



tipsmusicfilms.com



Tips Industries Ltd.

Ninth Annual Report 2004-2005

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>

Chartered Accountants

M/s. B. K. Khare & Co.
706/708, Sharda Chambers,
New Marine Lines, Mumbai-20

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. Aarti Kathariya

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 (upto 5th Oct. 04)

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 Ninth Annual General Meeting of **TIPS INDUSTRIES LIMITED** will be held on Tuesday, 27th September, 2005 at 11.00 a.m at The Jubilee Room, Sun-N-Sand, Juhu, Mumbai – 400 049 to transact the following business:

ORDINARY BUSINESS:

- 1] To receive, consider and adopt the Balance Sheet as at 31st March, 2005, the Profit and Loss Account for the year ended on that date and the Directors' Report and the Auditors' Report thereon.
- 2] To appoint M/s B.K.Khare and Co. as auditors for the financial year 2005-2006 and to fix their remuneration.
- 3] To appoint a Director in place of Mr. Shyam Lakhani, who retires by rotation and, has not offered himself for re-appointment. The Company has received a notice from the members, alongwith requisite deposit, to propose Mr. Ramesh S. Taurani as director in his place and accordingly to pass the following resolution as an **ordinary resolution**:

"RESOLVED that Mr. Ramesh S. Taurani, in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, in place of Mr. Shyam Lakhani, be and is hereby appointed a Director of the Company liable to retirement by rotation."

- 4] To appoint a Director in place of Mr. Boney Kapoor who retires by rotation and, has not offered himself for re-appointment. The Company has received a notice from the members, alongwith the requisite deposit, to propose Ms. Sunita Menon as director in his place and accordingly to pass the following resolution as an **ordinary resolution**:

"RESOLVED that Ms. Sunita Menon, in respect of whom the Company has received a notice in writing proposing her candidature for the office of Director, in place of Mr. Boney Kapoor, be and is

hereby appointed a Director of the Company liable to retirement by rotation."

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 pursuant to the provisions of section 309 of the Companies Act, 1956, read with the new clause 49 of the Listing Agreement of the Stock Exchange, consent of the Company be and is hereby accorded to the payment of Sitting Fees of Rs. 3000 for each Board meeting that shall be attended in the financial year 2005-06 by each of the 3 (three) Non-executive Independent Directors of the Company."

- 6] To pass with or without modification, the following resolution as a **special resolution**:

"RESOLVED that pursuant to the provisions of sections 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the re-appointment of Mr. Kumar S Taurani as a Managing Director of the Company for a period of three years with effect from 1st January, 2005, on the remuneration and on the terms and conditions as approved by the Central Government by its approval letter No. 1/43/2005-CL VII dated 13th June, 2005 and as set out in the explanatory statement."

By order of the Board of Directors

Aarti Kathariya
Company Secretary

Place: Mumbai
Date : 18th August, 2005

Registered Office:
601, Durga Chambers,
Linking Road, Khar (West),
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 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 19th September, 2005 to 27th September, 2005 (both days inclusive).
- 4 The 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.

By Order of the Board of Directors

Aarti Kathariya
Company Secretary

Place: Mumbai

Date : 18th August, 2005

Registered Office:

601, Durga Chambers,
Linking Road, Khar (West),
Mumbai 400 052

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

(Item No. 3)

Mr. Shyam Lakhani, a Director who retires by rotation at the ensuing Annual General Meeting has not offered himself for re-appointment. The Company has received a notice under section 257 of the Act from a member signifying his intention to propose appointment of Mr. Ramesh S. Taurani as a Director, in the place of Mr. Shyam Lakhani, with a deposit of rupees five hundred. Mr. Ramesh Taurani is the Managing Director of Tips Films Ltd, the wholly-owned subsidiary of the Company. The Board considers it desirable to appoint him in place of Mr. Shyam Lakhani and avail itself of his knowledge and experience and accordingly recommends the passing of the proposed resolution.

Mr. Ramesh S. Taurani, himself and Mr. Kumar S Taurani and Mr. Shyam Lakhani, as relatives are interested in the above resolution

(Item no. 4) :

Mr. Boney Kapoor, a Director who retires by rotation

at the ensuing Annual General Meeting has not offered himself for re-appointment. The Company has received a notice under section 257 of the Act from a member signifying his intention to propose appointment of Ms. Sunita Menon as a Director, in place of Mr. Boney Kapoor, with a deposit of rupees five hundred. Ms. Sunita Menon is a professional expert in the art of tarot reading for the last 10 years and she has had an illustrious list of clientele which includes various top notch personalities from the country.

Your Company being an active player in the media segment, seeks her appointment to the Board of Directors with a view to utilize her creative thoughts and knowledge to the best interest of company's future prospects. The company earnestly believes that Ms. Menon with her extensive media contacts and hospitality expertise will lend rich contribution to the company's future plans.

None of the Directors, except Ms. Sunita Menon, herself, is interested in the above resolution.

Tips Industries Ltd.


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

Name of Directors	Mr. Ramesh S. Taurani	Ms. Sunita Menon
Date of Birth	17th January, 1960.	2nd February, 1965
Qualification	B.Com.	B. A (Psychology and Sociology)
Expertise	25 years enriched experience in the Film Industry.	Professional expertise in tarot reading since 10 years
List of Companies in which out side directorship held as on 31st March, 05	Tips Films Limited	Nil

(Item No. 5)

As per the new clause 49 of the Listing Agreement - *"All fees / compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in the general meeting".*

In view of the above requirement, the Company's Board of Directors proposed to pay Rs. 3000/- (Rupees Three Thousand Only) as Sitting Fees to all its non-executive independent directors for each Board meeting that shall be attended by them.

Approval of the members is now sought for the payment of above sitting fees as proposed by the Board.

Ms. Radhika Pareira, Mr. Amitabh Mundra and Ms. Sunita Menon, all the independent directors, to the

extent of receipt of such sitting fees are interested in the resolution.

(Item No. 6)

The explanatory statement as furnished below is as per the required format stated in Part II of Schedule XIII of the Companies Act, 1956 :-

1] General Information :-

Tips Industries Ltd is one of the most renowned Music Companies in the country, endeavoring to get the best of music rights and spread its magic to all the mass in India and worldwide through its excellent distribution networks. Incorporated on 8th May, 1996 by two brothers, Mr. Kumar S Taurani and Mr. Ramesh S Taurani, Tips has crossed many milestones and has emerged as a leading Company in the Music Industry.

A brief of financial details for the last five years is as below: -

FINANCIAL PARAMETERS	Year Ended 31st March, 2000	Year Ended 31st March, 2001	Year Ended 31st March, 2002	Year Ended 31st March, 2003	Year Ended 31st March, 2004
Turnover	1,159,289,509	1,043,041,729	798,579,780	496,377,225	248,615,117
Net Profit (as computed under section 198)	244,552,756	81,826,953	(214,288,998)	(540,463,361)	(557,302,084)
Net Profit as per Profit & Loss Account	233,238,000	71,877,791	(214,731,625)	(295,510,334)	15,794,847
Amount of Dividend Paid	27,000,000 (Interim) 9,000,000(Final)	12,014,500	-	-	-
Rate of Dividend declared	30% - Interim 10% - Final	10%	-	-	-



The term of appointment of Mr. Kumar S. Taurani as Managing Director expired on 31st December, 2004 and the Board has unanimously recommended his re-appointment vide Board Resolution dated 29.10.2004.

II) Information about Mr. Kumar S. Taurani :-

Mr. Kumar Taurani was one of the promoters of the company and has been associated with the company since its incorporation in 1996. He started in the early 1980s with a small electronics trading business and today with around 25 years of experience in the music industry, coupled with a powerful vision and dedication, Kumar Taurani has made Tips Industries into a 'Premier Music Company'. Also he is neither disqualified under any other Act for any reason whatsoever, nor in whole-time employment in any other company. Taking into consideration all his achievements, hard work and dedication, the Board of Directors passed an unanimous resolution favouring his re-appointment.

It is to be noted that the proposed appointee has no pecuniary relationship directly or indirectly with the Company, except his shareholding in the company, or relationship with any managerial personnel of the Company. However, he is the elder brother of Mr. Ramesh Taurani, who is also the Managing Director of Tips Films Ltd, the wholly-owned subsidiary of Tips Industries Ltd.

His past remuneration details are as under :

Organisation	Designation	Duration		Salary
		From	To	
(1)	(2)	(3)	(4)	(5)
TIPS INDUSTRIES LTD	MANAGING DIRECTOR	01.04.2003	31.03.2004	4,200,000 p.a.
TIPS INDUSTRIES LTD	MANAGING DIRECTOR	01.04.2002	31.03.2003	3,150,000 p.a.
TIPS FILMS PRIVATE LTD	DIRECTOR	01.04.2002	31.03.2003	1,600,000 p.a.
TIPS INDUSTRIES LTD	MANAGING DIRECTOR	01.04.2001	31.03.2002	1,050,000 p.a.
TIPS FILMS PRIVATE LTD	DIRECTOR	01.04.2001	31.03.2002	1,200,000 p.a.

Comparative remuneration paid in the industry :

The comparative remuneration for similar music companies could not be provided as most of such companies are private companies and hence the remuneration details is not available.

The terms and conditions for the appointment of Shri Kumar S Taurani are in conformity with the provisions of Schedule XIII of the Companies Act, 1956 except Section II of Part II thereof. The Company wishes to pay remuneration at Rs. 400,000/- per month which falls under Paragraph (C) of Section II of Part II of Schedule XIII and which requires Central Government approval and Shareholders' approval by a Special resolution.

With this end in view and in terms of Article 54 of the Articles of Association of the Company, Mr. Kumar s Taurani was re-appointed as Managing Director for a period of three years by the Board of Directors at a meeting held on 29th October, 2004 with effect from 1st January, 2005.

Approval of the Central Government for re-appointment of Mr. Kumar s Taurani was received by its letter No. 1/43/2005-CL VII dated 13th June, 2005. The said approval was for a period with effect from 1st January, 2005 i.e. date of re-appointment.

Approval of the members is now sought for the re-appointment of Mr. Kumar S. Taurani as aforesaid and remuneration payable to him.

An abstract setting out the necessary information about the re-appointment, as approved by the Central Government, is sent to the shareholders of the Company for your consideration and approval as per Schedule XIII of the Companies Act, 1956. The said terms and conditions briefly are :

1. The Managing Director shall carry out such duties as may be entrusted to him subject to the supervision and control of the Board of Directors, and he shall also perform such duties and the Board of Directors shall from time to time entrust services as to him.
2. Agreement is for a period of three years from January 1, 2005.

3. The Managing Director shall be entitled to the following remuneration and perquisites:

- (a) Salary not exceeding Rs. 400,000/- (Rupees Four Lakhs only) per month plus car for official purposes.
- (b) Encashment of Leave : Leave accumulated and not availed of during his tenure as Managing Director shall be allowed to be encashed at the end of the tenure of the appointment / on retirement.
- (c) Reimbursement of Expenses : The Managing Director shall also be entitled to reimbursement



of entertainment expenses actually and properly incurred in the course of legitimate business of the Company to the extent of Rs.300,000 p.a. Any expenditure in excess of the above limit shall be reimbursed only subject to Board approval.

III] Other Information :-

a) Reasons for loss or inadequacy of profits :

- TIPS INDUSTRIES LTD was prima facie carrying on business of manufacturing and distribution of audio cassettes and CDs by buying audio and video rights of films.
- The Company initially made huge losses in the year 2001-02 as the Audio Right expenses increased significantly from 23.32 crores to 49.03 crores. Further to this, Music Piracy hit the volumes and profits of the company.
- Though steps were taken to minimize losses, irrational audio right expenses and reduced volumes, coupled with previous year's losses didn't help the company much in the year 2002-03.
- The year 2003-04 saw yet another issues like music over net, music over mobile and most importantly the development of private FM radio stations which has hit all music companies badly.
- The scenario for the year 2004-05 was not much different as the sales and profit margins could not match with the Audio and Video right costs. Also the Company had to wipe off previous years losses, which further restrained the profitability of the Company.
- It can be seen that the events leading to

losses were unforeseen and uncertain to a major extent and not within the control of the Company.

(b) Steps taken to improve the performance of the Company :-

- Since music as a product cannot be considered in isolation, year after year, different strategies have to be adopted with changing scenarios.
- The Company is endeavoring to exploit its rich heritage of songs – classics, devotional, ghazals and films by its strong production facilities and distribution networks.
- The Company is also consistently striving to minimize internal costs by adopting cost reduction measures at appropriate levels.
- Under artist management, the Company is promoting different artists for production and distribution of music albums, which are highly versatile and profit yielding.
- The Company has made additional profits from 'Digital income', i.e. income from telecommunication media like radio and mobile phones etc. Such innovative trends add to the profits without any additional cost to the Company.
- The Company's wholly owned subsidiary 'Tips Films' is into film production. An excellent consolidation of film and music business will strengthen the financial position of the company in the coming years.

Mr. Kumar S Taurani, himself and Mr. Shyam Lakhani and Mr. Ramesh S. Taurani, as relatives are interested in the above resolution.



Chairman's Statement



Dear Co-Owners,

The past few years have been eventful years in the Indian Entertainment Industry. From the inconsistent performance of the film industry to the landmark Conditional Access System (CAS) bill in the television sector, the Industry went through a series of significant events. While the initial downturn in the film and music industries was seen as a transient phenomenon or an inevitable rationalization, emerging trends like film corporatisation, direct connectivity for the television subscriber and the growth of FM radio are believed to have contributed in creating an entertainment economy that is mature, transparent and comparable to global standards.

India is one of the least tapped entertainment markets in the world with an estimated middle class population of 300 mn. The Indian market is aptly positioned to take advantage of the ever growing entertainment needs which is happening through channels such as television, film production, home video and satellite television. In addition, there are over 20 mn Indians living abroad who are increasingly opting for India oriented entertainment such as Indian movies, music and television soap operas.

The industry is expected to grow at a compounded annual growth rate (CAGR) of 20 per cent from the present size of Rs.166 bn in 2002 to Rs.419 bn by 2007.

Segment wise analysis of the key components of the sector showcases the key trends that are taking shape today.

In the last 12 months, the fortunes of film production have been more than satisfactory with several key releases recouping their investment in the early stage of their run. A point which needs a clear understanding is the change in the economic valuation of a film whereby a well planned global release facilitates recouping of initial investment in the first four days of the films exhibition. Even though many of the block busters may not have fared well in traditional terms, these films by and large have recouped their investments or have even made small profits.

The same cannot be said about music. The current year's best hits have not experienced large sales. For example, this years best music has sold less than half million units which by any standard is not satisfactory. However recent trends indicate that there could be a large new market for the music industry.

The music majors which includes your company, have received several proposals from telecom companies for the utilization of catalogue as well as the new tracks as ring tones. This segment of revenue is expected to grow multifold in the years to come and in the absence of any material cost involved, music companies are expected to gross substantial net margins in these revenues. Your company, with a contemporary catalogue, is expected to reap significant benefits in the years to come from this segment.

You will all agree that radio as a medium reaches out to nearly 100 per cent of India's population. In recent years, this sector has been privatized and private FM radio channels have started rolling out in metros. Even though FM business faced initial hurdles, we have seen the gradual increase in the popularity of the FM business. I have no doubt in admitting that FM channels will be a serious threat to the mechanical format of the music business. However, I am equally pleased to mention that through the collective effort of music industry, revenues from FM channels has started emanating and we expect this share to grow substantially in the next 12-18 months. Similar to the 'ring tones' segment, the revenues from FM yield high margins and improved coordination between music

Tips Industries Ltd.



industry and FM channels will result in the revenue stream moving up significantly.

Another notable feature is the slow but steady acceptance from the production houses to move into royalty mechanism whereby your company acquires music rights on a commission basis for a specified number of years and shares its revenue with the production house. Thus the risk associated with the tracks performance is not assumed by the Music Company. As a conscious decision, your company has moved aggressively into this mode and has notched up several releases for the coming 12/24 months. In totality, our music business is expected to improve substantially in net levels though in terms of gross revenue, it will be significantly lower to the earlier year's performance.

As mentioned in my earlier report, your company has consolidated its film production business and is in discussion with several leading artists for forthcoming projects. While no new film is expected to be released this year, we could expect a minimum of 2-3 releases commencing next fiscal. It is our earnest desire to position the company as a front line production house and work with top-line artists rather than focus on mid level projects and non commercial movies. With the knowledge bank that we possess and the experience of the promoters, your company is expected to perform very well in the coming years and will notch up a pre-

eminent position in the industry.

As you would have observed, the recent initiatives by a leading corporate house for its foray into media business has supported my view that Indian entertainment industry is on the threshold of spectacular growth and serious players will emerge stronger in this phase. No doubt, consolidation will happen and matured players will get an opportunity to play an important role in the changed scenario. I wish to assure you all that your company will explore all options and evaluate opportunities that may arise.

While the previous years have been the corrective phase, I sincerely believe the future of your company will be rewarding and progressive.

I once again take this opportunity to thank you for your continued faith in us and look forward to sharing the prosperous future with you.

Kumar S. Taurani

Chairman & Managing Director

Place : Mumbai

Date : 4th August 2005