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Tips Industries Ltd.

Seventh Annual Report 2002-2003

Board of Directors

Mr. Kumar S. Taurani	<i>Chairman & Managing Director</i>
Mr. Shyam M. Lakhani	<i>Executive Director</i>
Mr. Boney Kapoor	<i>Director</i>
Mr. Amitabh Mundra	<i>Director</i>
Ms. Radhika C. Pereira	<i>Director</i>

Senior Management

Mr. Rajeev Sogani	<i>Sr. Vice President</i>
Mr. Ishwar Advani	<i>Vice President - Operations</i>
Mr. I.T. Gursahani	<i>Vice President - Legal</i>
Mr. L.V. Shankaran	<i>Vice President - Finance</i>
Mr. J.J. Advani	<i>General Manager - Sales</i>
Mr. Sunil Chellani	<i>Sr. Manager - Accounts & Finance</i>

Chartered Accountants

M/s. Deloitte Haskins & Sells
Mafatlal House, Backbay Reclamation
Mumbai - 400 020.

Bankers

Bank of Baroda
Everest Building, Tardeo Road,
Mumbai - 400 034.

Registrars & Share Transfer Agents

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078
Tel. : 2592 3837 Fax : 5672693
Email : isrl@intimespectrum.com

Company Law Consultant

M/s. Shirish Shetye & Associates

Registered Office

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

Domestic Branch Offices

New Delhi: 1588/23, M.J. Building, Bhagirath Palace, Chandni Chowk, New Delhi - 110 002.
Secunderabad: 203, Happy Trade Centre, S. D. Road, Opp. Clock Tower, Secunderabad-500 003.

Domestic Subsidiary Company

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

Overseas Branch Offices (Subsidiary Company)

Dashmesh International Limited
Registered Office: 5, Duke of Edinburgh Avenue, Port Louis, Republic of Mauritius
Branches: Media City-Dubai (UAE), Durban (South Africa), New Jersey (USA) & Los Angeles (USA)

Factories

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



CONTENTS

<i><u>Notice</u></i>	<i><u>02</u></i>
<i><u>Chairman's Statement</u></i>	<i><u>04</u></i>
<i><u>Directors' Report</u></i>	<i><u>06</u></i>
<i><u>Auditors' Report</u></i>	<i><u>23</u></i>
<i><u>Balance Sheet</u></i>	<i><u>26</u></i>
<i><u>Profit & Loss Account</u></i>	<i><u>27</u></i>
<i><u>Cash Flow Statement</u></i>	<i><u>28</u></i>
<i><u>Schedules</u></i>	<i><u>30</u></i>
<i><u>Notes to Accounts</u></i>	<i><u>36</u></i>
<i><u>Balance Sheet Abstract and Company's General Business Profile</u></i>	<i><u>46</u></i>
<i><u>Consolidated Financial Statements</u></i>	<i><u>48</u></i>
<i><u>Accounts of Subsidiary Companies</u></i>	<i><u>67</u></i>
<i><u>Attendance Slip and Proxy Form</u></i>	

**NOTICE**

Notice is hereby given that the Seventh Annual General Meeting of TIPS INDUSTRIES LIMITED will be held on 17th November 2003 at 11.30 a.m. at ISKCON Auditorium, Adjacent to Hare Krishna Temple, Juhu, Mumbai-400049 to transact the following business:

ORDINARY BUSINESS:

- 1] To receive, consider and adopt the Balance Sheet as at 31st March, 2003, the Profit and Loss Account for the year ended on that date and the Directors' Report and the Auditors' Report thereon.
- 2] To appoint a Director in place of Mr. Boney Kapoor, who retires by rotation and, being eligible, offers himself for re-appointment.
- 3] To appoint a Director in place of Mr. Shyam Lakhani who retires by rotation and, being eligible, offers himself for re-appointment.
- 4] To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

- 5] To consider and, if thought fit, to pass, with or

without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT Mr. Amitabh Mundhra who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom notice in writing pursuant to Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Amitabh Mundhra as a candidate for the office of Director, be and is hereby appointed as a Director of the Company whose term of office shall be liable to determination by retirement by rotation."

By order of the Board of Directors

Place: Mumbai

Date: 27th September 2003

Kumar S Taurani

Chairman & Managing
Director

Registered Office:

Plot No.A-18, Opp. Laxmi Industrial Estate,
Off. New Link Road,
Andheri (West),
Mumbai 400 058.

Notes:

- 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] The Register of Members and Transfer Books will be closed from 11th November 2003 to 17th November 2003 both days inclusive.
- 3] Investor members can avail of the facility of nomination. Pursuant to Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings in prescribed Form 2B(in duplicate) which is available at the Registered Office of the Company. The nominee shall be a 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 member(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 members such as societies, trusts, bodies corporate, Kartas of Hindu Undivided

Families and holders of Power of Attorney. For further details, please contact the Company's Secretarial Department.

- 4) 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.
 - (c) Bring their copy of the Annual Report to the Annual General Meeting.
 - (d) Bring the Attendance slip sent herewith, duly filled in, for attending the meeting.
- 5) Members holding shares in the identical order of names in more than one folio are requested to consolidate their holdings into one folio.
- 6) Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, atleast seven days before the date of the meeting. Replies will be provided at the meeting only in respect of such



queries received.

- 7) Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of special business is annexed hereto.
- 8) DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES.

Item No. 2.

Mr. Boney Kapoor, aged 47 years, is amongst the top Hindi Films Directors in Indian Film Industry. He has over 21 years of rich experience in the Entertainment Industry. He is a member of the Audit and Remuneration Committees of the Company.

Item No. 3.

Mr. Shyam Lakhani, aged 55 years, has working experience of 31 years including over 16 years in the Music Industry. He has been associated with the Company right from its inception stage and he looks after overseas administration, sales and distribution activities of the Company. He is a member of the Shareholder/ Investors Grievance and the Share Transfer Committees of the Company.

Item No. 5.

Mr. Amitabh Mundhra, aged 35 years is an Engineering Graduate and has vast experience in Corporate Finance and Management. He is the Chairman of Audit Committee and member of Remuneration Committee of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5.

The Board of Directors pursuant to Section 260 of the Companies Act, appointed Mr. Amitabh Mundhra as an Additional Director of the Company, with effect from 11th June 2003. He holds office only upto to the date of the ensuing Annual General Meeting.

The Company has received a notice in writing from a member under section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Amitabh Mundhra as a candidate for the office of Director of the Company.

The Board recommends his appointment as a Director.

None of the Directors of the Company except Mr. Amitabh Mundhra is interested or concerned in the resolution.

By Order of the Board
For Tips Industries Limited

Place: Mumbai

Date: 27th September 2003

Kumar S Taurani

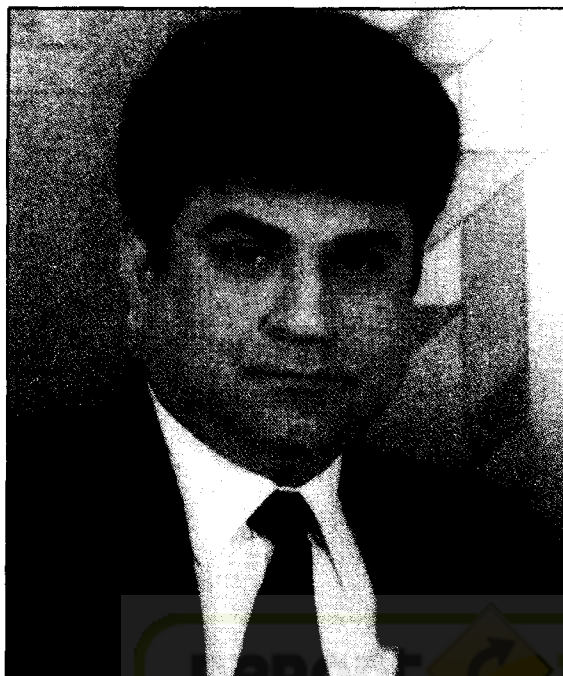
Chairman & Managing
Director

Registered Office:

Plot No.A-18, Opp. Laxmi Industrial Estate,
Off. New Link Road,
Andheri (West),
Mumbai 400 058.



Chairman's Speech



October 13, 2003

Dear Co-owners,

Our company started operations in 1996 and within a short span of time emerged as one of the most successful music companies in the country. We have weathered competition from well-established music majors and set trends, which have since then become milestones in the development of the music industry. After a successful growth phase between 1995-2000, the industry faced its first challenge in the form of steep increase in acquisition cost vis-à-vis sharp decline in volume. With no exceptions, our company suffered its first set back in the year 2000-2001 which has continued till March 2003. The last two years have seen steep erosion in revenues coupled with increase in acquisition costs. As reported in my earlier letter, our company was the first to identify the problems and thereafter take corrective action. As a first step our company refrained from committing on any new acquisitions unless the same was backed by reasonable terms and near perfection in content quality. I must admit that this situation tends to be infeasible in realistic terms and the business continues to carry the risk of quality

acceptance. Against this backdrop our company focused its efforts in establishing steps that will eliminate the dependence on outside production for content quality by giving priority to own production.

The developments in the film industry stated above has led me to the firm conviction that though slow, a firm corporate model of business with multi product lines is what will enhance the ability of the company to be a long term player in the market. It is an extension of this logic which prompted me to acquire Tips Films as a wholly owned subsidiary of Tips Industries Limited. Tips Films has established a sound platform for production and a platform for distributing movies across the country.

Further, we have initiated steps to forge an alliance with select media players to establish an exhibition company which is expected to support our distribution business. Tips Films has successfully produced several blockbusters and as you are all aware "The Legend of Bhagat Singh" has won the National Award for best Hindi film.

Thus in the above model, I expect our company to become a full fledged production house with a strong presence in all major segments of film making. If one were to compare our company on the International scale, then business model of Warner, Universal Studios, etc. could be in the same league. In the paras below I have made an attempt to briefly explain our company's position in various segments which will enable you to assess the potential which the company holds.

Music

As explained earlier, stand-alone music acquisitions are becoming uneconomical due to falling volumes and high cost of acquisition. However, given the fact that our company still holds a pre-eminent position in the industry, we are making serious efforts to offer new structures to producers, which will reduce the risk, which the music company presently carries. Our efforts are focused to ensure that producers reap the benefits commensurate to their efforts. Our company will continue to acquire new titles if the criteria set is met with.

Tips Industries Ltd.



Production

As a first step towards production, Tips Films will be active in producing films either on its own or in partnership with other production houses. Towards this end it has created a good pipeline for the coming years, the results of which will be reflected soon.

Distribution

Over the years our company through Tips Films has set up systems to distribute films on a global basis. Towards this end it has set up a complete distribution chain in India and other parts of the world namely Dubai, London and United States. In line with the philosophy of limiting its exposure, your company has been active in acquiring films for distribution on commission basis as compared to the traditional norms of acquiring on outright basis. Initial efforts in this arena has been encouraging and the future looks extremely promising.

Exhibition

To keep pace with the fast changing technology, our company through Tips Films has forged an alliance with select media groups to set up an exhibition company which will focus on developing digital exhibition system in B and C class cities of India. This technology helps in the distribution of new movies simultaneously in the B & C class cities without incurring steep print costs. It is expected that in the years to come this venture will make substantial inroads in the B & C class cities and lay foundation for changes in metro centres.

Artist Management

As a unique product, our company believes that with the pressure on existing stars to take limited assignments the field is wide open for promising new

talent. Tips Films launched Ishq Vishq with a bunch of new artists who have become celebrities today. Shahid Kapoor and Amrita Rao have achieved stardom through the success of Ishq Vishq and substantial credit is due to our company who have put in significant effort in promoting these new faces. In order to ensure that Tips Films enjoys the benefit of their success they have entered in long-term contracts with these stars for their career management. Tips Films will earn a fee for rendering their services. The Tips Group continues to monitor the career path of these stars. Tips Films will continue to explore new faces every year and build a pool of talent. Fee from artist's management is a pure service fee and improves the profitability of the company in a major way. Efforts will be made to consolidate the early gains in the coming year.

Despite many challenges F.Y. 2003-04 looks to be a year of progress and positive change. After successive quarters of losses, our company has registered profits in the first two quarters of the current financial year and looks to continuing the trend in this year. I am confident that with several steps being initiated in consolidating the basket of our services, our company will emerge stronger in the next 12/24 months. I must admit that without active support of fellow co-owners and my colleagues, this task is near impossible.

I take this opportunity to thank all of you for the faith reposed in me and would like to assure that Tips will leave no stone unturned to be recognized and admired as a success story in the entertainment industry.

Kumar S. Taurani

Chairman & Managing Director

Place: Mumbai

Date: 27th September 2003



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Seventh Annual Report together with the Audited Accounts of your Company for the year ended 31st March 2003.

Financial Results:

(figures in Rs. & in lacs)

Particulars	2002-03	2001-02
Income	5598	8503
Profit/(Loss) before Depreciation, Interest, Provision for Contingencies and Taxation	(3255)	2904
Less Depreciation, Interest and Provision for Contingencies(186)	(186)	(5051)
Profit/(Loss) before Provision for Taxation, Extraordinary and Prior Period years' items	(3441)	(2147)
Less Provision for Taxation:		
Current Tax	-	-
Deferred Tax	486	-
Profit/(Loss) after Provision for Taxation but before Tax, Extraordinary and Prior Period years' items	(2955)	(2147)
Income Tax	20	(20)
Adjustment related to Extraordinary and Prior Period year items	973	(1637)
(Deficit)/Surplus brought forward from previous year	(1963)	1842
Adjustment on account of Deferred Tax Liability as at 1.4.2001	(1806)	-
Deficit carried forward	(5731)	(1962)
Share Capital	1201	1201
Reserves & Surplus	9496	9496

Dividend

In view of the losses incurred during the year under review, your Directors have not recommended any Dividend for the year.

Sales & Operations

During the year under review the Company posted net sales was Rs.4932 Lacs as compared to Rs. 8162 lacs in the previous year, while other Income was Rs.666 Lacs as compared to Rs. 341 lacs in the previous year. During the year under review the Company incurred a loss of Rs.3441 lacs before provision for taxation and extraordinary & prior period adjustments as compared to loss of Rs. 2147 lacs in the previous year. Apart from the drop in volumes the Company has reviewed its estimate on certain key areas, which has resulted in a higher loss. These factors are discussed as under:

- Change in estimate in respect to valuation of old non-moving/slow moving inventory of finished stock, which increased the loss by Rs.8,89,40,242/- (refer point no.B-5 of Notes to Accounts)
- Company has decided to sell of its property in Palghar and Delhi due to its inactive use. These assets which are awaiting disposal have amounted to a loss of Rs.34,18,629/- (refer point no.B-7 of Notes to Accounts)
- Consequent to the decision of the Management in writing off entire IPO expenses and VRS expenses including the portion of amortized amount which increased the loss by Rs.4,23,75,337/- (refer point no.B-8 of Notes to Accounts)
- The Company during the year has made a provision of Rs.2,29,97,063 as doubtful debts and has also written off certain advances given for music acquisition amounting to Rs.5,44,37,184. As a result of this change in estimate of advances and debtors the loss is higher by Rs.7,74,34,247.

During the year the Company released audio products of 11 Hindi movies and video products of 8 Hindi movies. 46 titles from the catalogue of Warner Repertoire achieved a turnover of Rs.141 lacs for the year.

Future Outlook

The Company is expected to release around 8 film titles during the financial year 2003-04. With stringent control on quality of music software, improved distribution systems, focus on the music content & fair cost of audio rights acquisition and demand-based distribution, the Company is hopeful of effecting necessary corrections in its operation during the financial year 2003-04.

With the increasing consumer's preference to VCDs, your Directors are keeping their focus on the back



catalogue of the company to launch more titles in VCD format to augment sales on this market segment.

Indian Publishing market has grown rapidly since last 2 years and both the controlling bodies namely Indian Performing Rights Society (IPRS) & Phonographic Performance Limited (PPL) are proactive and are collecting substantial amount of copyright fees which hitherto were untapped. Both these societies have successfully won cases against infringement of publishing rights and received more than Rs.1400 lacs during 2002-2003 (50% increase over corresponding year's revenue). There is general awareness, which is being noticed among various social & commercial groups such as schools & colleges, clubs, airline, hotels and other public forums on the importance of publishing rights and willingness to pay necessary fees to respective collective society. We sincerely believe that royalty income from publishing rights will be major source of revenue and since Tips has acquire rights of most of the movies released between 1990 to 2003, it will be benefited maximum from this revenue

Acquisitions

During the 1st quarter of 2003-2004, the Company acquired the entire stake of Tips Films Pvt. Ltd. and made it a 100% subsidiary of the Company. Your Directors feel that with the acquisition of Tips Films Pvt. Ltd., your Company will be in a better position to control content quality and present improved consolidated results.

Directors

During the year Mr. Shiv Abichandani and Mr. David Dhawan resigned as Directors of the Company w.e.f. 01.05.2002 and 01.06.2002 respectively and resignation of Mr. Harish Teckchandani was accepted w.e.f. 07.04.2003. Your Directors wish to place on record their appreciation of the valuable services rendered by Mr. Shiv Abichandani, Mr. David Dhawan and Mr. Haresh Teckchandani during their tenure as Directors of the Company.

Mr. Boney Kapoor and Mr. Shyam Lakhani retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. Amitabh Mundhra was appointed as an Additional Director of the Company with effect from 11th June 2003 and he holds office till the conclusion of ensuing

Annual General Meeting. The Company has received a notice, along with the requisite deposit, to propose the name of Mr. Amitabh Mundhra as Director.

Public Deposits

The Company has neither invited nor accepted/ renewed any deposits from the Public within the meaning of section 58A of the Companies Act, 1956, during the year under review.

Auditors

The retiring Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at this Annual General Meeting, and have confirmed their eligibility and willingness to accept office, if re-appointed. The audit committee and the Board of Directors recommend M/s. Deloitte Haskins & Sells, as statutory auditors of the Company for the year 2003-04.

Subsidiary Companies

The Reports and Accounts of the Subsidiary companies are annexed to this report along with the statement pursuant to Section 212 of the Companies Act, 1956.

Consolidated Financial Statements

Consolidated Financial Statements have been prepared in accordance with the requirements of Accounting Standard 21 on "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The Audited Consolidated Financial Statements along with notes to consolidated accounts form part of this Annual Report.

Conservation of Energy, Technology/Absorption & Foreign Exchange Earnings/Outgo

Particulars regarding conservation of energy, technology absorption, and foreign exchange earnings and outgo 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, are given in Annexure I.

Particulars of Employees

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 as amended are given below:

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

Sr. No	Name	Age (Yrs)	Designation	Remuneration (Years)	Qualification	Experience (Years)	Date of Commencement of employment	Last employment and designation held
1.	Kumar Taurani	45 yrs	Chairman & Managing Director	Rs.31,50,000/-	B.Com.	28 yrs	8/5/1996	Business



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 judgment and estimates were made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2003 and of the Loss 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 in accordance with the provisions of the Companies Act, 1956, 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.

Report on 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. A certificate from M/s. Deloitte Haskins & Sells, Chartered Accountants, Statutory Auditors of the Company, regarding compliance of conditions of corporate governance stipulated by the stock exchanges is annexed to this Report.

Management Discussion and Analysis

In accordance with the Listing Agreement, The Management Discussion and Analysis Report is annexed hereto and forms part of this report.

Auditors' Report

The Observations of the Auditors referred to in the Auditors' Report are appropriately dealt with in the respective notes to accounts and hence does not call for further explanations.

Disposal of Palghar Unit

Due to lack of fiscal incentives, the manufacturing activities were found uneconomical. Similarly all the employees working at Palghar Unit opted for Voluntary Retirement Scheme in the current year. Therefore the Management proposes to dispose of whole or substantially whole of the land and building. Plant and Machinery lying at the Palghar unit will be transferred to Silvassa for effective use.

Acknowledgements

The Board of Directors thanks the Government Authorities, Bank of Baroda and all the stakeholders for their continued co-operation and support to your Company.

The Board of Directors also expresses their appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year under review.

For and on behalf of the Board of Directors

KUMAR S. TAURANI

Chairman & Managing Director

Place: Mumbai

Date: 27th September 2003