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Report

09

TIPS INDUSTRIES LTD.

Annual

10



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# PICTURE THIS

There is no business like show business. The magic of movies is all pervasive. It is the only form of entertainment that touches almost every Indian. In India, cinema is a religion.

Tips Industries Limited (Tips) is an integral part of the Indian film industry. Over the years, Tips has carved a niche for itself as a boutique film production and music company, with an impressive track record.

2009-10 was a tough year for the film industry with the multiplex strike in the first quarter and the industry still recovering from the uncertainty of the global economic downturn. The appetite of large distributors to buy films from other production houses was impacted.

We had silently prepared for this. We leveraged our experience and expertise in the business and took the mantle of distributing our own films.

Picture this.

We released two of our films - Ajab Prem Ki Ghazab Kahani and Toh Baat Pakki in 2009-10 and Prince in the first quarter of 2010-11. That is three films within six months, the highest ever we have done.

Ajab Prem Ki Ghazab Kahani has emerged as one of the top three grossers of the year and having distributed the movie ourselves, we will continue to earn revenues from the movie for many years to come.

While we demonstrated our ability to work on multiple

movie projects at a time and release three movies within six months, our music repertoire continues to generate royalty income.

We look ahead confidently.

We are now on the drawing board. We are thinking. We are creating. We are discussing scripts. We are preparing for the next 24 months.

Picture this.

We will launch three new projects in the next nine to twelve months including the highly anticipated sequel to Race.

More movies. More music. More annuity. More value.

Expect more from us.



## CHAIRMAN'S MESSAGE

"We distributed  
our own films.  
We released  
three films in  
six months. And  
we are ready  
for more."

**Dear Shareholders,**

Welcome to Tips, one of India's premier film production and music companies.

Over the last fifteen years, Tips has evolved into one of India's most respected film production companies known for high quality films with high quality music. A film production company that artists, technicians and exhibitors, all want to partner with.

A few years back, we wrote to you about our efforts to increase the number of films we produce and release three to four high quality films across a two year period. We have successfully done that.

In the last 24 months, we released Kismat Konnection, Ajab Prem Ki Ghazab Kahani, Toh Baat Pakki and Prince.

The year that went by was a difficult year for the industry. The multiplexes went on an indefinite strike in the first quarter and it took some time before the audiences came back. Besides, IPL and the swine flu provided challenges.

The result.

The distributors lost money and showed reluctance.

At Tips, we took this as an opportunity and distributed our own films, Ajab Prem Ki Ghazab Kahani, Toh Baat Pakki and Prince. This meant that every right of the film would now have to be exploited by Tips, something which we were happy to let the distributor do. With this, the

revenue from our films will be realised over a longer period of time.

In 2009-10, we released Ajab Prem Ki Ghazab Kahani which went on to be one of the top three grossers of the year. We also released Toh Baat Pakki during the year. In the first quarter of 2010-11, we released Prince.

This is how we look at where we stand today.

We distributed our own films. We released three films in six months. And we are ready for more.

We are now gearing up for the next 24 months. We have already started work on the much awaited sequel to Race. It will be bigger and better. We are also evaluating various scripts for three to four new films which we hope to complete and release in the next 24 months.

This is the interesting part of our business.

We make high quality films that have a better shelf life. Every year, through the exploitation of other rights, we get annuity income. Our films always have high quality of music. Music adds not just another direct revenue stream, but future annuity income too.

The music industry is also transforming with the onset of Internet and mobile downloads. The pirated share is going down and this results in better income to companies like ours.

As we look ahead, we are confident of our ability to deliver high quality films that will have higher revenues and better annuity value.

Every year, as we release films, we either add direct cash flow through pre-sales of the films or annuity through our own release and the music annuity remains with us always.

I am also pleased to inform you that all relevant approvals have been obtained for the buy back of equity shares announced by the Company some time back. We will be guided by our advisors on the approach and the road ahead with respect to this programme.

Before I conclude, I want to thank every cinegoer who spends his time and money watching films. It is your enthusiasm that inspires us to make more films. I also want to thank every technician, every artist and every member of the media for promoting our films. And every employee of Tips that relentlessly puts in the very best to keep giving hits every year. I would also like to express my gratitude to our shareholders for their continuous guidance and support.

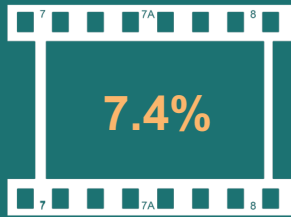
Thanking you.

Sincerely,  
Kumar S. Taurani



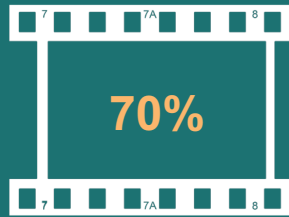
PICTURE THIS  
**OUR OPPORTUNITY**





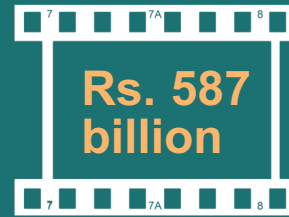
India's GDP growth in 2009-10

We are now the second fastest growing economy in the world after China. As most of the developed world struggled to cope with the aftermath of the recession, there was a distinct turnaround in the economic climate in India. Recovery has firmly taken root.



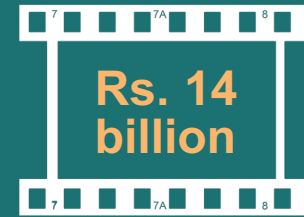
The population of the country that is below 35 years of age

A new, young India is emerging whose aspirations are changing from thrift to consumption.

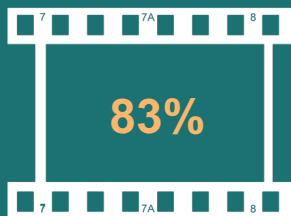


The size of the Indian Entertainment & Media (E&M) industry

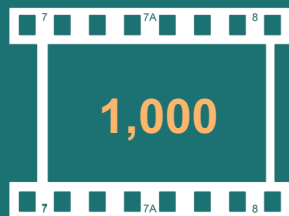
Riding on the back of improved economic growth, the industry is poised to grow at the rate of 13% over the next five years.



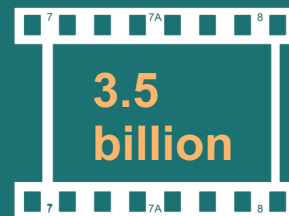
The size of the Indian music industry in 2014



Of young Indians feel music is a very important part of their lives

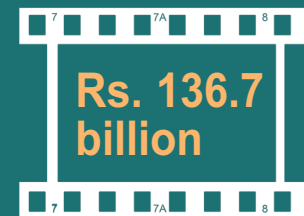


The approximate number of movies produced annually in India



The number of movie tickets sold annually in India

India is the largest film consuming market in the world, by far.



The size of the Indian film industry in 2014

The industry is expected to grow at a CAGR of 8.9% from Rs. 89.3 billion in 2009.

It can't get bigger than this!

While it was a tough year for the Indian film industry, with the multiplex-producer stalemate, the general elections and the swine flu scare keeping audiences away and impacting revenues, the coming years hold immense promise.

This is why.

- Multiplex occupancy levels, which were adversely impacted during the year, are expected to rise again.

- With the increase in the number of multiplexes over the next few years, domestic theatrical revenues are likely to experience strong growth.

- Rapid digitalisation with more digital screens across the country will lead to wider releases, higher theatrical revenues and a reduction in piracy.

- With the improving economic situation, revenues from the sale of Cable & Satellite rights are bound to increase.

- The industry is also exploring opportunities of revenue generation from the increasing penetration of mobile phones and the launch of 3G services.

- Revenues from home video, music, internet and international distribution rights are likely to increase rapidly in the coming years as well.

Yes, the opportunity is phenomenal.

And we are prepared for it.

Picture that!

A black and white photograph of two hands, one from the top right and one from the bottom left, reaching towards each other to form a rectangular frame. The fingers are extended to create the corners of the rectangle. The skin texture is clearly visible.

PICTURE THIS  
**OUR MOVIES**



Let us take you three years back.

That's the time when we were on the drawing board for Race, Naqaab, Kismat Konnection, Ajab Prem ki Ghazab Kahani, Toh Baat Pakki and Prince.

In **2007-08**, we released Race and Naqaab.

In **2008-09**, we released Kismat Konnection.

In **2009-10**, we released Ajab Prem Ki Ghazab Kahani and Toh Baat Pakki.

In **2010-11**, we have already released Prince.

This is what we do best. Make movies with high quality content.

2009 was a very challenging year for the film industry. Already reeling under the impact of the global economic downturn, the industry struggled to cope as it faced one challenge after another - the multiplex-producer strike, IPL, elections, swine flu scare.

As large distributors grew wary of buying films from other production houses, we decided to distribute our own films. It meant that we would have to exploit each source of revenue on our own i.e. box-office collections, international

rights, music, home video rights, etc. and our cash flows would be realised over a period of time as against upfront in the case of pre-sale.

And so we released Ajab Prem Ki Ghazab Kahani and Toh Baat Pakki in 2009-10 and Prince in 2010-11.

The next phase of creativity has begun.

We understand the movie business. We are specialists in all aspects of film making. Given our relationships and pedigree, we have found ready acceptance. And we are committed to make the

most of our focus, determination, understanding and hard work to move up!

In the next nine to twelve months, we will launch three movies including the much awaited sequel to Race.

In the next two years, we will have four films lined up for release.

In the process, we are creating a significant bank of films that will generate annuity income for us, which will be used to make more films and generate bigger annuities in the coming years.

Picture that!

PICTURE THIS  
**OUR MUSIC**

