rampant piracy through high-tech forms like MP3, continuation of counterfeits etc. During the year, the Company invested in above 12 new Hindi films including big banners like Yash Chopra and Feroze Nadiadwala. Unfortunately, barring two films music of other films did not succeed mainly due to lackluster performance at Box Office.

Despite such competitive and adverse business scenario, the Company achieved the following :

- Saving of 9% in operating expenditure over last year.
- Substantial increase in CD volume partially recovering loss of contribution caused due to fall in cassette sale.
- Consolidation into audio-visual segment by effective marketing of Warner Home Video Products in India.
- Acquired license to market Home Video of Universal.

The Company continues its focus on catalogue with some highly successful compilations such as 'Ehsas', 'Kabhi Gham Se Dil Lagaya' and regional compilations in various languages across the regions.

With significant growth of large format retail stores in country, the Company has employed dedicated sales people for business development in these stores. The Company has also successfully tied up for promotion of new Hindi film music with popular consumer brands such as Kwality Walls and Bru.

Publishing Revenues

There is a silver lining in terms of publishing revenue which have started coming from Radio and Public Performances. However, Publishing revenue stream from TV Channels has still not commenced.

TV Software

TV software division of the Company catering to South Indian market consolidated its operations by posting growth in the revenue of above 60%. The Television Software Division along with assets, debts, liabilities and obligations have been transferred to Saregama Films Limited, a wholly owned subsidiary company by virtue of the Scheme of Arrangement sanctioned by the Hon'ble High Court at Calcutta. In consideration, Saregama Films will be allotting 42,30,000 Equity shares of Rs. 10/- each to Saregama India Limited.

Film Business

In pursuit of becoming a full fledged entertainment company, besides its existing business of music and TV Software, Saregama through its wholly owned subsidiary, Saregama Films Limited has made foray into the high potential film making business. Maiden venture of this subsidiary is under an advanced stage of completion and is expected to be released early 2004/05.



International Operations

The international operations are handled by Saregama's subsidiaries, Saregama Plc and RPG Global Music Limited. The shift in consumer preference in favour of DVDs and/or VCDs from music cassettes was even more dramatic and faster in international markets like U.S.A. and Europe. Also, music piracy through internet/digital download increased. All these adversely affected the operations of both international subsidiaries. These companies however have taken following initiatives to consolidate its operations :

Saregama Plc

- Expansion of distribution in both U.K. and U.S.A. by new dealer appointments.
- Appointment of large distributor (South West Wholesale) to cater to large format stores in U.S.A.
- Reduction in operating expenditure.

RPG Global Music Limited

- The company entered into Australia and Fiji by successfully appointing new dealers.
- New licensee appointed in Malaysia for handling Tamil VCDs with contents created by TV Software Division.
- Ringtone deal struck with service provider and handset manufacturer.
- Reduction in operating expenditure.

Outlook

Acquisitions in NHF segment are being de-risked not only through lower cost of acquisitions but also by following variable royalty based model, wherever possible. All out efforts have been made to exploit the invaluable catalogue owned by the Company, particularly under OHF segment by developing new products like remixes, innovative compilations supplementaries etc. Additional revenue streams are being generated through greater focus on publishing revenues, introduction of premium products and through corporate and media tie-ups. Efforts are on to expand the home video business by acquiring licenses from new studios. The Company is also focusing on variety of regional repertoire including in the areas of devotional and regional language music.

Corporate Governance & Management Discussion and Analysis

The Company recognizes the significance of good Corporate Governance as an important step for building stakeholders' confidence, improve investor protection and enhance long term shareholder value.

Pursuant to Clause 49 of the Listing Agreement, Corporate Governance Report along with a certificate of compliance from the Auditors, is attached and forms part of this Annual Report. The attached Corporate Governance Report, including Management Discussion and Analysis Report have been approved by the Board.

Directors' Responsibility Statement

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors states :

- That, in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;
- That your 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 or loss of the Company for that period;
- That your Directors have taken proper and sufficient care of the maintenance of adequate accounting records, in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That your Directors have prepared the Annual Accounts on a going concern basis.

Employee Stock Option Plan

The Members of the Company, at its A.G.M held on 24th September, 2001, approved the introduction of the Employee Stock Option Scheme for eligible employees of the Company and its subsidiaries. During the period under review, no options were granted to the employees. 20523 number of options have lapsed during the period, due to resignation of the concerned employees. The disclosure required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, is set out in the annexure to this Directors' Report.

Fixed Deposits

The Company accepted two Fixed Deposits aggregating to Rs. 55 lakhs from Directors of the Company and no amount of principal interest was outstanding as on the Balance Sheet date.

Particulars of Employees

A statement of Particulars of Employees of the Company, as prescribed under 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.

Directors

Mr. V. B. Menon resigned from the Board with effect from 7th March, 2003. Your Directors place on record their deep appreciation for the valuable services rendered by Mr. V. B. Menon during his long tenure of association with the Company.

Mr. Abhik Mitra resigned from the office of Managing Director on 3rd September, 2003. Your Directors place on record their sincere appreciation for the valuable services rendered by



him during his tenure of office as Managing Director of the Company.

Mr. D. R. Mehta has been appointed as Additional Director designated as Managing Director of the Company with effect from 3rd September, 2003. Mr. D. R. Mehta shall hold office upto the forthcoming A.G.M. The appointment of Mr. D. R. Mehta as Director designated as Managing Director of the Company and the terms of remuneration payable to him as set out in the Notice for the forthcoming A.G.M require your approval.

Mr. R. P. Goenka, Mr. C. Ancliff and Mrs. S. Goenka retire by rotation under Article 102 of the Articles of Association of the Company and, being eligible, offer themselves for re-appointment.

Auditors

M/s Price Waterhouse, the Auditors of the Company, retire at the A.G.M. and, being eligible, offer themselves for re-appointment.

Human Resources Development

Employee relations continued to be harmonious during the period under review both at manufacturing plant and other locations.

The Company believes that its strength lies in its manpower. As a part of its continuous efforts in Human Resource Development, an integrated programme linking performance measurement, rewards, recognition and competency building has been launched. The integrated approach is expected to revitalise the performance orientation amongst the employees in the Company.

The Human Resources initiatives at Saregama continued

during the year with a view to develop relevant skills and competencies in its manpower resources.

Consolidated Financial Statements

In accordance with Accounting Standard 21 – Consolidated Accounts form part of this Annual Report. These accounts have been prepared on the basis of audited financial statements received from subsidiary companies, as approved by their respective Boards.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outflow

The Company regularly conducts an energy audit in the factory to ensure energy conservation. The technology for the manufacture of audio cassettes has not undergone any major change.

During the accounting period, the Company earned foreign exchange to the tune of Rs. 485 lakhs against which the outflow on account of the import of raw materials, finished goods, capital items and operational expenses, including royalty, was Rs. 192 lakhs resulting in a net inflow of Rs. 293 lakhs.

Acknowledgements

Your Directors express their sincere thanks and appreciation to artistes, composers, musicians, film producers, suppliers, dealers, bankers, financial institutions and other stake holders for their continued support.

By Order of the Board

Kolkata,
20th February, 2004

R. P. Goenka
Chairman

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the Fifteen Months period ended 30th June, 2003

Name	Age	Qualification	Date of Commencement of Employment	Designation/ Nature of Duties	Remuneration (Rs.)	Experience (Years)	Last Employment
Harish Dayani	49	B. Sc. (Hons.)	18.01.1996	Chief Executive – Film Business	3621674	26	Business Manager – ML Exports, Hindustan Lever Ltd.
Abhik Mitra	43	B. Tech.	12.12.2000	Managing Director & CEO – Entertainment Sector	5358382	20	President – E-RPG Ventures Ltd.

- Notes :**
1. Gross remuneration includes salaries, allowances, bonus, leave travel assistance and house rent and Company's contribution to retirement funds on actuals and all other taxable value of perquisites.
 2. Nature of employment is contractual for the employees referred to above. Other terms and conditions are as per the Company's rules.
 3. None of the above employees is related to any Director of the Company.

By Order of the Board

Kolkata,
20th February, 2004

R. P. Goenka
Chairman