

THE RACE IS ON

Tips Industries Limited | Annual Report 2007 - 08





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TIPS at an inflection

Tips gave one of the biggest hits of 2008 - RACE. In its first week itself, RACE received a stupendous response and emerged as one of the biggest grossers of all times. Even today, the music of RACE continues to dominate the charts. Such dominance in both the forms is rare. And it has put us at an inflection.

The success of RACE ensures our move into the next orbit in the Indian entertainment industry. That's the power of RACE. The RACE is on. And how.

❖ In Bollywood, nothing succeeds like success. The success of RACE has opened up many opportunities for Tips. We expect established directors and artists to be attracted to work with us, even more.

❖ Tips validated its ability to understand the market place and create a product with the highest marketability. And this is what, we are sure, will help us in our endeavour to emerge as one of the most relevant companies in the entertainment space.

We made a multi-starrer with six top actors. With the success it has got to every star, their (as well as others) willingness to work with us is obvious. This has enhanced our ability to make more big movies.

The music of RACE and the success associated with it has ensured that Tips will attract many such talents, not only helping our music business, but our artist management business as well. And since the music of RACE has been such a rage, the revenues from non-physical sales will continue to grow.

❖ With the success of our films at the box office, our ability to pre-sell our next movie has not just got enhanced, but ensured. Such is the nature of our industry. Success drives success.

• Tips is at an inflection.

Bigger movies. Sustainable revenues. Higher ROI. A stronger balance sheet.

The power to lead. And dominate.

The RACE is on.

films



**The race to
move up
is on.**

There is no business like show business. The film industry in India has been transformed. An industry synonymous with risk has transformed (for few) into one without many risks. But there is a caveat. The caveat is success. Thanks to the onslaught of multiplexes, overseas rights, satellite and other television rights, DTH, home video, music rights and the emergence of various other sources of revenue, the demand for good movies is growing exponentially.

As the revenue streams from good movies have moved up, so has the demand. Since supply is still being limited; the films business for Tips is becoming very interesting.

With Tips giving one of the biggest hits of 2008, so far, Tips is more in demand than ever before. We are at an inflection. And we are committed to make the most of our focus, determination, understanding and hard work to move up!

With two movies in 2007-08, expect two more in 2008-09 and double that in 2009-10. The foundation for making four big budget movies a year is on. And given our relationships and pedigree, we have found ready acceptance.

Tips has decided to focus on what we know best. Make good movies with high quality content. We will de-risk this segment of our business by pre-selling the movies (except music rights), ensuring not just growth, but consistent growth.

With consistency in revenues in the biggest business segment, films, expect a stronger balance sheet and ROI. The foundation for making even more movies. The virtuous cycle is on. Tips is on the move, up.

music

**The race
for quality
is on.**

Report

Music is
films. In
India. Imagine
Hindi movies without
music. Music industry in
India is over 60% film music.
Such is the dominance of film music in
India. And this is what makes music in films
so special, and important.

Some use music as a filler, others as a driver. At Tips,
music has always been a core part of the business. It's a driver
of films. Because music at Tips means serious business. Tips has one
of the strongest repertoires of music in the industry. Tips is known to create
quality music for every film. As much as the movie itself, Tips music is much
anticipated, and appreciated. And over the years, we have recognized this core competence
and business driver. And that is the reason why we pre-sell films, but not music. We retain music.
Music is immortal, if of high quality. Tips focuses on the quality of music than quantity. And that's why, Tips
is Tips in music.

This gathers steam in current times even more. From LPs to cassettes to CDs and now with the emergence of non-physical
formats, the music industry has been in a constant state of transformation. Music on the move, radio, ring tones and
downloadable music is already the future. More non-pirated streams for quality music. And depending on the quality and
popularity of the music you make, the revenue stream continues on and on and on.

Tips today has a very strong repertoire of over 25,000 songs. Most of them are of very high quality and ensure consistent
revenue streams, year after year after year.

Tips collected music royalty revenues in excess of Rs. 15 crores in 2007-08.

The power of quality.

asset creation The race for annuity is on.

Report

The film and music industries in India are diverse. There are many players and each have their own strategy to create value.

Some focus on the creativity part, some on the reach, some on technology and some on the last mile. And every strategy has its risk-reward. The challenge is to create a position for yourself above the clutter and build a business that skews the risk-reward in your favour.

And that's what we at Tips have focused on.

We have chosen to focus on the creative aspect of the business and within that niche creativity (read big movies, great music). India makes about 800 movies every year. Less than five percent succeed at the box office. And the demand for the creators of this five percent is pretty high.

Interestingly, it is this creativity that creates value. At Tips, we have focused on making highly niche content that has found acceptance. Race was an example of this. What we have added to this is the financial intellect. Rather than go with the mood swings of the market (read risk reward less favourable), we chose to pre-sell and create a ROI even before the movie was released. This gave us sustainability of revenue to make more movies. And these rights are sold to the distributor only for a certain number of years, after which the rights are again available to the Company for further utilisation. This is the growth aspect of our business.

At the second stage, we chose to retain the music. Music is an asset for time immemorial. Good music is good music. Period. As the utilisation of music continues, so does revenue flow from it. It is like an annuity business. Create the asset, and let the market make the most of this asset and give value. In 2007-08, around Rs. 15.21 crores of sustainable annuity revenues came from our music business. And more importantly, this will keep growing as we keep making great movies with pulsating music.

At Tips, we will continue to strengthen the value of our film and music assets. So that we create more value for you. Consistently. And keep growing this asset base.

balance sheet

The race
for growth
is on.

1
2
3

+

4

5%