



# **Tips Industries Ltd.**

**Fifth Annual Report 2000-2001**

### **Board of Directors**

<b>Mr. Kumar S. Taurani</b>	<i>Chairman &amp; Managing Director</i>
<b>Mr. Shiv C. Abichandani</b>	<i>Finance Director</i>
<b>Mr. Shyam M. Lakhani</b>	<i>Executive Director</i>
<b>Mr. David Dhavan</b>	<i>Director</i>
<b>Mr. Boney Kapoor</b>	<i>Director</i>
<b>Mr. Haresh Tekchandani</b>	<i>Director</i>

### **Senior Management**

<b>Mr. Rajeev Sogani</b>	<i>Sr. Vice President</i>
<b>Mr. Ishwar Advani</b>	<i>VP - Operations</i>
<b>Mr. I.T. Gursahani</b>	<i>VP - Legal</i>
<b>Mr. L.V. Shankaran</b>	<i>VP - Finance</i>
<b>Mr. J.J. Advani</b>	<i>GM - Sales</i>
<b>Ms. Aarti Poddar</b>	<i>GM - Marketing</i>
<b>Mr. Sunil Chellani</b>	<i>Manager - Finance</i>

### **Company Secretary**

**Ms. Pooja Sethi**  
(w.e.f. 02.07.2001)

### **Bankers**

**Bank of Baroda**

### **Registrars & Share Transfer Agents**

**Intime Spectrum Registry Pvt. Ltd.**  
260, Shanti Industrial Est., Sarojini Naidu Rd.,  
Mulund (W), Mumbai - 400 080  
Tel. : 592 3837 (10 Lines) Fax : 5672693  
Email : [isrl@vsnl.com](mailto:isrl@vsnl.com)

### **Chartered Accountants**

**M/s. K.H. Associates**  
(Chartered Accountants)  
D-5, Commerce House,  
78, Tardeo Road, Mumbai - 400 034.

### **Registered Office**

Plot No. A/18, Opp.Laxmi Industrial Estate, Off New Link Road, Andheri (West), Mumbai - 400 053.  
E-mail : [tips@tipsmusicfilms.com](mailto:tips@tipsmusicfilms.com) Web-site : [www.tipsmusicfilms.com](http://www.tipsmusicfilms.com)

### **Branch Offices**

**Delhi:** 4382/4B, 2nd Floor, Galli Murarilal, Ansari Road, Dariya Ganj, New Delhi - 110 002

**Hyderabad:** 1st Floor, 4-4-443/1, Girija Lane, Sultan Bazar, Hyderabad - 500 095.

**Chennai:** Door No. 23, Flat No. 405, 3rd Floor, Geekay Electronic Complex,  
Meeran Sahib Street, Mount Road, Chennai - 600 002.

**Chandigarh:** Cabin No. 104, SCO 100-101, 1st Flr, Magnum Business Centre, Sec-34A, Chandigarh.

**Mumbai:** 9, Shanti Niketan, 1st Floor, Near Dreamland Cinema, Lamington Road, Mumbai-400 004.

### **Factories**

Plot No. 15, PLDC Complex, Chintupada, Village Mahim, Palghar, Dist. Thane, Maharashtra  
Plot No. 22, Survey No. 126, Amla, Silvassa - 396 230, UT of Dadra & Nagar Haveli



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**NOTICE**

Notice is hereby given that the *fifth annual General meeting of TIPS INDUSTRIES LIMITED* will be held on Thursday 6<sup>th</sup> day of September 2001 at 3.00 p.m. at Rang Sharda, Bandra Reclamation, Mumbai - 400 050 to transact the following business:

**ORDINARY BUSINESS**

- 1] To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2001 and the Profit and Loss Account for the year ended on that date and the Director's Report and Auditor's Report thereon.
- 2] To declare the dividend for the year ended 31<sup>st</sup> March 2001.
- 3] To appoint a Director in place of Mr. Kumar S. Taurani who retires by rotation and, being eligible, offers himself for re-appointment.
- 4] To appoint a Director in place of Mr. Shiv Abichandani who retires by rotation and, being eligible, offers himself for re-appointment.
- 5] To appoint auditors and to fix their remuneration.

**SPECIAL BUSINESS**

- 6] To appoint a Director in place of Mr. Haresh Teckchandani

- 7] who holds office upto the date of this Annual General Meeting. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolutions: "RESOLVED that approval of the members be and is hereby accorded to the Company for keeping the Company's Registers and Indices of Members and copies of Annual Returns prepared under section 159 together with copies of certificates and documents required to be annexed thereto under section 161 of the Companies Act, 1956 or one or more of them at the Office of the Registrars of the Company namely Intime Spectrum Registry Private limited at their office at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W) Mumbai 400 080."

By order of the Board of Directors

Place : Mumbai  
Date : 29<sup>th</sup> June 2001

**Kumar S. Taurani**  
Chairman and Managing Director

**Registered Office:**

Plot No. A-18, Opp. Laxmi Industrial Estate,  
Off. New Link Road,  
Andheri (West),  
Mumbai 400 053.

**Nota Bene:**

- 1] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL ONLY, INSTEAD OF HIMSELF/HERSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
- 2] An explanatory Statement under Section 173 of the Companies Act, 1956 in respect of items Nos. 6 & 7 is annexed hereto.
- 3] The Register of Members and Transfer Books will be closed from Tuesday, 4<sup>th</sup> September 2001 to Thursday 6<sup>th</sup> September 2001 both days inclusive.
- 4] The dividend on ordinary shares for the year ended 31<sup>st</sup> March, 2001 if sanctioned will be payable to those members whose names appear in the Company Register of Members on or before 4<sup>th</sup> September 2001. In respect of shares held in the electronic form, the dividend will be payable on the basis of ownership as per details furnished by National Securities Depositories Limited and Central Depository Services Limited for this purpose. Dividend warrants will be dispatched within 30 days from the date of the Annual General Meeting.
- 5] Investor shareholders can now avail of the facility of nomination. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of the shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination Form. The facility of nomination is not available to non-individual shareholders such as societies, trusts, bodies corporate, Kartas of Hindu Undivided Families, holders of Power of Attorney. For further details, please contact the Company's Secretarial Department.
- 6] Members are requested to:
  - (a) Intimate to the Company or the Registrars changes, if any, in their registered addresses at an early date.
  - (b) Quote folio numbers in all their correspondence.
- 7] In order to provide protection against fraudulent encashment of dividend warrant, members are requested to provide, if not provided earlier, their bank account numbers, names and addresses of the bank branches, quoting their folio numbers, so as to reach the Company by the last week of August to enable the Company to incorporate the same in the dividend warrants.
- 8] Members holding shares in the identical order of names in more than one folio are requested to consolidate their holdings into one folio.

**Explanatory statement pursuant to section 173 of the Companies Act, 1956 annexed to the Notice dated 29<sup>th</sup> June 2001**

**Item No. 6**

The Company appointed Mr. Haresh Teckchandani as an additional director and pursuant to the provision of section 260 of the Companies Act, 1956 he holds office only till the end of ensuing annual general meeting. Some of the members have pursuant to the provisions of Section 257 of the Act, have given notices along with relevant deposit, proposing Mr. Haresh Teckchandani to be appointed as a director.

Mr. Haresh Teckchandani gained his Bachelor of Science (B.Sc) degree from the Mumbai University in the year 1973. He holds a diploma in Commercial Management from The Jammalal Bajaj Institute in Mumbai and also cleared his CAIIB exam.

Previously he was working as a Chief Manager at State Bank of India and served for a period of 22 years. He also holds the post of Executive Director with Soundcraft Industries Limited w.e.f. 31<sup>st</sup> August 2000.

The Board is of the view that Mr. Teckchandani's knowledge and experience will be of benefit and value to the Company and therefore recommends his appointment to the shareholders.

Apart from Mr. Haresh Teckchandani, no Director is interested or concerned in this item.

**Item No. 7**

The Company's Registers and Indices of Members and copies of Annual Returns, together with copies of certificates and documents required to be annexed thereto (herein after referred too as "the aforesaid Records") were maintained by Karvy Consultants Limited, the Registrars of the Company.

Approval of the shareholders is therefore sought by a Special Resolution for any one or more of the Registers indices of Members and Annual returns and other documents to be kept at the Office of the Registrars of the Company namely Intime Spectrum Registry Private limited at their office at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W) Mumbai 400 080."

The shareholders may inspect any such documents or such other persons as are entitled to such inspection between 10.00 a.m. and 12.00 noon from the office of the Registrars of the Company.

The Directors recommended the passing of the motion as set out in this item as a Special Resolution. No Director has any particular interest in this item of business.

By Order of the Board

**Kumar S. Taurani**  
Chairman and Managing Director

**Registered Office:**

Plot No. A-18, Opp. Laxmi Industrial Estate,  
Off. New Link Road, Andheri (West), Mumbai 400 053.



## Chairmans' Statement

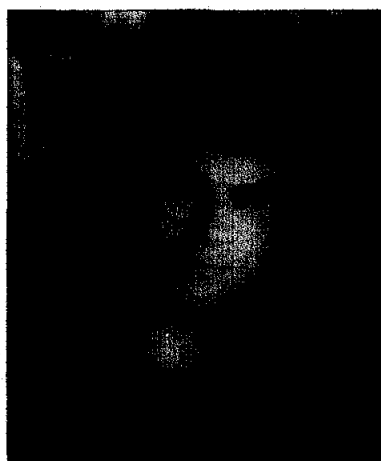
*Dear Shareholders,*

In my first address to you I would like to share a dream to take our company to an altitude of sustained growth and enduring stature with the aid of the confidence reposed by its members and also based on strong foundations of dedication, innovation and leadership by example.

The media's prime focus is towards all the glamour and hype associated with the entertainment industry, they seldom look into the convolutions and obscurity involved behind all those flashy armors. During my *pre- IPO* interaction with you vide various media, I had dealt in broad aspects of our industry as well as our plans of carving a niche for our company, but now in this interface and also through the pages that run hereinafter I, will focus on giving you an insight of what is the exact state of affairs of the industry at large and where does our company stand.

Until the 1990s, the Indian music industry was synonymous with Indian film music. Music cassettes and radio (run by All India Radio) were the only delivery media to the music listener. However, over the years, the industry has undergone a transformation. Non-film genres, such as international music, Indi-pop and regional music have become significant despite the continuing dominance of film music. International music has gained popularity owing to the promotional effects of satellite music television and the entry of global music majors. Besides, old genres of Indian music such as classical and devotional music have received renewed focus and commercial attention.

This metamorphosis of the industry has been in tandem with changes such as the retail revolution in music distribution (with the emergence of music retailing outlets), increasing penetration of Compact Discs (CDs), and emerging distribution channels such as the Internet. These factors, coupled with the increased affordability of quality music hardware have propelled this industry to its



present size of Rs 12.50 billion. But then lets not get into the rosy picture altogether, the reality is that there is cut throat competition in terms of substandardised quality of music easily available to the customers, lack of incentives available from the legislations, and lack of opportunity available to the original and creative talent. All these coupled; make it tough for companies like us in penetrating the market and hold on to our valued customers. Despite being acclaimed as

a full fledged industry by the statutory authorities, it is a matter of regret that the industry is not bestowed with conveniences like easy financing through banks and other reputed financial institutions.

Prominently speaking our biggest and most crucial battle is with piracy. ***Till last year 30-35 percent of total industry sales were being lost due to piracy***, which has already gone upto 45 percent till July this year. Moreover, there is so much ***discrepancy in taxes, which different states levy on cassettes and CDs, which in turn promotes piracy***. The recalcitrance of the established music industry makes me think that the ongoing polarized slow down will continue for another few years before things settle into a new equilibrium.

A closer look on accounts of the company exhibits that depreciation constitutes a major portion of out expenditure, reason being that we follow the policy of writing off the entire expenditure on acquisition of audio rights immediately on the release of the titles, but as you all know such rights are in fact music software through which the company generate revenues for a long time. For example, the cost of acquisition of super musical hits like *Raja, Anari, Hello Brother, Soldier, Kya Kehna, Jab Pyar Kisi se Hota Hai, Phir Teri Kahani Yad Aai, Kachche Dhagge, Prem Quaidi, Coolie No. 1, Jeet, Khuddar, Phool Aur Kaante, Khalnayak, Raja Hindustani, Hero No. 1, Pardes, Taal, Mann, Gupt* and others, written off in previous financial years, but these titles are still in de-



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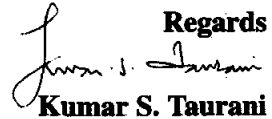
mand or are sold in huge quantities with nil expenditure on its sale. I, therefore wish to emphasize that in the financial year company has added titles of leading talent in the industry and the glimpses of gains of which will be seen in future.

I also would like to draw our attention towards the fact that in this business, a new and polished product is required each and every time with emphasis not on marketing but on the manufacture and the quality of product. The parameters and principles involve judicial and measured choices.

I expect you to look through our business in totality with pros and cons and appraise it accordingly. The pressure on performing on a quarterly assessment is not only dangerous but de-motivating as well. Our vision is set out for long term growth and we are resolved towards accomplishments of our own set objectives. Practical business applications will help company solve real business problems, or save significant sums of money. As the technology matures and as the busi-

ness applications become apparent, we will also witness a rapid marriage of Internet audio-video to the way we work in the corporate sector. As you are aptly aware that Internet realm vouches to accolade the entertainment industry rather than any other industry. Hence, we would try to explore the available avenues pertaining to this segment and work out the best possible alliances and strategies fetching fruitful results. We, at Tips have chosen not to indulge and accept low quality matter to achieve quick quarterly gains.

Our aspiration is to make our company a strong corporate organization, with solid management principles and a team of creative people working towards a common goal to confer the best artifacts to our audience.

  
**Kumar S. Taurani**

*Chairman & Managing Director*

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## Directors' Report to the Shareholders

Your Directors have pleasure in presenting the fifth Annual Report together with the audited accounts of your company for the year ended 31<sup>st</sup> March 2001.

### Financial Results

(Rs. in Lacs)

Particulars	2001	2000
Income	10571	11837
Profit before Depreciation, Interest, Provision for Contingencies and taxation	3216	5050
Less: Depreciation, Interest, Provision for Contingencies	2427	2634
Profit before Taxation	789	2416
Less: Provision for taxation	70	84
Profit for the year	719	2332
Balance of Profit for the earlier years	-	1470
Profit available for appropriation	719	3802
Less: Income Tax	19	-
General Reserve	18	2792
Proposed dividend	120	360
Income tax on Proposed Dividends	12	50
Bonus issue	-	600
Balance carried forward	550	-

During the year the Company completed the Initial Public Offering in September/October 2000 and the proceeds were realized in October 2000. The Company issued 30,14,500 equity shares @ Rs. 325 aggregating to Rs. 9,750.00 lakhs. Out of the issue proceeds, the Company has utilized Rs. 6960 lakhs till March 31, 2001 and the balance has been invested in debt oriented mutual funds/Bank FD's. This has resulted in increase in the equity by Rs. 3.01 crores and reserves by Rs. 94.96 crores. The Company's reserves as on 31.03.2001 stand at Rs. 128.56 crores.

### Dividend

Your Directors have recommended a dividend @ 10% for the financial year 2000-2001. The total dividend outlay would be Rs 1,20,14,500/-.

### Acquisitions

During the year, your Company has acquired all the shares of **Dashmesh International Ltd.**, a Mauritius based company and converted the same into a 100% subsidiary company.

The Company extended its presence in the Southern Regional music by acquiring rights of 5 music companies totaling over 530 titles.

### Year Under Review

The year 2000-2001 was a challenging one with the Company's business constrained by unfavorable economic conditions. This was on account of major earthquake in the state of Gujarat and drought in several states that restricted movement of funds to media and entertainment industry as well as affected priorities of common man. The Company has recorded a total income of Rs. 10,571 lakhs and a Profit before tax of Rs. 789 lakhs.

During the year the Company released audio products of 12 Hindi films as well as 8 regional films. The 12 Hindi film releases were Kunwara, Deewane, Tera Jadoo Chal Gaya, Hamara Dil Aapke Paas Hai, Fiza, Aghaaz, Champion, Mission Kashmir, Kuch Katti Kuch Meethi, Aashique, Rahul, and Albela.

With the commissioning of Company's Southern Regional office at Hyderabad, the Company was able to cut many inroads in the regional audio market. Out of the 8 regional film tracks released during the year, 2 Tamil film audio tracks viz. Dheena & Ennavale garnered no.1 position in various Top Ten charts from the release date itself.

In the non-film section, your company continued its excellent rapport with all the leading artistes of India and successfully launched albums sung by Daler Mehndi, Falguni Pathak, Gurdas Maan, Bhupender Singh Chawla, Jazzy B, Pankaj Uddhas, Jagjit Singh, Jaswinder Singh, Hans Raj Hans, Alka Yagnik,



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Manmohan Waris, Ila Arun, Babul Supriyo and others. The Company also released soulful devotional albums catering to umpteen devotees of various forms of worship and in the process was able to spread peace, solace and tranquility in every Indian household.

#### Tie up Deals

At the beginning of the year 2001-2002 your Company signed an exclusive 3 years licensing deal with the multi-billion global music conglomerate Warner Electra Atlantic (WEA) to manufacture and market audio products of WEA through India and its neighbouring countries. This deal with WEA has added International flavour to the existing repertoire of the Company.

Conventional music format like Audio Cassettes and CDs have been the backbone of our music industry. Digital technology and net downloads are an evolutionary form of distributing music whereby the customer is at liberty to take time, select and order his or her choice of Cassettes or CDs at the click of mouse staying at the residence or office. We expect by encouraging and allowing, legally and paid, downloadable music from the Internet, the demand for music is bound to increase. In order to tap this form of business, your Company has entered into a non-exclusive deal with M/s. Soundbuzz.com, an international company, for selling our music titles on the Internet.

#### Future under Lime Lights

"Without vision, the people perish" was the saying of wise King Solomon and the same can be said for any business activity. Your Company has the right focus, vision, Technology & Geography access, requisite man power to convert our plans to reality and last but the best relationship with the dealer/customer fraternity who are in total understanding of the company's activities.

The Company has following well laid plans for the year 2001-2002 to achieve growth in turnover as well as swell the bottom line figures:

- Quality music releases in film, non-film and international segments.
- Higher product revenue realisations
- Effective marketing & promotional coverage for all its products
- Deeper penetration in retail market with committed sales team

- Planned cost reduction in every sphere of activities
- Fully computerised operations

During the 1<sup>st</sup> quarter your Company successfully released audio products of 6 Hindi films namely Ek Rishtaa, Mujhe Kuch Kehna Hai, Pagalpan, Pyar Ishq Aur Mohabbat, Shararat and Yaadein.

During the year the Company has lined up a release of 28 film tracks as well as various non-film titles sung by India's leading singers. We have also signed up and expect to release around 15 regional film tracks including a Tamil movie to be directed by an eminent Film Director Mr. Maniratnam with music by Mr. A.R. Rahman.

#### Directors

During the year under review, Mr. Haresh Teckchandani was appointed as an Additional Director of the Company. He holds office upto the conclusion of the ensuing Annual General Meeting of the Company. Notice has been received from members proposing the candidature of Mr. Haresh Teckchandani for appointment as Director of the Company, along with necessary deposit, resolution for which is contained in the notice of the ensuing Annual General Meeting of the Company.

Mr. Kumar Taurani and Mr. Shiv Abichandani retire by rotation and, being eligible, offer themselves for re-appointment.

#### Auditors

The retiring Auditors, M/s. K. H. Associates, Chartered Accountants, retire at this Annual General Meeting and, being eligible, offer themselves for re-appointment, as the auditors of the Company.

#### Statutory Disclosures

The Audited statement of accounts for the year ended July 31 2000 of Dashmesh International Limited, a wholly owned subsidiary together with the report of the directors and auditors, as required under section 212 of the Companies Act, 1956 is attached.

Particulars regarding technology absorption, conservation of energy and foreign exchange earnings and outgoings required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988, is also annexed herewith.





### **Personnel**

The Board of Directors wishes to express their appreciation to all the employees of the company for their outstanding contribution to the operations of the company during the year. As regards the information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, there are no employees employed by the company either for whole or part of the year drawing remuneration in excess of limits laid down.

### **Directors' Responsibility Statement**

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your directors place on record a Responsibility Statement stating that:

1. In the preparation of the accounts, the applicable accounting standards have been followed.
2. Accounting policies selected were applied consistently. Reasonable and prudent judgments and estimates were made so as to give a true and fair view of the state of the affairs of the company as at the end of March 31<sup>st</sup>, 2001 and of the profit of the company for the year ended on that date.

3. Proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
4. The annual accounts of the company have been prepared on a going concern basis.

### **Acknowledgements**

The Board of Directors acknowledges the advice and assistance received from the merchant bankers, share brokers, bankers to the issue and other intermediaries who made the Company's maiden public issue a grand success. The Board wishes to record continued and timely support rendered by Bank of Baroda, Tardeo Branch, Mumbai. The Board also acknowledges the faith reposed in the company by the investing public.

For and on behalf of the Board

**KUMAR TAURANI**  
Chairman & Managing Director

Place : Mumbai

Date : 29<sup>th</sup> June 2001

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## **ANNEXURE TO THE DIRECTORS' REPORT**

Information under section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2001.

### **I. Conservation of Energy**

#### **(1) Energy conservation measures taken:**

The Company has for many years now been laying great emphasis on energy conservation and has taken several measures including regular monitoring of consumption, reduction of transmission losses and improvement in maintenance of systems. Projects implemented on a continuous basis are as follows:

- (i) power capacitors are installed
- (ii) energy loss is prevented by providing wall/roof installations and vapor barriers treatment
- (iii) Insulations for ducting and/piping are provided
- (iv) Technology process is being upgraded continuously to reduce Electrical Energy consumption.
- (iv) Auto reset timer, visuals and cycle indicators are provided in various equipments.

#### **(2) Additional Investments and proposals being implemented for reduction of energy conservation:**

Installation of Electrical/Electronic controller for power factor and temperature for improving the efficiency.

#### **(3) Impact of (a) and (b)**

In all the plants power consumption has been reduced wherever possible resulting in reduced consumption of power and thereby reducing cost of production.

#### **(4) Total energy consumption per unit of production:-**

Not applicable

### **II. Research & Development, Technology absorption, Adoption and Innovation**

The company does not carry out any specific R&D activity on its own. However the Company adopts the latest trends in technology development and introduces the same so as to ensure higher production and reduction in cost with best output in return.

### **III Foreign Exchange Earnings & Outgoings**

During the year ended 31<sup>st</sup> March 2001, the Company has incurred foreign exchange towards the following:

- (A) Travelling Expenses - Rs. 7.84 Lacs
- (B) Towards Import of Machinery - Rs. 281.91 Lacs

However there has been no foreign exchange earnings by the Company during the year ended 31.03.2001.