



tipsmusicfilms.com



Tips Industries Ltd.

Eighth Annual Report 2003-2004

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 Mundhra	<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 & Corporate Affairs</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. : 55555454 Fax : 55555353
Email : isrl@intimespectrum.com

Company Secretary

Ms. Nehal Shah

Registered Office

601, Durga Chambers, Above Wills Life Style, Linking Road, Khar (West), Mumbai - 400 052
E-mail : tips@tipsmusicfilms.com Web-site : www.tipsmusicfilms.com

Domestic Subsidiary Company

Tips Films Limited
501, Durga Chambers, Above Wills Life Style, Linking Road, Khar (West), Mumbai - 400 052

Overseas Subsidiary Company

Dashmesh International Limited
Registered Office:5, Duke of Edinburgh Avenue, Port Louis, Republic of Mauritius
Branch: Media City-Dubai (UAE).

Factory

Silvassa:Plot No. 21 / 22, Survey No. 126, Amli, Silvassa - 396 230, Dadra & Nagar Haveli (UT).



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NOTICE

Notice is hereby given that the Eighth Annual General Meeting of TIPS INDUSTRIES LIMITED will be held on Thursday, the 30th September, 2004 at 11.00 a.m. at ISKON Auditorium, Adjacent to Hare Krishna Temple, Juhu, Mumbai-400049 to transact the following ORDINARY BUSINESS:

- 1] To receive, consider and adopt the Balance Sheet as at 31st March, 2004, 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 Ms.Radhika C. Pereira, who retires by rotation and, being eligible, offers herself for re-appointment.
- 3] To appoint a Director in place of Mr.Amitabh Das Mundhra who retires by rotation and, being eligible, offers himself for re-appointment.
- 4] To Consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. B.K.Khare & Co. Chartered Accountants, be and is hereby appointed as the Auditors of the company to hold office from the conclusion of this Annual General Meeting of the Members of the Company until the conclusion of the next Annual General Meeting of the Members of the Company in place of M/s Deloitte Haskins & Sells, Chartered Accountants, who have expressed their unwillingness to continue as the Auditors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is here by authorized to fix their remuneration in consultation with them."

By order of the Board of Directors

Nehal Shah
Company Secretary

Place: Mumbai
Date: 30th August, 2004

Registered Office:
601, Durga Chambers,
6th Floor, Linking Road,
Khar (W), Mumbai-400 052

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 instrument appointing a proxy must be deposited with the company at its registered office not less than 48 hours before the time for holding the meeting.
- 3) The Register of Members and Transfer Books will be closed from Friday, 24th September, 2004 to Thursday, 30th September, 2004 (both days inclusive).
- 4) 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 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 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.
- 5) 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.
- 6) Members holding shares in the identical order of names in more than one folio are requested to consolidate their holdings into one folio.
- 7) Members seeking any information or clarification on the Accounts are requested to send in written queries to the Company, at least seven days before the date of the meeting. Replies will be provided at the meeting only in respect of such queries received.
- 8) Explanatory Statement pursuant to section 173 of the Companies Act, 1956 is annexed hereto.



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

Item No. 4

The Statutory Auditors, M/s Deloitte Haskins & Sells, Chartered Accountants were appointed till the conclusion of the ensuing Annual General Meeting. They have however informed the company in writing that they would not be in position to continue as Auditors of the Company. They have also conveyed their no objection to the Company for appointing another Auditors for the Year 2004-2005.

The Company has received a notice in writing from a member proposing M/s. B. K. Khare & Co, Chartered Accountants, for appointment as Auditors of the company at the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

Presently, M/s B. K. Khare & Co. is acting as internal auditor of the company. Mr. B. K. Khare & Co. have intimated their availability.

The Resolution for their appointment as statutory Auditors of the Company and to fix their remuneration is placed for the approval of the members.

None of Directors are interested.

By Order of the Board
For Tips Industries Limited

Nehal Shah
Company Secretary

Place: Mumbai
Dated: 30th August, 04

Registered Office:

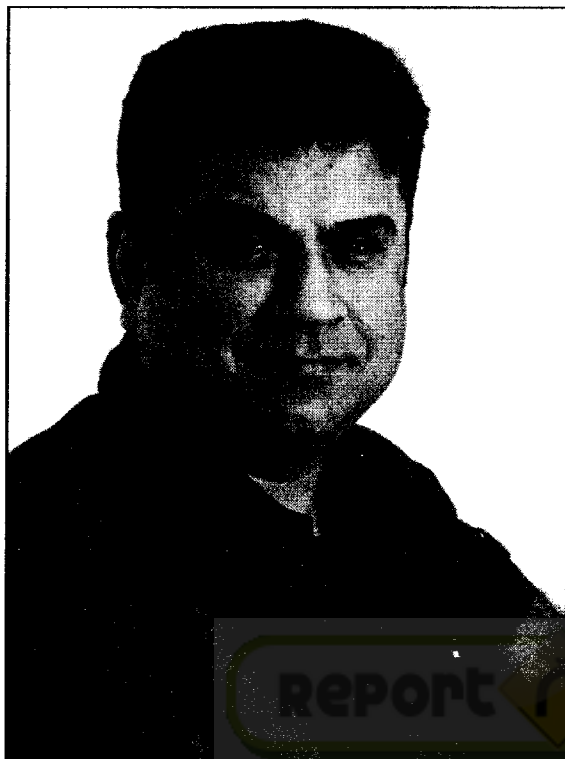
601, Durga Chambers,
6th Floor, Linking Road,
Khar (W), Mumbai-400 052

Information as required under clause 49 of the listing agreement in respect of directors being Reappointed:-

Name of Directors	Mr. Amitabh Mundra	Ms. Radhika C. Pereira
Date of Birth	22.12.1967	29.06.1970
Date of Appointment	11 th June, 2003	5 th September, 2002
Experience	15 years experience in corporate finance and management.	Presently working with Udwadia & Udeshi, Partner
Qualification	B.Sc.	B.Sc., L.L.B., L.L.M (Cambridge), L.L.M (Harvard)
List of Companies in which outside directorship held as on 31 st March, 04.	a) Simplex Concrete Piles (India) Ltd. b) Kalindi Agro Bio-Tech Ltd.	Nil



Chairman's Statement



Dear Co-Owners,

Over the years, the Indian Entertainment Industry has gained immense recognition in international markets due to strong ethnic population and migration of professionals and creativity. The resultant show piece is the combination of talent supported by extraordinary technological advancements which has gained mass acceptance in these markets. A robust macro economic environment will not only ensure the conducive environment for the Indian Entertainment Industry to grow but is likely to result in an increased demand for entertainment.

Emerging from a disastrous 24 months, the performance of the Industry for FY 2004 has been satisfactory. Overall response to films have been encouraging with a good number of films crossing over USD 2 mn. The total revenue of the Industry is expected to grow at a compounded annual growth rate of 18%. The key growth drivers are multiplex phenomenon, advent of digital technology, Corporatisation, etc.

While the fortunes of film production have been satisfactory the fortunes of music industry continues to be on the down slide. A critical review of the sales by various albums clearly reflects that days of large sales are nearly over. Even the years best runners/ mega hits have failed to notch extraordinary gains from music sales.

The legacy of problems due to the highly fragmented and unorganized distribution, continues to persist, with music companies still taking the entire risk in the value chain. The sale of physical formats of organized players, cassettes and compact discs, continues to be under pressure due to the opening up of the private FM radio stations during the last 2 years especially in the urban markets, coupled with the impact of high copyright prices and piracy.

Based on the above, it is estimated that the industry will grow to Rs.1,217 crores (US\$ 270 mn) by 2008. The ability of the music companies to exploit non-physical formats, effective monetization of content from the play out by the upcoming private FM radio stations and most importantly a radical change in regulation seems to be the key to the Indian music industry's future success.

As in other segments of the media business, distribution is expected to fuel growth in the music business as well – the Indian music Industry will have to evolve new business models to monetise their content in the non-physical format over the emerging distribution platforms like music over net, music over mobile (ring tones, song dedications and downloads) and the development of private FM radio, subsequent to the proposed changes in the FM licensing policy. Consolidation of distribution amongst organized players will provide the industry with increased bargaining power when dealing with the traditional distribution network. Lastly, changes in the legislation would be imperative to enable the music industry to address the issue of piracy.

It is a common knowledge that in the absence of attractive valuations, top production houses would prefer to sell music on a distribution model rather than outright sale. While the trend is not complete it is fair to assume that the pricing models will undergo a significant change in the months to come.



With respect to our company we have practically stayed away from the new film acquisitions due to reasons ascribed above. Apart from two titles, our company streamlined its resources to exploit the catalogue and I am happy to state that the results have been more than satisfactory. On the films front the company has just released FIDA which has been received well and is on the threshold of releasing "Hari Om" an English venture in the International markets. I am happy to share that Hari Om has entered in TORONTO Film Festival and it is expected that the film will generate good response.

In the paragraphs 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. Piracy continues to be a major irritant in the advancement of business and new measures initiated by anti piracy group is yet to produce the desired impact. Admitting that piracy is an International menace, I am hopeful that music companies all over the world will work towards eliminating this disease. Your company enjoys a distinguished presence in the market which is aptly administered by volumes in the catalogue sales. Our company will continue to acquire new titles if the terms of such acquisition are beneficial and not speculative. Moreover our company will identify areas where larger industry consolidation is essential to improve the viability.

Production

As you are all aware Tips Industries acquired the entire stake of Tips Films thereby making Tips Films a wholly owned subsidiary. In the last 12 months, we have made significant progress in film production and have successfully released Fida. "Hari Om", our English venture will hit International/Domestic markets soon and we believe that the response will be encouraging. It is our distinct belief that film production will assume the center stage of company's operations in the years to come and hence I feel consolidation of films and music business will require serious attention in the coming months. I will approach you for appropriate approvals once the basics have been understood and the structure is set.

Distribution

Our company through Tips Films have set up a system to distribute films on a global basis. This system has been serving the company well and hopes to add significant revenue in the coming years.

Artist Management

As you are all aware our company has been one of the few companies which has been successful in promoting new stars and helping their stardom through innovative promotion. Since our Company has long term contracts with these stars, their growth will directly add substantial income to company's bottom line through the revenue sharing agreement. Our company will continue to explore new faces and build a pool of talent. This aspect gains extraordinary importance and priority due to non-availability of top stars. Our company will continue to channelise its efforts in consolidating the early gains in the coming years.

Despite many challenges FY 2003-04 has been a progressive year for our Company. In view of branch closures in US and South Africa and the subsequent write offs our Company has reported negative earnings. However if one were to exclude these extraordinary write offs, the operations of our company has been profitable. I hope with a focused approach and experience in the media industry, Tips will emerge much more stronger in the coming 12 - 24 months which will pave the way for the repositioning of our company in the near future.

I take this opportunity to thank all of you for the continued faith and would like to assure that Tips will initiate such steps which will reinstate the company as the leading company in the media industry.

Kumar S. Taurani

Chairman & Managing Director

Place : Mumbai

Date : 30th August 2004



Directors' Report to the Shareholders

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Accounts of your Company for the year ended 31st March 2004.

Financial Results:

(figures in Rs. lacs)

Particulars	2003-04	2002-03
Income	3079	5598
Profit/(Loss) before Depreciation, Interest, Provision for Contingencies and Taxation	371	(3255)
Less Depreciation, Interest and Provision for Contingencies	213	(186)
Profit/(Loss) before Provision for Taxation, Extraordinary and Prior Period year items	158	(3441)
Less Provision for taxation: Current Tax Deferred Tax Wealth Tax	0.15	(486)
Profit/(Loss) after Provision for Taxation but before Tax, Extraordinary and Prior Period year items	158	(2955)
Income Tax	-	20
Adjustment related to Extraordinary and Prior Period year items (Short Provision of Wealth Tax in respect of earlier Year)	1.14	973
(Deficit)/Surplus brought forward from previous year	(5731)	(1963)
Adjustment on account of Deferred Tax Liability as at 1.4.2001	-	(1806)
Deficit carried forward	(5574)	(5731)
Share Capital	1265	1201
Reserves & Surplus	9932	9496

Dividend

In view of the carried forwarded losses, your Directors have not recommended any Dividend for the year.

Sales & Operations

During the year under review the company's net sales was Rs. 2486 Lacs as compared to Rs. 4932 lacs in the previous year, while other Income was Rs. 592 Lacs as compared to Rs. 665 lacs in the previous year. The Company earned a profit of Rs. 158 lacs before provision for taxation and extraordinary & prior period adjustments as compared to loss of Rs. 3440 lacs in the previous year.

The Company in the current year has successfully implemented cost reduction strategies in key areas of its business. The Company shall continue to maintain stringent control on quality of music software and further strengthen its distribution system. These controlled measures will see the Company emerge as a leader in the Entertainment Industry.

During the year the Company released 2 new Audio titles and 8 Video titles of Hindi Movies. During the year Warner Repertoire achieved a turnover of Rs. 105 lacs with 79 fresh releases in this category.

During the year under review, the company had received royalty income of Rs.113 lacs from publishing rights.

Future Outlook

The Company is keen to develop itself into a media conglomerate and has already taken critical steps towards the same. Apart from music distribution the Company shall now give equal thrust to film production, film distribution and artist management.

The Company is also likely to gain hugely from monetization of different non-physical formats near future from its rich catalogue developed over the years.

Acquisitions

As informed earlier the company has acquired the entire shares of Tips Films Private Ltd on 11th June 2003 and made it a wholly owned subsidiary by issue of 6,38,400 shares on preferential basis to the shareholders of Tips Films Ltd. These shares have been listed on BSE and NSE.

Directors

In accordance with the provision of the Companies Act, 1956, and the Company's Article of Association, Mrs. Radhika C. Pereira and Mr. Amitabh Mundhra retire by rotation and, being eligible, offer themselves for re-appointment at ensuing Annual General Meeting.



Auditors

The retiring Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at this Annual General Meeting, and have express their unwillingness to accept office. The Board of Directors recommend M/s. B.K. Khare & Co., Chartered Accountants as statutory auditor of the Company for the Financial year 2004-05.

As required under the provision of section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the M/s B.K. Khare & Co. Chartered Accountants proposed to be appointed to the effect that their appointment if made, would be in conformity with in the limit specified in the said section.

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.

Investment in Subsidiaries Companies

Investments in Subsidiaries companies are considered to be long-term nature. Although there has been diminution in value of Investment in equity share of subsidiaries Companies, the management is of the view that it is temporary and no provision is required for the same accordingly.

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.

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 is 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 (net)	Qualification	Experience (Years)	Date of Commencement of employment	Last employment and designation held
1.	Kumar S. Taurani	46 yrs	Chairman & Managing Director	Rs.42,00,000/-	B.Com.	29 yrs	8/5/1996	Business

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.

Conservation of Energy, Technology/Absorption & Foreign Exchange Earnings/Outgoings.

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, is enclosed in Annexure I.

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, 2004 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 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.

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, and 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.

Listing of Shares

During the year under review, 638400 shares of the Company issued on preferential basis have been listed on BSE and NSE.

Discontinuation of Operations of Subsidiaries

During the Year ended under review, the operation at the Dashmesh International Ltd., New Jersey, USA, and Dashmesh International C.A.Ltd., California, USA ,Dashmesh International Music S.A.(Pty.)were discontinued due to operational difficulties.

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: 30th August,2004

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