

2005-2006

ANNUAL REPORT



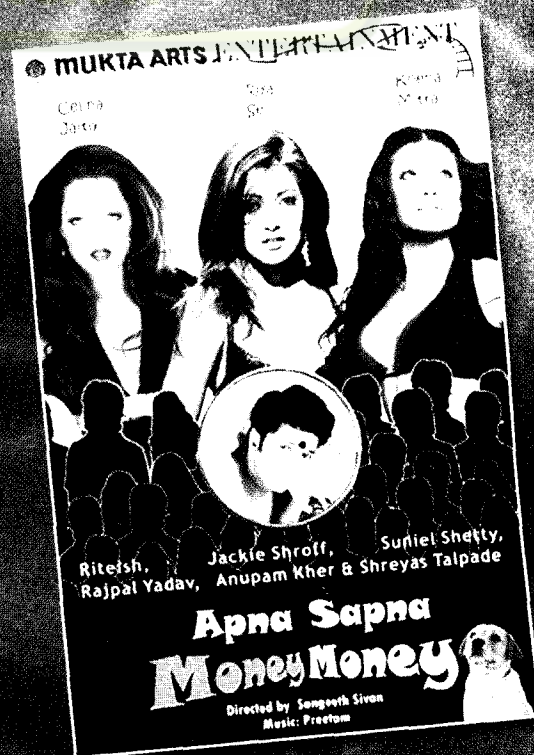
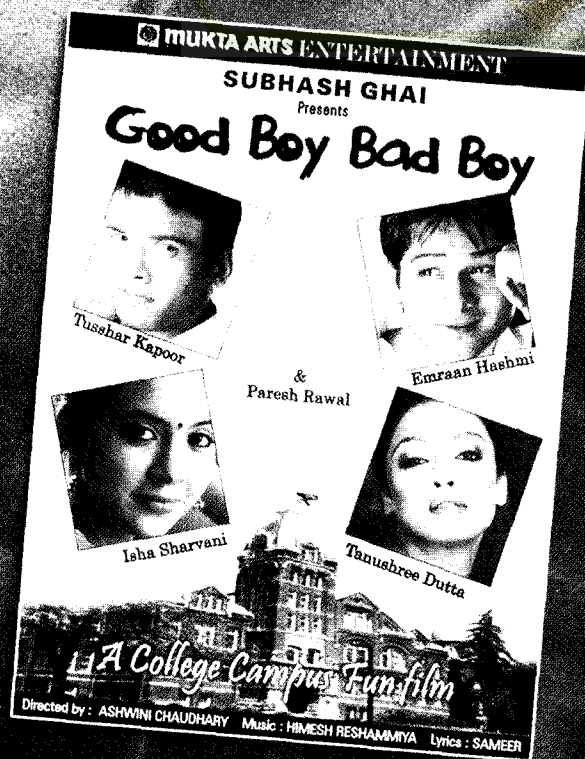
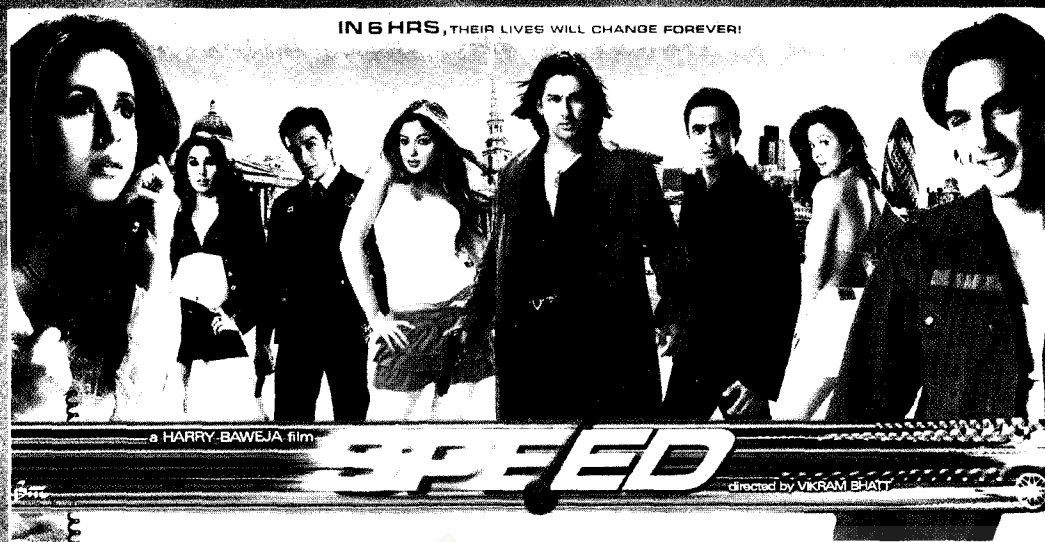
TIPS INDUSTRIES LTD.

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FORTH COMING MUSIC RELEASES





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BOARD OF DIRECTORS

Mr. Kumar S. Taurani	<i>Chairman & Managing Director</i>
Mr. Ramesh S. Taurani	<i>Director</i>
Mr. Amitabh Mundhra	<i>Director</i>
Ms. Radhika Pereira	<i>Director</i>
Ms. Sunita Menon	<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 - Vice President (Legal & Corporate Affairs)</i>

COMPANY SECRETARY

Ms. Aarti Kathariya

BANKERS

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

CHARTERED ACCOUNTANTS

M/s. B. K. Khare & Co.
706/708, Sharda Chambers,
New Marine Lines,
Mumbai-400020

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REGISTERED OFFICE

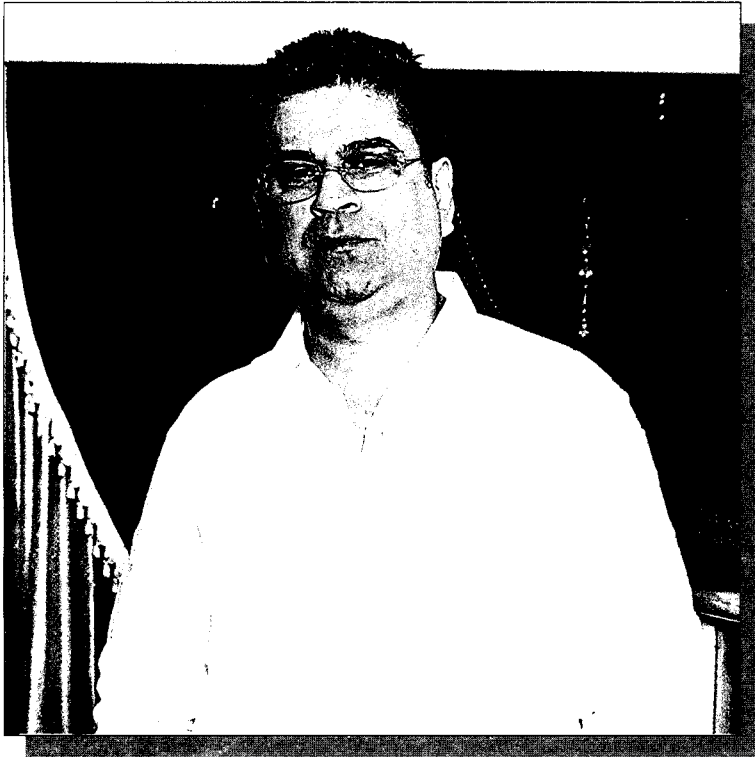
601, Durga Chambers,
278/E, Above Wills Lifestyle,
Linking Road, Khar (West),
Mumbai - 400 052

FACTORY

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

REGISTRARS & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078



CHAIRMANS' STATEMENT

Dear Co- Owners,

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It's a pleasure to address you once again in this Tenth Annual General Meeting. This year performance has been a mixed bag for the entertainment industry. While the Music industry still showed sluggishness in physical sales, the Filmed Entertainment sector showed signs of tremendous revival. In the Current year there were quiet a few films which collected huge box office collections and set a very positive tone for the industry. In the current year we also saw certain positive trends in the digital entertainment space which going forward is likely to be a huge revenue earner for content companies

India, as everyone knows, is currently amidst a transition to evolve as a leading global economy. One could easily see the Indian economy witnessing a tremendous consumer spending in all aspects of lime including entertainment. Today entertainment spend is only around 5% of the total consumption needs. This is likely to grow significantly in the coming years. With increasing purchasing power and favorable youth population ratio in the current, the entertainment sector is likely to be a major beneficiary. In the current year the industry witnessed positive as well as negative changes which I would like to discuss in detail with aspect to the two core set of operations of our Company:

Music : *I think it's fair to say that when it comes to content or information, as we know to be merely sequences of zeroes and ones, it's been the music industry that has been the most profoundly affected: both positively—*



starting more than two decades ago with the revolutionary introduction of the compact disc—and more negatively over the last half decade or so with the advent of Piracy, P2P file sharing, illegal downloads etc. As the industry whose content has been the most profoundly affected it is questioned whether music business can adapt and thrive in this ever-evolving digital labyrinth or if we wind up succumbing to what has often seemed to be a life threatening set of circumstances. And of course today, physical piracy—while not the focus of today's discussion— continues to be a massive plague on the music industry, each year we lose close to \$5 billion dollars to physical piracy worldwide as giant duplicating plants churn out massive amounts of illegal product in markets as diverse as China, Africa, the Middle East and Eastern Europe.

So what lies ahead is a great question for all music companies who are still finding it difficult to cope with the technology changes. Your Company's vision in this aspect is very clear. Technology shapes music. Music drives technology adoption. A few years ago peer-to-peer technology had upset this symbiotic relationship. In the blink of an eye, business models and platforms were turned upside down, creating an atmosphere of fear and mistrust between content and technology. Suddenly, everything was available instantly and in every combination. Music companies and copyright holders were terrified. And both the content companies and the technology community failed to adapt to the new world as quickly as we should have. The music industry, like almost every industry faced with massive and rapid transformation, first responded too slowly and too moderately, inhibited by an instinctive and reflexive reaction to protect our current business and business model. At the same time, many in the technology community, chip makers, software and hardware producers happily watched the sales of PCs soared as people were able to access music for free on their newly purchased computers.

Today we would like to use the same technology changes to be part of our main revenue model. Music companies have realized that digital technology is the future. Sooner we will be witnessing strict laws enabling protection of all content and IPR's. This shall give way to massive earnings through digital formats. We believe even more today that new economic models which can take advantage of the distribution power of the Internet and wireless platforms will lead to a true renaissance of the music business. Digital revenues have already started giving significant returns from current year onwards and one major player being Mobile Ringtones. As a music company, we also understand that our ultimate success lies not in preventing people from getting what they want through illegitimate means; but in providing it to them in new and exciting ways. The music and technology industries are facing the greatest opportunities we have ever faced. I feel that this is the just the tip of the iceberg and music industry will once again return to its old days with huge earnings from the digital front.

Films: Indian Film entertainment is witnessing the best times in the recent year. Audience are turning to theaters in big ways mainly on account of fresh content being provided to them on regular basis and luxurious screening opportunity given to them. Even smaller towns are witnessing change from old stereotyped theatres to new luxury theatres providing maximum entertainment to the family. With Indian theatres slowly trying to



adopt digital screening it would be possible for movies to be released simultaneously all over India in a much economical way and also increase its reach tremendously.

Your company has already identified film production as a key growth driver in the coming years. With effective 1st April 2005 the company has merged its wholly owned subsidiary Tips Films Ltd to further strengthen its presence in the film production segment and use their expertise in the relevant field. Last year the Company has short listed some of the scripts and also has begun production process in couple of them. The Company has vision to produce mega movies with leading artists in the coming years. The Company has targeted to release one movie every quarter beginning last quarter F.Y.07. The Company has also raised funds through preferential placement of its equity which is proposes to utilize mainly for the production of films. It is our earnest desire to project your Company as a top notch production house and leading entertainment house in the country.

While the previous years have been a corrective phase, this year we have managed to stabilize our operations, which is evident from our financials. I sincerely believe that the future of the company will be rewarding and progressive.

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

Kumar.S.Taurani

Chairman & Managing Director

Place : Mumbai

Date : 9th June, 2006





Notice of Annual General Meeting

Notice is hereby given that the Tenth Annual General meeting of **TIPS INDUSTRIES LIMITED** will be held on Friday, 21st July, 2006 at 4.30 p.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, 2006, 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 2006-2007 and to fix their remuneration
- 3] To appoint a Director in place of Mr. Amitabh Mundhra, who retires by rotation and, being eligible, offers himself for re-appointment.
- 4] To appoint a Director in place of Ms. Radhika Pereira, who retires by rotation and, being eligible, offers herself for re-appointment.

SPECIAL BUSINESS :

- 5] To consider and if thought fit, to pass with or without modification (s), the following resolution as an **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 appointment of Mr. Ramesh. S Taurani as a Managing Director of the Company for a period of three years with retrospective effect from 1st April, 2005, on the remuneration and on the terms and conditions as would be approved by the Central Government and as set out in the explanatory statement."

By order of the Board of Directors

Aarti Kathariya
Company Secretary

Place: Mumbai
Date : 9th June, 2006

Registered Office:

601, Durga Chambers,
278/E 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/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 17th July 2006 to 21st July 2006 (both days inclusive).
- 4) The members can avail of the facility of nomination. In terms of Section 109A of the Companies Act, 1956, members are entitled to make nominations in respect of shares held by them in physical form. Members desirous of making nominations are requested to file their nomination in respect of their shareholdings in prescribed Form 2B (in duplicate), which is available at the Registered Office of the Company, to the Secretarial Department at the Registered Office of the Company or to the R & T Agents.
- 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 in respect of such queries received.

By order of the Board of Directors

Aarti Kathariya
Company Secretary

Place: Mumbai
Date : 9th June, 2006

Registered Office:
601, Durga Chambers,
278/E Linking Road, Khar (West),
Mumbai 400 052

DETAILS OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

Name of Directors	Mr. Amitabh Mundhra	Ms. Radhika Pereira
Date of Birth	22 nd December 1967	29 th June 1970
Date of appointment	11 th June 2003	5 th September 2002
Qualification	Engineering Graduate	Bsc, LLM, LLM (Cambridge)LLM (Harvard)
Expertise	He is an entrepreneur and has vast experience in Corporate Finance and Management. He is the Managing Director of Simplex Infrastructure Ltd, which is a civil engineering company, handling more than 40 infrastructure projects all over India. He is also on the Board of "National Institute of Construction, Management & Research" & also in the Managing Committee of "Builders Association of India" and holds many more prestigious positions in the infrastructure industry.	She has worked on a wide range of transactional work in the areas of project finance practice for infrastructure projects and development, intellectual property right relating issues and transactions relating to entertainment, information technology and pharmaceutical industry, property laws and real estate transactions, alternate dispute mechanism strategy, legal risk management and contractual documentation. She was a part of the core group committee established by the Government of Maharashtra to make recommendations to the State Government on legal issues relating to privatization.
Directorships in other Public companies as on 31st March, 06.	Simplex Infrastructure Ltd Kalindi Agro Bio-Tech Ltd	Jain Irrigation Systems Ltd
Memberships / Chairmanships of Committees in public companies.	NIL	NIL



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

(Item No. 5)

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

I] General Information: -

Tips Industries Limited is one of the biggest music companies which has gained success through the path of innovation, foresight and rich experience. It has created a niche for itself in the Entertainment industry with around 19000 songs to its credit and many more adding in each year. It has centralized its activities by merging its 100% subsidiary, Tips Films Ltd with itself w.e.f 1st April 2005.

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

FINANCIAL PARAMETERS	Year Ended 31st March, 2002	Year Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2005	Year Ended 31st March, 2006
Turnover	798,579,780	496,377,225	248,615,117	280,777,811	217,813,878
Net Profit (as computed under section 198)	(214,288,998)	(540,463,361)	(557,302,084)	(627,738,804)	6,352,514
Net Profit as per Profit & Loss Account	(214,731,625)	(295,510,334)	15,794,847	(70,332,806)	6,352,514
Amount of Dividend Paid	-	-	-	-	-
Rate of Dividend declared	-	-	-	-	-

Tips Films Ltd was initially a 100% subsidiary of the Company. The Company has received the final approval for merger of Tips Films Ltd with the Company vide an Order dated 24th March 2006 of the Hon'able High Court, Bombay. The scheme of merger stipulates that the entire undertaking of Tips Films shall be transferred to the Company from the appointed date i.e. 1st April 2005. Also all employees of the Tips Films Ltd shall be transferred to the Company on the same terms and conditions on which Tips Films Ltd employed them. The Company would retain the film business taken over as a separate division known as 'TIPS FILMS – A Division of Tips Industries Limited', which shall be headed by Mr. Ramesh S. Taurani, who was the Managing Director in Tips Films Ltd and also a Director in this Company.

II] Information about Mr. Ramesh Taurani :-

Mr. Ramesh Taurani was one of the promoters of the Company and has been associated with "Tips" since 1992. With around 26 years of experience in the film industry, coupled with a powerful vision and dedication, Ramesh Taurani had made Tips Films into a 'Premier Film Production Company'. He is neither disqualified under any Act for any reason, nor in whole-time employment in any other company. Taking into consideration all his achievements, hard work and dedication, the Board of Directors passed a unanimous resolution favouring his appointment.

It is to be noted that the proposed appointee has no pecuniary relationship directly or indirectly with the Company, or relationship with any managerial personnel of the Company. However, he is the younger brother of Mr. Kumar S. Taurani, who is also the Chairman & Managing Director of the Company.

His past remuneration details are as under :

Organisation	Designation	Duration		Salary
		From	To	
(1)	(2)	(3)	(4)	(5)
TIPS FILMS LTD	MANAGING DIRECTOR	01.04.2005	31.03.2006	48,00,000 p.a.
TIPS FILMS LTD	MANAGING DIRECTOR	01.04.2004	31.03.2005	30,00,000 p.a.
TIPS FILMS LTD	DIRECTOR	01.04.2003	31.03.2004	48,00,000 p.a.
TIPS FILMS PVT LTD	DIRECTOR	01.04.2002	31.03.2003	48,00,000 p.a.
TIPS FILMS PVT LTD	DIRECTOR	01.04.2001	31.03.2002	12,00,000 p.a.