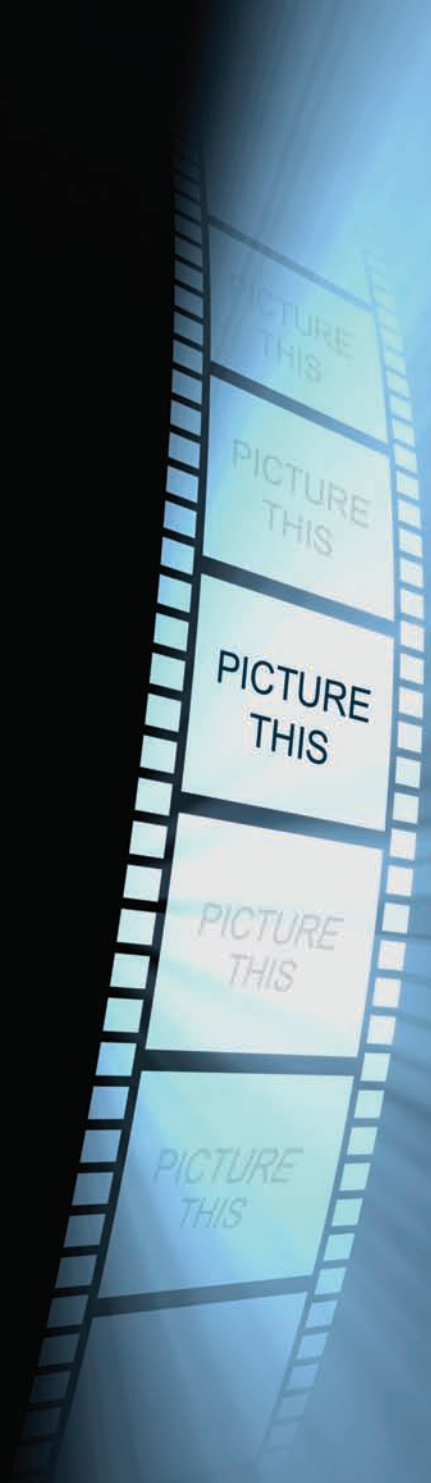



Annual Report

# 09 10

# TIPS INDUSTRIES LTD.



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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.

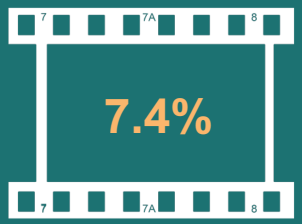
Sincerely,

Kumar S. Taurani

PICTURE THIS

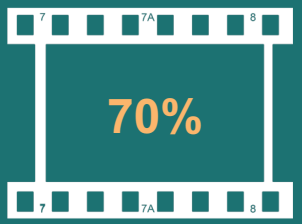
# OUR OPPORTUNITY





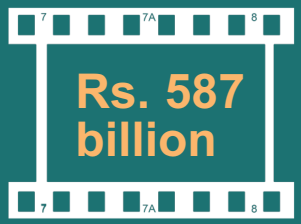

India's GDP growth in 2009-10

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.



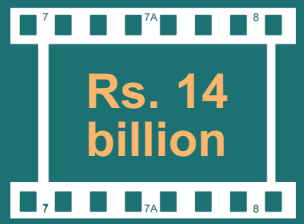

The population of the country that is below 35 years of age

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

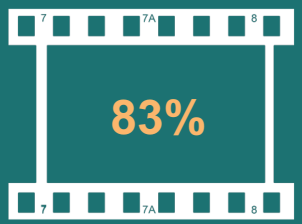



The size of the Indian Entertainment & Media (E&M) industry

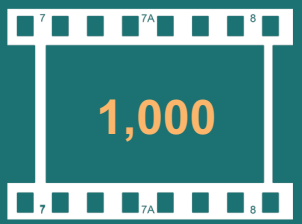
Riding on the back of improved economic growth, the industry is poised to grow at the rate of 13% over the next five years.



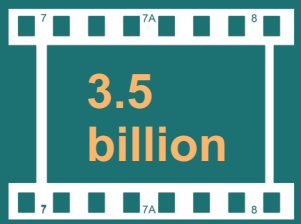

The size of the Indian music industry in 2014




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

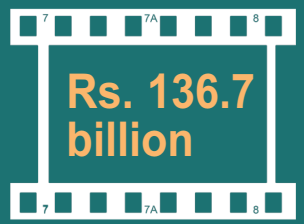



The approximate number of movies produced annually in India




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!


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



# In India, music is the soul of a film.

It is so core that you can't imagine a Hindi film without music.

Film music is core to the music industry as well, accounting for close to 65% of the industry's revenues.

At Tips too, music is core to our business. Our music is as awaited as our films. We create quality music for every film.

And we retain the music rights of all our films. Because music is an eternal asset. Good music is good music. And it generates annuity income for us.

We are known for our strong repertoire in music of over 25,000 songs. Film music, instrumental, classical music, ghazals, Punjabi music, devotional songs, regional language music, remixes - our collection ranges across several genres. These ensure a consistent revenue stream, year after year.

More importantly, this will keep growing as we make great movies with great music.

Today, the music industry is in a state of transformation. Gone are the days of LPs, cassettes and CDs. These days, it is all about music on the move - mobile, internet, ring tones, radio and downloadable music. iPods, television and public performances are becoming the preferred medium to listen to music.

Which means more non-pirated, predictable revenue streams for us. Better realisation of music rights.

As we move ahead, we will continue to strengthen the value of our music and film assets. So that we create more value for you.

Consistently.

Picture that!

# TEN THINGS YOU MUST KNOW ABOUT TIPS


10. Total income up by 28% over the previous year
9. A team of 51 passionate and dedicated employees
8. Over 25,000 song tracks in our music library
7. Our film Ajab Prem Ki Ghazab Kahani was one of the biggest hits of the year
6. Twenty Seven films released till date
5. Business segments - Film Production and Music
4. Our registered and corporate office is in Mumbai
3. Listed in 2000 on the BSE and the NSE
2. Established in 1980
1. We are amongst India's leading entertainment and media companies

# FINANCIAL HIGHLIGHTS

(Rs. in thousands)

| Particulars | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|
| Turnover | 842,371 | 647,246 | 1,126,254 |
| Total Income | 850,597 | 662,981 | 1,136,721 |
| EBIDTA | 155,025 | 165,567 | 243,666 |
| Depreciation | 13,539 | 9,210 | 15,243 |
| Interest | 43,377 | 21,333 | 7,514 |
| Profit Before Tax | 98,109 | 130,790 | 220,909 |
| Profit After Tax | 84,756 | 114,540 | 195,040 |
| Gross Fixed Assets | 383,791 | 111,578 | 175,573 |
| Net Fixed Assets | 338,877 | 75,044 | 103,543 |
| Net Current Assets | 1,060,013 | 1,012,374 | 716,806 |
| Cash & Bank Balance | 44,537 | 50,965 | 353,542 |
| Loan Funds | 546,721 | 567,360 | 119,927 |
| Share Capital | 173,059 | 173,059 | 173,059 |
| Reserves & Surplus | 679,161 | 619,631 | 527,362 |
| No. of Shares | 17,305,900 | 17,305,900 | 17,305,900 |
| Earnings Per Share (In Rs.) | 4.90 | 6.62 | 12.07 |



# CORPORATE INFORMATION

## Board of Directors

| | |
|---|---|
| Mr. Kumar S. Taurani | Chairman & Managing Director |
| Mr. Ramesh S. Taurani | Managing Director |
| Mr. Amitabh Mundhra | Director |
| Ms. Radhika Pereira | Director |
| Ms. Sunita Menon | Director |

## Company Secretary

Ms. Bhoomi R. Thakker

## Bankers

**IDBI Bank Limited**
IDBI Tower, WTC Complex,
Cuffe Parade, Colaba,
Mumbai – 400 005

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

## Registered Office

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

## Senior Management

| | |
|---|---|
| Mr. Shyam Lakhani | Sr. Vice President – Administration |
| Mr. Ishwar Advani | Vice President – Operations |
| Mr. I. T. Gursahani | Vice President – Legal & Corporate Affairs |
| Mr. Kunal Taurani | Vice President – Music |
| Ms. Varsha Taurani | Vice President – Administration |

## Chartered Accountants

M/s B.K. Khare & Co.
706/708, Sharda Chambers,
New Marine Lines,
Mumbai 400 020.

## Registrar & Share Transfer Agent

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West)
Mumbai 400 078.

## Factory

Plot No. 22,
Survey No. 126, Amli,
Silvassa – 396 230,
Dadra & Nagar Haveli (UT)

# NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of **TIPS INDUSTRIES LIMITED** will be held on Thursday, 5th August, 2010 at The Jubilee Room, Hotel Sun N Sand, Juhu, Mumbai - 400 049 at 4.00 p.m. to transact the following business:

**ORDINARY BUSINESS:**

1) To receive, consider and adopt the Balance Sheet as at March 31, 2010, the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.

2) To declare dividend for the financial year ended March 31, 2010.

3) To re-appoint Ms. Radhika Pereira as a Director of the Company, who retires by rotation and being eligible, offers herself for re-appointment.

4) To re-appoint M/s. B.K.Khare & Co., Chartered Accountants, as the Statutory Auditors of the Company and to fix their remuneration for the financial year 2010-2011.

*By Order of the Board of Directors*

**Kumar S. Taurani**
*Chairman & Managing Director*

Place: Mumbai
Date: May 26, 2010

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/HERSELF AND A PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting

2) The Register of Members and Transfer Books will be closed from 28th July, 2010 to 5th August, 2010 (both days inclusive).

3) Dividend, if approved by the Members at the Annual General Meeting will be paid on or before 4th September, 2010 to the Members whose names appear on the Register of Members as on 5th August, 2010 and to the Beneficial Owners of the shares as on 28th July, 2010 as per details furnished by the Depositories for this purpose.

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 with the Secretarial Department at the Registered Office of the Company and with R & T Agent.

5) Members are requested to:

   (a) Intimate to the Company or the Registrar 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) In order to avail the facility of Electronic Clearing Service (ECS), Members holding shares in physical form are requested to provide bank account details to the Company or to the Registrar & Share Transfer Agent, before book closure. Members holding shares in dematerialised mode are requested to instruct their respective Depository Participants regarding bank accounts in which they wish to receive the dividends. The Company / Registrar & Share Transfer Agent will not act on any direct request received from Members holding shares in dematerialised form for change / deletion of such bank details.

7) Members holding shares in the identical order of names in more than one folio are requested to consolidate their holdings into one folio.

8) 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*

**Kumar S. Taurani**
*Chairman & Managing Director*

Place: Mumbai
Date: May 26, 2010

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

# DIRECTOR'S REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their 14th Annual Report along with the Audited Accounts of the Company for the financial year ended March 31, 2010.

## HIGHLIGHTS OF FINANCIAL RESULTS

(Rs. in 'thousands')

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Income | 850597 | 662981 |
| Profit/(Loss) before Depreciation, Interest, Provision for Contingencies and Taxation | 155025 | 165567 |
| Less: Depreciation and Interest | 56916 | 30543 |
| Profit/(Loss) before Provision for Taxation, Extraordinary and Prior Period year items | 98109 | 135024 |
| Less: Provision for Taxation | | |
| Current Tax | 8828 | 15298 |
| Deferred Tax | – | – |
| Fringe Benefit Tax | – | 824 |
| Wealth Tax | 97 | 93 |
| Excess / Short Provisions | 4428 | 36 |
| Profit/(Loss) after Provision for Taxation but before Extraordinary and Prior Period year items | 84756 | 118774 |
| Les: Prior Period Expenses | – | 4234 |
| Profit/(Loss) after Taxation available for Appropriation | 323076 | 266341 |
| Dividend | 21632 | 19036 |
| Dividend Tax | 3593 | 3235 |
| General Reserves | 4250 | 5750 |
| Balance carried forward to Balance Sheet | 293601 | 238320 |
| Share Capital | 173059 | 173059 |
| Reserves & Surplus | 679162 | 619631 |

## DIVIDEND

Your Directors recommend a dividend @ 12.5% i.e. Rs. 1.25 per share on 1,73,05,900 fully paid-up Equity Shares of Rs. 10/- each of the Company for the year ended March 31, 2010. The proposed dividend, if approved at the Annual General Meeting, will absorb a sum of Rs. 216.32 lacs (Previous Year being Rs. 190.36 lacs) and Dividend Tax of Rs. 35.93 lacs (Previous Year being Rs. 32.35 lacs). The Dividend Tax is provided at the rate applicable on the day on which the Accounts were approved by the Board of Directors.

## REVIEW OF OPERATIONS

**(a) Turnover:**

During the year under review, the Company's net turnover was Rs. 8423.71 lacs (including Rs. 3157.17 lacs from Royalty Receipts and Rs. 4952.27 lacs from Film Distribution Income) as compared to turnover of Rs.6472.46 lacs in the previous year. The other income in current year is Rs. 82.26 lacs as compared to Rs. 157.35 lacs in the previous year. During the year under review, the Company earned a profit of Rs. 981.09 lacs before provision for taxation and extraordinary & prior period adjustments as compared to profit of Rs. 1350.24 lacs in the previous year.

During the year under review, the Company released audio of 2 (Two) Hindi Movies. The sales volumes of physical formats i.e. audio cassettes and CDs have been experiencing a downward trend. However, non-physical forms of music like mobile, radio, public performance and internet are becoming increasingly popular and the revenues from this segment during the year being Rs. 3157.17 lacs has shown a phenomenal growth of 34% as compared to previous year's revenue of Rs. 2356.40 lacs.

**(b) Film Production / Distribution Income:**

The Company released 2 (Two) hindi cinematographic films in the financial year 2009-2010 – "Ajab Prem ki Ghazab Kahani" and "Toh Baat Pakki". The total revenues generated from production and distribution of these films in the financial year 2009-2010 are Rs.4952.27 lacs

## FUTURE OUTLOOK

With the boom in the media industry a plethora of opportunities have opened up for filmmakers in India and with the multiplex culture engulfing India, filmmakers are getting several opportunities in Production and Distribution areas. A combination of factors is changing the face of Indian film distribution and production, according to industry observers.

Grabbing the immense scope in Production and Distribution, the Company plans to produce 2 – 3 Movies in the forthcoming year. The Company also looks forward to carrying out Distribution activities in the year ahead.

Further, since the non-physical formats are gaining popularity, the Company aims in focusing on digital operations like ring tones, music downloads, wall-papers, FM radio etc.

## DIRECTORS

In accordance with the provision of the Companies Act, 1956, and the Company's Article of Association, Ms. Radhika Pereira Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, has offered herself for re-appointment.

## PUBLIC DEPOSITS

During the year, under review, the Company had accepted deposits from public within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder and that none of matured deposits have been unpaid to the depositor(s).

## AUDITORS

M/s. B. K. Khare & Co., Chartered Accountants, holds office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have furnished the necessary certificate as required under Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

## 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 are mentioned in

the table below:

| Sr No | Name | Age (Yrs) | Designation | Remuneration (Gross) p.a. | Qualification | Exp. (Years) | Date of commencement of employment | Last employment and designation held |
|---|---|---|---|---|---|---|---|---|
| 1. | Kumar Taurani | 52 yrs | Chairman & Managing Director | Rs. 90,00,000/- | B. Com. | 31 | 08/05/1996 | Business – Managing Partner |
| 2. | Ramesh Taurani | 50 yrs | Managing Director | Rs. 90,00,000/- | B. Com. | 30 | 27/09/2005 | Business - Partner |

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your directors based on the representation received from the management state that:

1. In the preparation of the accounts, the applicable accounting standards have been followed and there are no material departures
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 March 31, 2010 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.

## CONSERVATION OF ENERGY

Information as per 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, are not applicable to the Company.

## TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

During the year, Company has not imported any technologies.

## FOREIGN EXCHANGE EARNINGS & OUTGOINGS

During the year ended March 31, 2010, the Company has incurred/ received foreign exchange towards the following:

| Particulars | 2009-10 (Rs. in thousands) | 2008-09 (Rs. in thousands) |
|---|---|---|
| **Outgoings:** | | |
| (A) Traveling Expenses | 181 | 802 |
| (B) Legal & Professional Fees | – | 185 |
| (C) Payments to Artistes | – | 999 |
| (D) Film Production Expenses | 3251 | 163531 |
| **Earnings:** | | |
| (A) F.O.B. value of Exports | 4299 | 4184 |
| (B) Royalty (net) | 1887 | 3945 |
| (C) Miscellaneous Income (Film Distribution Income) | 55714 | – |

## 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. B. K. Khare & Co, 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

In the opinion of the Directors, the notes to accounts are self-explanatory and adequately explain the matters, which are dealt within the Auditors' Report. In case of valuation of inventory, entire cost of copyrights and in-house music production costs are considered for the purpose of valuation of inventories in the absence of records of title-wise stock and the entire such cost is apportioned on the stock of saleable inventory on average basis. The Management is of opinion that it will not have any material impact on valuation of inventories.

## APPRECIATION

The Board of Directors place on record its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year under review. Your Directors also place on record their sincere appreciation of the wholehearted support extended by the Government and other Statutory Authorities, Company's Bankers, Business Associates, Auditors and all the stakeholders of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: May 26, 2010

**Kumar S. Taurani**
Chairman & Managing Director

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. ECONOMIC OVERVIEW

There is a growing consensus across the world that the worst of the financial crisis is over. Economies globally have started to stabilise and recover either from the recession or severe slowdown in the past two years. As per the (International Monetary Fund) IMF, after having contracted in 2009, the global economy is expected to expand by 3.9% this year. The Indian economy has displayed remarkable resilience over the course of the downturn and has grown by 7.4% in 2009-10. India is expected to exceed International Monetary Fund's projected Gross Domestic Product (GDP) growth rate of 8.4% in 2010-11, according to Union Finance Minister, Mr. Pranab Mukherjee. Exports are up quite sharply and industrial production has exhibited strong growth during the year. The Index of Industrial Production (IIP) for the financial year 2009-10, stood at 10.4% as against 2.8% in 2008-09.

There exist strong growth drivers that will propel the economy and the industry in the coming years. These include rising per capita income, rapid urbanisation, strong domestic demand as well as a conducive political climate. The country's demographics too are extremely favourable with 70% of the population being below 35 years of age. Barring any problems caused by the country's fiscal vulnerability, growth is expected to strengthen in subsequent years, as it will continue to reap the benefits of the ongoing opening up of the economy and gradual improvements in infrastructure.

The above factors bode well for the Indian economy in general and the Entertainment & Media (E&M) Industry in particular.

## 2. INDUSTRY OVERVIEW

**Entertainment & Media (E&M) Industry**

The E&M industry witnessed a tough phase in 2009 recording a marginal growth of 1.4% to Rs. 58,700 crore due to the economic slowdown and reduction in advertising spends. The industry performance in 2009 was a consequence of not only the slowdown, but also several internal factors that lowered the pace of growth for the otherwise flourishing media and entertainment business in India. The multiplex strike, lack of quality content, delay in auctions for Phase 3 FM radio and 3G mobile telecom licenses were some of the unexpected events that further impeded the development of this industry.

The contribution of television to the overall revenues of the E&M industry has gone up considerably in 2009 compared to 2006 and is expected to continue increasing and achieve almost 48% of the total revenues in 2014. On the other hand, the contribution from sectors like Films, Print, Music and Out of Home (OOH) has come down in 2009. Going forward, it is expected that the contribution from films and print may come down further in 2014, as the overall size of the E&M industry continues to grow. Television is expected to grow at a higher rate of 15% over next five years compared to an almost 9% growth in both the films and print sectors.

The biggest highlight of 2009 was the lessons that the year presented to those in the media and entertainment business. The pressure on margins and curtailed media spend by advertisers brought a renewed focus on managing costs, innovation and creativity.

**Films**

Overall, 2009 was a difficult year for the film industry. The film industry contracted 14% in 2009. While the multiplexes left the industry with significant losses, the general elections and the swine flu scare also kept the audiences away in early 2009. There were 242 Hindi films (nearly 140 mainstream Hindi movies) released in 2009 as against 229 released in the previous year. Although the number of films released in 2009 was higher than the previous year, the number of films that were successful at the box office has been far less. Industry sources estimate that the percentage of successful films that were profitable to many stakeholders in 2009 was nearly half that in 2008. Poor profitability of films on account of mediocre content and high talent cost is expected to force the industry to be more cognisant of such issues and follow

a more efficient approach in maintaining cost discipline while producing films.

However, the last quarter of 2009 brought some cheer to the industry. The success of films like 'Ajab Prem Ki Ghazab Kahani' and '3 Idiots' boosted the industry's fortunes.

Overseas theatrical revenues were also significantly impacted last year, de-growing by nearly 30% in 2009 over the previous year. As a result of the worldwide economic downturn, dearth of good quality content, and lower number of films with stars such as the Khans, Akshay Kumar, Hrithik Roshan, etc. that traditionally do well in overseas market led to a decline in the overseas theatrical revenues. Increased number of illegal downloads over the internet due to higher broadband speeds also adversely impacted overseas collections.

The year 2009 witnessed a number of global film studios strengthening their Indian film portfolios. For example- Fox Star Studios produced the experimental 'Quick Gun Murugan'. Karan Johar's Dharma Productions and Shah Rukh Khan's Red Chillies Entertainment also finalised an arrangement with the Murdoch-owned Fox studios mid last year for 'My Name Is Khan'. This trend is likely to continue.

Thus continued interest by global studios in India, investments in technology such as 3D and digitisation, introduction of miniplexes, coupled with strong government support against piracy is likely to help the Indian film industry strengthen its position in the years to come.

**Music**

India has a large addressable market of music consumers. A Synovate Music Matters survey conducted in June 2009, revealed that 83% young Indians feel that music is a very important part of their lives.

The size of the Indian music industry was estimated at Rs. 7.8 billion in 2009, compared to Rs. 7.4 billion in 2008, implying a growth of 7% during the period. One of the primary reasons for this marginal growth has been the increased acceptability of different digital distribution models, acceptability of music genres other than Indian film industry, and broadcast and public performance licensing revenues, all of which have not only compensated for declining physical sales but are also expected to drive growth going forward.

***Physical Formats***

Physical formats such as audio cassettes and compact discs, which accounted for approximately 67% of industry revenues in 2008 accounted for 57% in 2009. A consistent volume degrowth of physical formats coupled with factors such as price erosion, piracy and a robust growth in non-physical formats such as mobile value added services, has contributed to the changing revenue mix. Going forward, physical revenues are expected to decline at a CAGR of 6.8% between 2009 and 2014. While the actual degrowth of formats such as audio cassettes is expected to be much higher, this is likely to be partially offset by initiatives taken by some leading music companies to release MP3 music on compact discs at price points similar to that of the ubiquitous audio cassette.

***Digital platforms***

Although music companies believe that it is still too early to sound the death knell for the physical format, they have begun to experiment with different initiatives using the digital platform. The Indian digital music market was estimated at Rs. 2.6 billion in 2009. Digital music distribution is mainly restricted to India's rapidly growing telecom segment, largely through ring tones and caller ring back tunes. As mobile and broadband penetration in India continues to grow and with the expected rollout of high speed 3G data services, the market for other digital distribution platforms such as full track downloads, streaming music and subscriptions, will evolve, as it has in other markets worldwide.

## 3. BUSINESS OVERVIEW

Tips has created a niche for itself in the production space by producing cutting edge commercially and critically acclaimed cinema, supplemented with strong storylines and backed by top-of-the-line talent, in front of and behind the camera. These attributes, aided with high voltage marketing and promotion, provide added

appeal to the end product, few of which include iconic movies like Coolie No 1, Raja Hindustani and Race.

In 2009-10, the Company had two releases- a romantic comedy, Ajab Prem Ki Ghazab Kahani (starring Ranbir Kapoor and Katrina Kaif) which was declared one of the biggest hit of the year and Toh Baat Pakki (starring Tabu and Sharman Joshi). An action thriller, Prince with Vivek Oberoi in the lead role was under production as on 31st March and released in April 2010.

In 2009-10, the Company earned Rs. 49.5 crores from the film segment.

**Music**

Tips made a foray into the music industry in 1980 by producing regional titles. The Company's music can be classified into two major segments – film and non-film music. Tips ventured into Hindi film music in the 1990s and came up with massive hits like Patthar ke Phool and Phool aur Kaante. Over the years, the Company has also acquired many hit movie soundtracks including 36 China Town, Parineeta, No Entry, Bewafaa, Raja Hindustani etc. The Tips music library also comprises of several other genres of music including ghazals, devotional songs, regional language music, remixes and version recordings of old Hindi film music. Such a rich library helps in delivering revenues from the sale of catalogue music; online music downloads through music portals as well as publishing revenues (this includes music royalty from radio stations and revenue share from digital music on mobile through ring tones, caller ring back tones, true tones, etc).

Tips generates substantial revenues from royalties on songs that are played on radio, mobiles, internet etc. It has several evergreen songs in its library from movies such as Taal, Pardes, Soldier, Hello Brother, Gupt etc. This income has a direct impact on the bottom line as the cost of acquiring these rights has been written off in the previous years. With the music library strength increasing every year, the Company views this as a significant and consistent revenue source in the years to come.

The Company will also continue to hold music rights of films that it produces. Tips remains an active member of both the Phonographic Performance Limited (PPL) and the Indian Performing Right Society Limited (IPRS), two organisations that issue licenses to users of music and collect royalties from them.

The music of both Ajab Prem Ki Ghazab Kahani and Prince saw phenomenal success.

## 4. OPPORTUNITIES AND THREATS

**Entertainment & Media (E&M)**

The improved market sentiment in 2010 has set the tone for a promising year ahead. The Indian entertainment and media industry is slated to grow at a Compounded Annual Growth Rate (CAGR) of 13% over the next five years to Rs. 1,09,100 crores, according to a report by the Federation of Indian Chambers of Commerce and Industry (FICCI) and research firm KPMG. The gaming and the animation segments are expected to lead among all others with an expected CAGR of 32% and 18.7% respectively over the next five years.

The Indian E&M industry has evolved significantly over the last decade and the pace of this evolution is only expected to increase going forward. With mobile phones becoming ubiquitous, rising mobile and internet penetration and increased use of search engines and social networking platforms, consumer patterns have witnessed a marked change in India.

The untapped potential for growth in media reach, impact of digitisation and convergence, better consumer understanding, sustained efforts in innovation, and enhanced penetration of regional markets all augur well for the industry.

**Films**

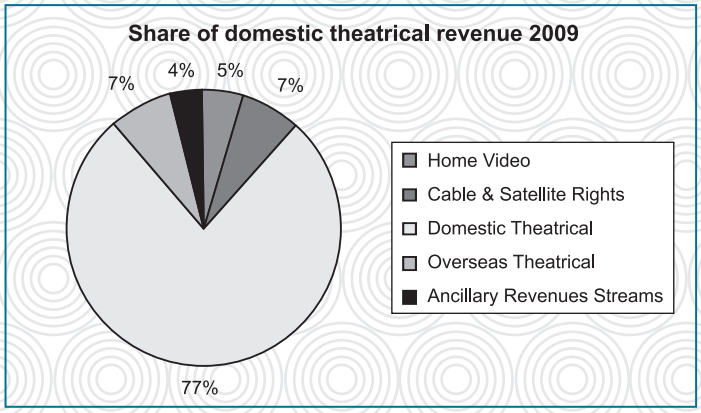
Over the next five years, the industry is projected to grow at a CAGR of 9% and reach Rs. 13,700 crores. Growth drivers for the sector would include expansion of multiplex screens resulting in better realisations, an increase in the number of digital screens facilitating wider releases, higher cable and satellite revenues, improving collections from the overseas markets and ancillary revenue streams like DTH, digital downloads, etc, which are expected to emerge in future.

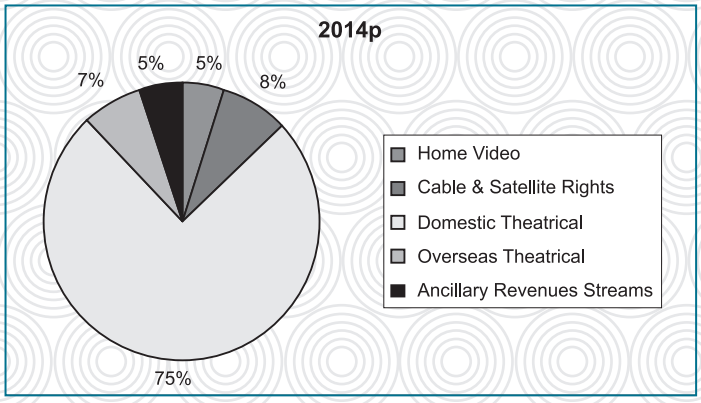
| Indian Film Industry | 2006 | 2007 | 2008 | 2009e | CAGR | 2010p | 2011p | 2012p | 2013p | 2014p | CAGR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (INR Bn) | | | | | (2006-09) | | | | | | (2010-14) |
| Domestic Theatrical | 62.11 | 71.49 | 80.21 | 68.50 | 3.30% | 73.30 | 79.30 | 85.80 | 93.00 | 100.80 | 8% |
| Overseas Theatrical | 5.71 | 8.71 | 9.77 | 6.80 | 6.20% | 7.30 | 7.90 | 8.60 | 9.30 | 10.10 | 8% |
| *Home Video | 2.90 | 3.30 | 3.80 | 4.30 | 13.10% | 4.70 | 5.20 | 5.90 | 6.60 | 7.40 | 11.80% |
| Cable & Satellite Rights | 4.97 | 6.21 | 7.14 | 6.30 | 7.90% | 7.00 | 7.90 | 9.00 | 10.10 | 11.40 | 12.80% |
| Ancillary Revenue Streams | 2.45 | 2.94 | 3.53 | 3.50 | 12.90% | 4.10 | 4.70 | 5.40 | 6.20 | 7.10 | 15% |
| **Total Industry Size** | **78.14** | **92.65** | **104.45** | **89.40** | **4.60%** | **96.40** | **105** | **114.70** | **125.20** | **136.80** | **8.90%** |

*Note: Previous year figures have been re-grouped to exclude the rental market due to lack of accurate data

*Source: KPMG-FICCI Report*

While the share of the domestic theatrical revenues to the industry's revenue is expected to decline marginally, it is expected to remain the dominant revenue source for the industry contributing as much as 74% of the total revenues in 2014.




*Source: KPMG-FICCI Report*

While 3D films have been in the industry for a while, it is only now that they are gaining prominence. A case in point was Avatar, James Cameron's epic 3D film which opened to packed theatres in India and abroad. Encouraged by the response that Avatar received in India, many Indian producers are also planning their own 3D films targeted to the Indian audiences. Their aspirations are well supported by technology providers who are in the process of implementing 3D compliant projection systems.

International film studios continue to capitalise on the potential of their Hollywood portfolio in the Indian marketplace by releasing a larger number of prints and increasing the number of dubbed film screenings in regional Indian markets. This trend is also likely to continue.

**Music**

The size of the Indian music industry was estimated at around Rs. 830 crore, up from Rs. 730 crore in 2008, implying a growth of 14% during the reporting period. It is expected to grow at a CAGR of 16% over 2010-14 to reach Rs. 1,720 crore.

The digital revolution is here to stay, and music companies across the world, including India, have begun to adapt. The initial reluctance was understandable – after all, the digital medium has upturned entire business models. With physical sales diminishing year after year and digital downloads rising in popularity, music companies are finally accepting the new reality. Factors such as increasing mobile handset sales, imminent 3G auctions and

impending Phase III radio licencing, have further necessitated that music companies adapt to newer business models or risk the threat of extinction.

## 5. FUTURE OUTLOOK

Tips remains upbeat about the long term prospects of the Indian economy as well as the E&M industry and is fully prepared to capitalise on this opportunity. The Company will soon be making announcements for three new movies in the next few months including the much awaited sequel of the superhit movie Race.

Some interesting trends that emerged during the year and are likely to continue are-

**Films**

*C&S Rights*

Television broadcasters saw a revival in their advertisement revenues and utilisation levels leading to higher realisations for Cable and Satellite (C&S) rights in the later part of 2009. Despite this, many producers are finding it difficult to pre-sell the rights of their film, as broadcasters are increasingly acquiring the rights of a film post its theatrical release. As a result, the value of a film's C&S rights is now even more closely linked to its domestic box office performance. Many of these rights are not sold outright to a single broadcaster, but are syndicated to a number of TV channels. An example is of the Company's movie 'Ajab Prem Ki Ghazab Kahani' which was sold to Colors and then being syndicated at an additional value to NDTV Imagine for second airing rights.

*DTH platform*

Bollywood has so far followed a very traditional distribution model, with limited focus on alternative platforms. The DTH platform offers a new revenue stream for producers to monetise their filmed content. Progressive producers view the Direct-To-Home (DTH) platform as a means of supplementing their overall revenues, rather than as a threat to theatrical revenues, as the perception is that the big screen viewing experience cannot be compared with that of the small screen. A number of films such as Slumdog Millionaire, Aa Dekhen Zara, Main Aur Mrs Khanna and Ajab Prem Ki Ghazab Kahani were released on DTH this year within weeks of their domestic theatrical release. Although revenues from DTH releases currently comprise a small portion of overall revenues, the industry is optimistic about its future potential.

**Music**

Tips has an enviable library of music with over 25,000 songs and more songs of different genres being added every year. The music library will also grow as more films are made. With more radio stations, concerts, music-led television reality shows, general entertainment and music channels, the demand for the Company's music library will only increase going forward. Tips is focused on maximizing the existing catalogue in an effective manner to cater to the increasing demand from the non-physical segment.

## 6. RISK MANAGEMENT

Core to its continued success is the Company's ability to identify and effectively manage its business risks. Many political, economic, legal and other factors affect the development of the E&M industry.

Accordingly, the Company has well defined, rigorous policies and processes designed to identify, mitigate and control risks.

The primary risks that have the potential to impact the business over the next twelve months and the mitigants are considered to be as follows-

**Economic Risk**

Any adverse change in the economic conditions of the country due to slowdown in the GDP growth, rise in interest rates, inflation, changes in tax, trade, fiscal and monetary policies, etc. could have an adverse effect on the Company's business, financial condition and results of operations.

The Indian film industry is one of the largest globally recognised industries with a history of steady growth. With films being the most popular form of mass entertainment in India, the film industry has

witnessed robust double-digit growth over the past decade with domestic box office collections. With favourable demographics and lack of affordable alternatives, the sector will sustain high growth in the coming years.

**Piracy Risk**

The free availability of internet downloads for audio tracks have almost completely wiped out the physical format market with the only silver lining being the mobile downloads. Pirated CDs of movie is also easily available, sometimes even before the theatrical release of the movie.

The Maharashtra Prevention of Dangerous Activities (MPDA) act was amended and enforced in 2009. Similarly in Karnataka, the Karnataka Prevention of Dangerous Activities, popularly known as the Goonda Act bought film and video piracy under its purview in July 2009. The industry expects the legislations to help curb revenue losses due to audio and video piracy in the two states.

Digitalisation of movie screens has also helped combat piracy to some extent.

**Competition Risk**

The Company can face competition from other players in the film and music industry.

The Management believes that the film industry did not bear the brunt of recession as much as it bore the brunt of poor content and unrealistic budgets. Thus Tips is focussed on creating high quality movie which appeal to the masses. The Company has its finger on the pulse of the audience which is evident from the library of successful movies and music that it has created over the last few decades. Besides, Indians have an insatiable appetite for movies. Thus as long as the product entertains, there will always be a market for the same.

**High Talent Costs**

Escalating fees charged by leading actors makes the cost of production very high, making it difficult to recover costs. However, in 2009, producers reported a 20-40% reduction in talent costs as compared to 2007- 2008. A new trend that has emerged is that of a profit-sharing model between actors and production companies, wherein top actors take a small upfront fee and a share of profits in lieu of the larger portion of their fee. This model allows the economics of a film to work better by improving the risk bearing capacity of producers and linking actors' remuneration to a films commercial success.

Tips has deep relationships with artists at every level which help them sign stars at correct costs, thereby keeping a check on unreal production costs.

**High Production Costs**

The high cost base without a corresponding increase in revenue for films green lit in 2007-08 forced producers to look for innovative ways to cut costs and improve production efficiency. For example, producers chose to shoot in outdoor locations closer to home rather than in far off exotic locations and initiated active budget monitoring and cost control processes. Producers also made use of subsidies and co-production treaties in place to arrive at a cost effective and quality conscious model. These lessons learnt are likely to hold the industry in good stead in the future.

Tips has a robust budget control business model. Also the Company has made 24 movies in the past which gives it the required experience to keep a check on the cost of production.

**Decreasing theatrical windows**

Now a day the fate of a movie is decided in the first three days of its release. With this decreasing theatrical window, the importance of progressive marketing and promotions is growing. An integrated marketing campaign by the producers, distributors and exhibitors to attract audiences and drive better monetisation within the limited theatrical windows available today is critical for the industry

Tips understands the importance of progressive marketing and promotions. It undertakes an integrated marketing campaign involving producers, distributors and exhibitors to attract audiences and drive better monetisation within the limited theatrical windows available.

## 7. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACIES

The Company has a cyclical process for identifying, assessing and managing its internal control, which has been in place for the full year under review and up to the date of this report. The process is designed to enable the board to be confident that such risks are mitigated, or controlled as far as possible. It should be noted however that no system can eliminate the risk of failure to achieve business objectives entirely and can provide reasonable and not absolute assurance against material misstatement and loss. The audit committee is delegated the task of reviewing all identified risks, with the absolute key risks retained for full board view. Risks and controls are reviewed to ensure effective management of appropriate strategic, financial, and operational & compliance issues.

## 8. DISCUSSION ON FINANCIAL PERFORMANCE

**Income:** The Company recorded total income of Rs. 85.05 crores, as compared to Rs. 66.30 crores for the previous year.

**EBIDTA:** The Company's EBIDTA stood at Rs. 15.50 crores as against Rs. 16.56 crores in 2008-09.

**PAT:** The Profit After Tax of the Company for the year 2008-09 is Rs. 11.45 crores, while this year, the profit is Rs. 8.47 crores.

## 9. MATERIAL DEVELOPMENT IN HUMAN RESOURCES

Tips firmly believes in and has consistently practiced progressive HR values. The Company's philosophy is reflected by the values of transparency, professionalism and accountability. The Company endeavours to improve on these aspects on an ongoing basis and thereby perpetuate it to generate long-term, socio-economic values for its shareholders, customers and employees.

At Tips, people from divergent disciplines work in perfect harmony to attain greater growth and development. This has been made possible through a consistent emphasis on every individual's sense of responsibility and ability to exercise initiative and judgment while working as a member of the team.

The HR department organises internal training programmes for personality development, behaviour, talent management and communication to help enhance the employee's skills and capabilities. As on 31st March, 2010, the number of employees on payroll were 53.

## 10. CAUTIONARY STATEMENT

This report contains forward looking statements that involve risks and uncertainties including, but not limited to, risk inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. This report should be read in conjunction with the financial statements included herein and the notes thereto.

# CORPORATE GOVERNANCE REPORT

**(As required under Clause 49 of Listing Agreement entered into with the Stock Exchanges)**

**1. Company's Philosophy on Corporate Governance:**

Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders which includes employees, bankers, lenders, government, suppliers, dealers etc.

Effective corporate governance ensures that long-term strategic objectives and plans are established and that proper management and management structure are in place to achieve those objectives, while at the same time making sure that the structure functions to maintain the corporation's integrity, reputation, and accountability to its relevant constituencies.

Your Company strongly believes that Good corporate governance is key to the integrity of corporations, financial institutions and markets, and central to the health of our economies and stability.

Your Company adopts and gives immense magnitude to honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect and commitment to the organization. "Action Beyond Obligation" is what your Company follows and has accordingly benchmarked its practices with the existing guidelines of corporate governance as laid down in the Listing Agreement.

**2. Board of Directors:**

(a) Composition:

The Company has an optimum combination of Executive and Non- Executive, Independent directors. The Board of Directors as on March 31, 2010, comprises 5 members, of which, 1 is the Chairman and Managing Director, 1 is a Managing Director and 3 are Non-Executive Independent Directors. All the members of the Board are persons with considerable experience and expertise in industry, finance, management and law. The business of the Company is carried on by the Managing Directors under the overall supervision and control of the Board of Directors.

The Company has duly complied with all the provisions of Clause 49 of the Listing Agreement and there exists no discrepancy in either their appointment or re-appointment. Further, the Company did not have any pecuniary relationship or transactions with the non-executive directors.

(b) Board Meetings:

During the financial year under review, 5 (five) Board Meetings were held on the following dates May 20, 2009, June 27, 2009, July 24, 2009, October 23, 2009, and January 27, 2010 respectively.

The names of directors and the category to which they belong to, their attendance at Board Meetings during the year and at the last Annual General Meeting, and the number of directorships and committee memberships held by them in other Companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies, Section 25 Companies and foreign Companies. Chairmanship / membership of Board Committees include only Audit and Shareholders / Investors Grievance Committee.

The Company placed before the Board various information as those specified under Annexure 1A of Clause 49 of the Listing Agreement from time to time.

| Name | Category | Board Meetings during the Year | | Attendance at the Last AGM held on August 29, 2009 | No. of Directorships in other public Companies | | No. of outside Committee positions | |
|---|---|---|---|---|---|---|---|---|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| Mr. Kumar Taurani (Chairman and Managing Director) | Promoter | 5 | 3 | Yes | Nil | Nil | Nil | Nil |
| Mr. Ramesh Taurani (Managing Director) | Promoter | 5 | 3 | Yes | Nil | 1 | Nil | Nil |
| Mr. Amitabh Mundhra | Non-Executive Independent | 5 | 4 | No | Nil | 13 | Nil | Nil |
| Ms. Radhika C. Pereira | Non- Executive Independent | 5 | 4 | No | Nil | 2 | Nil | Nil |
| Ms. Sunita Menon | Non- Executive Independent | 5 | 5 | No | Nil | Nil | Nil | Nil |

(c) Details of shares held by Directors of the Company as on March 31, 2010:

| Name | No. of Shares |
|---|---|
| Mr. Kumar Taurani | 2372184 |
| Mr. Ramesh Taurani | 2375684 |
| Mr. Amitabh Mundhra | NIL |
| Ms. Radhika C. Pereira | NIL |
| Ms. Sunita Menon | NIL |

**3. Code of Conduct**

In pursuance with Clause 49 of the Listing Agreement, the Board of Directors and the Senior Employees of the Company have consistently complied with the professional and ethical Code of Conduct laid by the Company in carrying out their business activities. Requisite annual affirmations of compliance with the respective Codes have been made by all directors and Senior Management of the Company.

The copy of the adopted 'Code of Conduct' is also available on the Company's website for shareholders' information.

**4. Committees**

**I) Audit Committee:**

The Company has constituted an Audit Committee comprising 3 Independent Non- Executive Directors. The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The role of Audit Committee as per Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, includes the following:

(a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

(b) Recommending the appointment, re-appointment and removal of statutory auditors' and fixation of their remuneration.

(c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

- Any changes in accounting policies and practices.

- Major accounting entries based on exercise of judgments by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with Stock Exchanges and legal requirements concerning financial statements.
- Any related party transactions i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- Matters to be included in Directors Responsibility Statement in the Board's Report in terms of section 217(2AA) of the Companies Act, 1956.

(d) Reviewing with the management, Statutory Auditors the internal controls and adequacy of internal control systems.

(e) Reviewing the quarterly and half yearly financial results.

(f) Discussion with Auditors, any significant findings and follow up thereon.

(g) Reviewing the findings of any internal investigations by the Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

(h) Discussions with Statutory Auditors before the audit commences, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

(i) Reviewing the Company's financial and risk management policies.

(j) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in the case of non payment of declared dividends) and creditors, if any.

(k) Reviewing the operations, new initiatives and performance of the business divisions.

(l) Approval of appointment of CFO (i.e the Whole Time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

(m) Reviewing with management the statement of uses/ application of funds raised through an issue(public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

The composition of Audit Committee and the details of meeting attended by the directors are given below:

The Audit Committee comprises of 3 Independent, Non-Executive Directors viz, Mr. Amitabh Mundhra, the Chairman and Ms Radhika C. Pereira and Ms Sunita Menon, are the other members of the said Committee. During the year, the Committee met 5 times i.e on May 20, 2009, June 27, 2009, July 24, 2009, October 23, 2009 and January 27, 2010

| Name of the Director | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Amitabh Mundhra | Chairman | 5 | 4 |
| Ms. Radhika C. Pereira | Member | 5 | 4 |
| Ms. Sunita Menon | Member | 5 | 5 |

Ms. Sheetal Pardeshi, the Company Secretary acted as Secretary to the Committee.

**II) Remuneration Committee:-**

Constitution - The Board of the Company has constituted a Remuneration Committee comprising of 3 Independent, Non-Executive Directors viz, Ms. Radhika C. Pereira, Chairperson, Ms. Sunita Menon and Mr. Amitabh Mundhra.

Terms of Reference – To recommend and review the remuneration payable to all Directors, including Managing Director, Compensation Policy for Directors, remuneration of the senior management personnel and its review, Code of Conduct and ethics and all other matters relating to the remuneration of Directors and senior management personnel. The Committee may also make recommendations to the Board with respect to incentive based compensation plans.

Meetings - During the year, the Committee met thrice on May 20, 2009, June 27, 2009, July 24, 2009.

| Name of the Director | Category | Number of Meetings | |
|---|---|---|---|
| | | Held | Attended |
| Mr. Amitabh Mundhra | Chairman | 3 | 2 |
| Ms. Radhika C. Pereira | Member | 3 | 3 |
| Ms. Sunita Menon | Member | 3 | 3 |

**Remuneration paid to the Directors for the year ended March 31, 2010:**

**a. Executive Directors:**

Details of the remuneration paid to the Executive Directors for the financial year ended March 31, 2010 are as follows:

| Terms of Agreement | Mr Kumar S. Taurani | Mr Ramesh S. Taurani |
|---|---|---|
| Period of Agreement | 5 years | 5 years |
| Date of Appointment | April 1, 2008 | April 1, 2008 |
| Salary & other allowances | Rs. 90,00,000/- p.a. | Rs. 90,00,000/- p.a. |
| Perquisites | - | - |
| Notice Period | 30 days | 30 days |

**Notes:**

1. Mr. Kumar S. Taurani is, under Schedule XIII of the Companies Act, 1956 re-appointed as the Chairman & Managing Director of the Company for the period of 5 (Five) years w.e.f April 1, 2008 at a minimum remuneration of Rs. 90,00,000/- per annum. No commission, allowance or sitting fees were paid for attending Board Meetings and the above includes only Gross Salary.
2. Mr Ramesh S. Taurani is, under Schedule XIII of the Companies Act, 1956 re-appointed as the Managing Director of the Company for the period of 5 (Five) years w.e.f April 1, 2008 at a minimum remuneration of Rs. 90,00,000/- per annum. No commission, allowance or sitting fees were paid for attending Board Meetings and the above includes only Gross Salary. Order from Central Government for payment of Remuneration of Rs. 90,00,000/- per annum to Mr. Ramesh Taurani is awaited.

**b. Non-executive Directors:**

| Name | Salary (Rs.p.a) | Sitting Fees (Rs. p.a) | Total (Rs. p.a) |
|---|---|---|---|
| Mr. Amitabh Mundhra | --- | 44,000/- | 44,000/- |
| Ms. Radhika Pereira | --- | 44,000/- | 44,000/- |
| Ms. Sunita Menon | --- | 55,000/- | 55,000/- |

**III) Share Transfer and Shareholders/Investors Grievance Committee:**

The Company has formed the Shareholder's Grievances and Share Transfer Committee, constituted by the Board, to approve inter-alia transfer/transmission of equity shares and to resolve the shareholder's grievances.

The Committee comprises of Ms. Radhika C. Pereira, Mr. Kumar S. Taurani and Mr. Ramesh S. Taurani. During the financial year 2009-2010 the Company or its Registrars received 10 investor grievances which are duly resolved.

The terms of reference of Share Transfer and Shareholders/ Investors Grievance Committee broadly are as under:

a) To consider, approve or reject the share transfer, transmission, consolidations, splitting, demat & remat of shares and to carry out related functions and to carry out all documentation and procedures in connection with the same.

b) To monitor the redressal of Shareholder/Investor complaints relating to shares, non-receipt of Annual Reports, issue of duplicate certificates and all other matters in respect of investor complaints / grievances.

Ms Sheetal Pardeshi, Company Secretary was designated as the Compliance Officer of the Company, till 10 March, 2010. Thereafter, Mr. I.T. Gursahani was appointed as Compliance Officer.

A total of 10 queries /complaints were received by the Company from Shareholders/Investors as detailed below.

| Particulars | Number of Complaints |
|---|---|
| No. of Complaints resolved as on March 31, 2010 | 10 |
| No of Complaints pending as on March 31, 2010 | Nil |
| No. of pending share transfers as on March 31, 2010 | Nil |

**IV) Buy- Back Committee:**

The Company proposes to buy back its equity shares upto a maximum of 43,26,475 shares (being 25% of the total existing paid-up Equity share capital comprising of 1,73,05,900 Equity shares, at a price not exceeding Rs.75/- per Equity Share, such that the aggregate consideration to be paid on buy-back does not exceed Rs. 1981.00 Lacs (being 25% of the total existing paid-up Equity share capital plus free reserves). The said buy back was approved by requisite majority of shareholders, approval of which was sought by voting through Postal Ballot. For the purpose of carrying out various activities and to give effect to the proposed buy-back, the Board of Directors in its meeting dated June 27, 2009 had constituted a Buy- Back Committee comprising of the following members:

Mr. Kumar Taurani, Chairman and Managing Director,

Mr. Amitabh Mundhra, Director, and

Mr. Ishwar Gursahani, Vice President – Legal and Corporate Affairs.

The said Committee is authorized to do or cause to be done all such acts, deeds, matters and things and to exercise all such powers as may be necessary, expedient, usual or proper to implement the Buy- Back of its equity shares.

A Meeting of Buy- Back Committee was held on August 24, 2009 (all the members present) wherein the Scrutinizers Report for the Postal Ballot and Declaration of the results of such Postal Ballot was placed before the members. The Minutes of the Buy back Committee were placed before the Board of Directors in its meeting held on October 23, 2009.

## 5. General Body Meetings:

### (i) General Meetings :

(a) Annual General Meeting: The Last three meetings were held as under:

| Financial Year | Date | Time | Location | Special Resolutions |
|---|---|---|---|---|
| 2008-2009 | 29.08.2009 | 4.00 p.m. | The Jubilee Room Hotel Sun-N-Sand, Juhu, Mumbai- 400049 | 1) Special resolutions passed for appointment of Mr. Kunal Taurani and Mrs. Varsha R. Taurani as Vice President – Music and Vice President – Administration respectively and fixing their remuneration.<br>2) Special resolution passed for increase in borrowing limits of the Company pursuant to section 293 (1)(d) of the Companies Act, 1956. |
| 2007-2008 | 26.09.2008 | 4.00 p.m. | ISKCON Auditorium, Hare Krishna Temple, Juhu, Mumbai 400 049 | Special resolution passed for re-appointment of Mr. Kumar Taurani and Mr. Ramesh Taurani, as the Managing Directors of the Company for 5 years tenure commencing from April 1, 2008 at a revised minimum remuneration of Rs. 7,50,000/- p.m. respectively. |
| 2006-2007 | 27.09.2007 | 4.30 p.m. | ISKCON Auditorium, Hare Krishna Temple, Juhu, Mumbai 400 049 | Special resolution passed for re-appointment of Mr. Kumar Taurani and Mr. Ramesh Taurani, as the Managing Directors of the Company for 3 years tenure commencing from January 1, 2008 and April 1, 2008 respectively. |

### (ii) Postal Ballot :

During the year, voting through postal ballot was conducted for obtaining approval of shareholders under section 77A, 77AA and 77B of the Companies Act, 1956 for buy back of equity shares. The Company complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and the amendments thereto. Mr. Shirish Shetye of M/s Shirish Shetye &Associates, Company Secretaries acted as scrutinizer for Postal Ballot whose results were announced on 24th August, 2009.

**Voting Pattern:**

The voting pattern of the postal ballot are as under:

| | |
|---|---|
| Votes cast in favour: | 95,22,911 |
| Votes cast against: | 669 |
| Invalid votes: | 26,149 |

Thus, the resolution was passed by requisite majority.

**Procedure for voting by Postal Ballot:**

The Postal Ballot Forms, the draft Resolution and the Explanatory Statement pertaining to the said Resolution along with postage prepaid business reply envelopes were sent to all its members whose names appeared in the Register of members/list of beneficiaries as on 10th July, 2009.

The particulars of postal ballot forms received were entered in the register separately maintained for the purpose.

The ballot boxes were opened on 21st August, 2009 in presence of Mr. Shirish Shetye.

Mr. Shirish Shetye, scrutinizer appointed for the purpose scrutinized the postal ballots received and submitted his report to the Company on 24th August, 2009.

## 6. Disclosures

1) There are no material transactions with Directors or the Management or their relatives having potential conflict with

the interest of the Company at large. Further all the related party transactions have been disclosed in note no. B -14 of Schedule 21 of the financial statements.

2) The Company has complied with all requirements of the Listing Agreement with the Stock Exchanges (BSE & NSE). No penalties were imposed against the Company with regard to the capital markets during the last three years.

3) As required by SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a code for prevention of insider trading by any personnel of the Company. Ms Sheetal Pardeshi, Company Secretary acted as the Compliance Officer, till 10th March and thereafter, Mr. I.T. Gursahani acted as Compliance Officer.

4) The Company has complied with all the mandatory requirements as prescribed in Annexure I C to Clause 49 of the Listing Agreement. In compliance with the non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has set up a Remuneration Committee. The details are provided in Point No. 4 i.e. Remuneration Committee.

**7. Means of Communication:**

1) Quarterly Results are published in prominent daily newspapers viz The Economic Times and Maharashtra Times. The Financial Results are made available at the website of the Company: www.tips.in. The Company has not made any presentation to Institutional Investors or to the analysts.

2) Management's Discussions & Analysis forms part of the Annual Report.

**8. General Shareholders Information**

**i. Annual General Meeting :**

Date and Time : 5th August, 2010, 4.00 p.m.

Venue : The Jubilee Room, Hotel Sun N Sand, Juhu, Mumbai - 400 049.

**ii. Financial Calendar :**

Financial Year : April 1, 2009 to March 31, 2010

**iii. Dates of Book Closure :** 28th July, 2010 to 5th August, 2010. (both dates inclusive)

**iv. Dividend Date :** On or before 4th September, 2010.

**v. Listing :**

The Company's shares are listed on Bombay Stock Exchange (BSE) and The National Stock Exchange of India Ltd. (NSE). The Stock Exchange Codes assigned to your Company by the respective Stock Exchanges are as under:

| Stock Exchange | Code |
|---|---|
| BSE | 532375 |
| NSE | TIPSINDLTD- EQ |

**ISIN No :** INE716B01011

**vi. Distribution of Shareholding as on March 31, 2010 :**

| Number of Equity Shareholdings | Number of Share-holders | Percentage (%) of share-holders | Number of Shares | Percentage (%) of share-holding |
|---|---|---|---|---|
| 1 - 500 | 6818 | 85.0761 | 984147 | 5.6868 |
| 501 - 1000 | 603 | 7.5243 | 507481 | 2.9324 |
| 1001 - 2000 | 237 | 2.9573 | 370101 | 2.1386 |
| 2001 - 3000 | 93 | 1.1605 | 237810 | 1.3742 |
| 3001 - 4000 | 58 | 0.7237 | 210285 | 1.2151 |
| 4001 - 5000 | 45 | 0.5615 | 210310 | 1.2153 |
| 5001 - 10000 | 81 | 1.0107 | 604355 | 3.4922 |
| 10001 - above | 79 | 0.9859 | 14181411 | 81.9454 |
| **Total** | **8014** | **100.00** | **17305900** | **100.00** |

**vii. Shareholding Pattern as on March 31, 2010 :**

| Category | Total no. of shares held | % to Capital |
|---|---|---|
| Promoters | 4768766 | 27.5557 |
| Directors | 4747868 | 27.4350 |
| Non Resident Indians | 49995 | 0.2889 |
| Foreign Institutional Investors | 2812 | 0.0162 |
| Other Bodies Corporate | 3102526 | 17.9276 |
| Indian Public | 4459060 | 25.7661 |
| Clearing Member | 174873 | 1.0105 |
| **Total** | **17305900** | **100.00** |

**viii. Dematerialization of Shares:**

The shares of the Company are compulsorily traded in electronic mode and are available for trading with both the depositories in India namely, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on March 31, 2010, 1,72,82,378 shares representing 99.86% of the Company's paid-up share capital ( including 54.99% held by the Promoters) were held in dematerialized form.

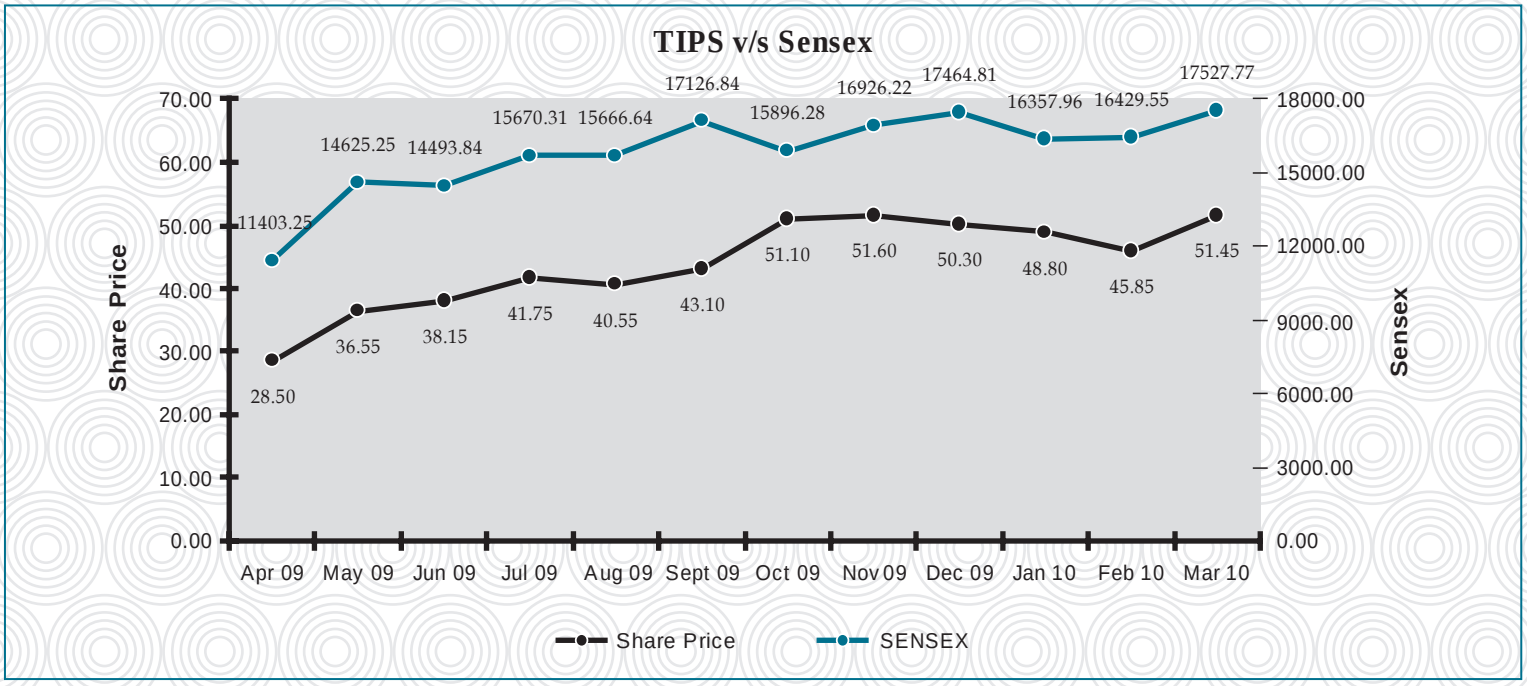
**ix. Market Price Data:**

The monthly high and low closing prices and the volume of shares traded on the Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) are as under:

| Month | Share Prices on the BSE (Rs.) | | Volume of Shares traded | Share Prices on the NSE (Rs.) | | Volume of Shares traded |
|---|---|---|---|---|---|---|
| | Highest | Lowest | | Highest | Lowest | |
| Apr – 09 | 31.95 | 23.10 | 303101 | 32.80 | 22.00 | 252261 |
| May- 09 | 42.05 | 27.75 | 608004 | 41.45 | 27.15 | 513918 |
| Jun – 09 | 43.15 | 30.30 | 743493 | 43.35 | 29.75 | 625469 |
| Jul – 09 | 41.85 | 29.50 | 635502 | 41.40 | 29.00 | 531043 |
| Aug – 09 | 50.10 | 38.10 | 2288105 | 50.50 | 38.00 | 2167392 |
| Sep – 09 | 46.65 | 39.50 | 757008 | 46.60 | 39.60 | 615630 |
| Oct – 09 | 56.70 | 42.15 | 2085846 | 56.90 | 42.30 | 2719103 |
| Nov – 09 | 57.90 | 44.65 | 980047 | 57.90 | 41.60 | 802717 |
| Dec – 09 | 56.00 | 46.10 | 548126 | 56.00 | 47.20 | 368039 |
| Jan - 10 | 62.70 | 42.90 | 1909014 | 63.00 | 45.15 | 2450166 |
| Feb – 10 | 51.40 | 43.60 | 512730 | 50.90 | 43.00 | 835806 |
| Mar – 10 | 56.20 | 46.05 | 2379564 | 60.60 | 46.05 | 3641674 |

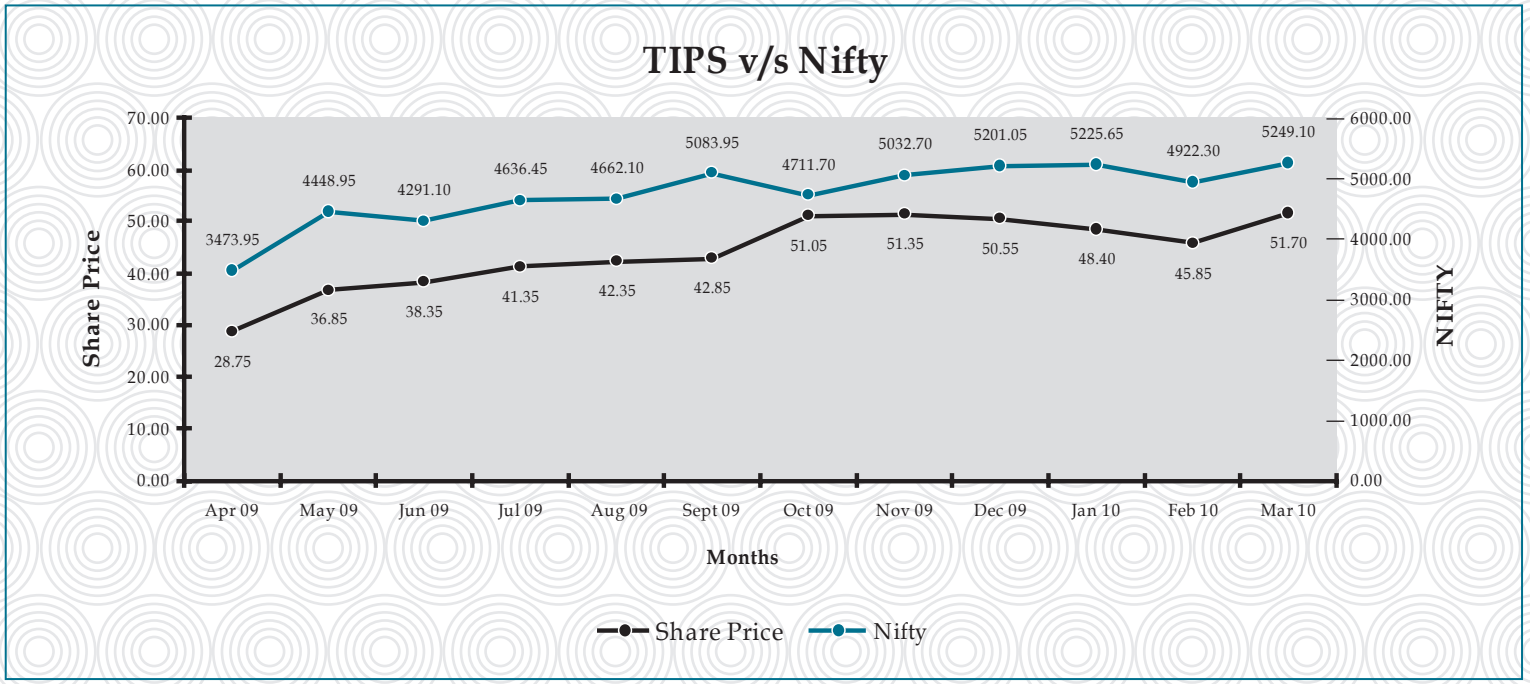
**x. Performance of share price of the Company in comparison to the Sensex:**

| Months | Share Price (Closing) | BSE Sensex (Closing) |
|---|---|---|
| Apr – 09 | 28.50 | 11,403.25 |
| May – 09 | 36.55 | 14,625.25 |
| Jun – 09 | 38.15 | 14,493.84 |
| Jul – 09 | 41.75 | 15,670.31 |
| Aug – 09 | 40.55 | 15,666.64 |
| Sep – 09 | 43.10 | 17,126.84 |
| Oct – 09 | 51.10 | 15,896.28 |
| Nov – 09 | 51.60 | 16,926.22 |
| Dec – 09 | 50.30 | 17,464.81 |
| Jan – 10 | 48.80 | 16,357.96 |
| Feb – 10 | 45.85 | 16,429.55 |
| Mar – 10 | 51.45 | 17,527.77 |




**xi. Performance of share price of the Company in comparison to the Nifty:**

| Months | Share Price (Closing) | Nifty (Closing) |
|---|---|---|
| Apr –09 | 28.75 | 3,473.95 |
| May- 09 | 36.85 | 4,448.95 |
| Jun – 09 | 38.35 | 4,291.10 |
| Jul – 09 | 41.35 | 4,636.45 |
| Aug –09 | 42.35 | 4,662.10 |
| Sep – 09 | 42.85 | 5,083.95 |
| Oct – 09 | 51.05 | 4,711.70 |
| Nov –09 | 51.35 | 5,032.70 |
| Dec – 09 | 50.55 | 5,201.05 |
| Jan - 10 | 48.40 | 5,225.65 |
| Feb – 10 | 45.85 | 4,922.30 |
| Mar –10 | 51.70 | 5,249.10 |




**xii) Plant Location**:

Plot No. 22, Survey No. 126, Amli, Silvassa – 396 230,

UT of Dadra & Nagar Haveli

**xiii) Address for Correspondence** :

**Tips Industries Limited**

Registered Office:

601, Durga Chambers, 6th Floor, Linking Road,

Khar (W), Mumbai-400 052

Tel : 022-66431188 Fax: 022-66431189

Email: response@tips.in

**Registrar and Share Transfer Agent:**

Link Intime India Private Limited

C-13, Pannalal Silk Mills Compound, LBS Marg,

Bhandup (West), Mumbai 400 078.

Tel: 022 2596 3838 Fax: 022 2594 6969

Email: rnt.helpdesk@linkintime.co.in

For and on behalf of the
Board of Directors

Place: Mumbai
Date: May 26, 2010

**Kumar S. Taurani**
Chairman & Managing Director

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

| | |
|---|---|
| **Name of Directors** | Ms Radhika Pereira |
| **Date of Birth** | June 29, 1970 |
| **Date of appointment** | September 5, 2002 |
| **Qualification** | B.Sc, L.L.B, L.L.M from Cambridge University |
| **Expertise** | She has worked on a wide range of transactional work in the areas of project finance for infrastructure projects and development, intellectual property rights related 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. She is a registered member of Bombay High Court Bar Association. |
| **Directorships in other Public Companies as on March 31, 2010** | Jain Irrigation System Limited |
| **Memberships / Chairmanships of Committees in Public Companies** | NIL |

# CEO AND CFO CERTIFICATION

**[Pursuant to Clause 49(V) of the Listing Agreement]**

We, Kumar S. Taurani, Chairman and Managing Director of Tips Industries Limited and I.T.Gursahani, V.P. – Legal & Corporate Affairs of Tips Industries Limited, do hereby certify to the Board that:

a. We have reviewed financial statements and the cash flow statement for the financial year ended March 31, 2010 and that to the best of our knowledge and belief:

   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or we propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee;

   (i) significant changes in internal control over financial reporting during the year;

   (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

**Kumar S. Taurani**
Chairman & Managing Director

Place: Mumbai
Date: May 26, 2010

**Ishwar T. Gursahani**
V.P. – Legal & Corporate Affairs

Place: Mumbai
Date: May 26, 2010

# DECLARATION FROM THE CHAIRMAN AND MANAGING DIRECTOR

**[Pursuant to Clause 49(I)(D)(ii) of the Listing Agreement]**

To

All the Members,

I, Kumar S. Taurani, Chairman and Managing Director of the Company hereby affirm that the Members of the Board and the Senior Management personnel have complied with the Tips Industries Code of Business Conduct for the financial year ended on March 31, 2010.

Place: Mumbai
Date: May 26, 2010

**Kumar S. Taurani**
Chairman & Managing Director

# AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of Tips Industries Limited

1. We have examined the compliance of the conditions of Corporate Governance by Tips Industries Limited ('the Company') for the year ended on 31 March 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

2. The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of
**B. K. Khare and Co.**
**Chartered Accountants**
Firm Registration No. 105120W

**Sunil Bhandari**
**Partner**
M. No. 37388

Mumbai
Dated: May 26, 2010

# AUDITOR'S REPORT

**TO THE MEMBERS OF TIPS INDUSTRIES LIMITED**

1. We have audited the attached Balance Sheet of **Tips Industries Limited** as at 31st March 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.

   c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.

   d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, *subject to valuation of finished goods inventory, which is not in accordance with Accounting Standard 2 – Valuation of Inventories, as stated in paragraph 4(f) below.*

   e) On the basis of the written representations received from the Directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   f) *As stated in Note no. B- 7 of Schedule 21, the entire cost of copyrights and in-house music production costs are considered for the purpose of valuation of inventories in the absence of records of title-wise stock [apportioned cost Rs. 76.08 lacs (Previous year Rs. 70.11 lacs)], the impact of which on the profit and on the finished goods inventory is not ascertained by the company.*

   g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,

      ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and

      iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
**B. K. Khare and Co.**
*Chartered Accountants*
Firm Registration No. 105120W

**Sunil Bhandari**
*Partner*
Membership No. 37388

Place: Mumbai
Date: May 26, 2010

# ANNEXURE TO THE AUDITOR'S REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **Tips Industries Limited** for the year ended 31st March 2010.

**(i) FIXED ASSETS:**

a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has carried out physical verification of fixed assets in accordance with the verification programme. According to information and explanations given to us and in our opinion, discrepancies noticed on such verification were not material and have been appropriately dealt with in the books of accounts of the Company.

c) In our opinion, the disposal of fixed assets during the year does not affect the going concern assumption.

**(ii) INVENTORY:**

a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were generally reasonable and adequate in relation to the size of the company and the nature of its business *except that such procedures need to be strengthened/improved for verification of title-wise stock of finished goods (including returned goods)*.

c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories *except records of title wise inventory of finished stock*.

**(iii) LOANS AND ADVANCES GRANTED / TAKEN FROM CERTAIN ENTITIES:**

a) Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraphs 4(iii) (b), (c) and (d) of the Order are not applicable.

b) Company has taken unsecured loan from four parties covered in the register maintained under section 301 of the Act, aggregating to Rs. 80 lacs. The maximum amount of loan outstanding during the year was Rs. 685 lacs and the balance outstanding at the end of the year is Rs. 650 Lacs. The rate of interest and other terms and conditions are not prejudicial to the interest of the Company. The repayment of principle and interest is regular.

**(iv) INTERNAL CONTROL SYSTEM:**

In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed asset and with regard to the sale of goods and services. During the course of our audit, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control system.

**(v) CONTRACTS OR ARRANGEMENT REFERRED TO IN THIS SECTION 301 OF THE COMPANIES ACT, 1956:**

a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.

b) In our opinion and according to the information and explanations given to us, in respect of transactions which have been made in pursuance of contracts or arrangement entered in the register maintained under Section 301 and exceeding the value of Rs. 5,00,000 in respect of any party

during the period, we are not in the position to compare the prices with the prevailing market prices or prices charged to other parties as there have been no other such purchases or sales of exact type of goods, materials or sales of services and hence we have relied on managements representation as to reasonableness of such prices.

**(vi) ACCEPTANCE OF DEPOSITS:**

In our opinion and according to information and explanations given to us, the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under, where applicable, have been complied with. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

**(vii) INTERNAL AUDIT SYSTEM:**

In our opinion, the Company has adequate Internal Audit system commensurate with the size and nature of its business.

**(viii) COST RECORDS:**

The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.

**(ix) STATUTORY DUES:**

According to the information and explanations given to us, in respect of statutory and other dues:

a) According to the records of the Company, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance Fund, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other statutory dues, with appropriate authorities during the year.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty and Cess were outstanding, at the year end for a period of more than six months from the date they became payable.

c) According to the information and explanations given to us, there are no dues of Income Tax, Sales tax, Service tax, Customs duty, Excise duty and Cess, which have not been deposited on account of any dispute.

**(x) ACCUMULATED LOSSES:**

The Company does not have accumulated losses as at 31st March 2010. The company has not incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.

**(xi) DUES TO FINANCIAL INSTITUTIONS, BANKS AND DEBENTURE HOLDERS:**

According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to any financial institutions or banks or debenture holders as at the balance sheet date.

**(xii) SECURITY FOR LOANS & ADVANCES GRANTED:**

According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

**(xiii) SPECIAL STATUTE:**

In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.

**(xiv) DEALINGS/TRADING IN SHARES, SECURITIES, DEBENTURES AND OTHER INVESTMENTS:**

The Company does not deal or trade in shares, securities, debentures and other investments.

**(xv) GUARANTEES GIVEN:**

The Company has given guarantee for loan taken by Managing Director from banks aggregating to Rs. 79.37 lacs as on balance sheet date. According to information and explanations given to us, the terms and conditions of guarantees given are not prima facie prejudicial to the interest of the Company.

**(xvi) TERM LOANS:**

According to information and explanations given to us, term loans obtained were applied for the purpose for which the loans were obtained.

**(xvii) UTILISATION OF FUNDS:**

According to the information and explanations given to us, on an overall examination of the Balance Sheet and Cash Flows of the Company, we report that the Company has not utilized funds raised on short-term basis for long-term investment.

**(xviii) PREFERENTIAL ALLOTMENT OF SHARES:**

During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

**(xix) SECURITY FOR DEBENTURES ISSUED:**

The Company has not issued any debentures during the year and accordingly, paragraph 4(xix) of the order is not applicable.

**(xx) PUBLIC ISSUE OF EQUITY SHARES:**

The Company has not raised any money through a public issue during the year.

**(xxi) FRAUDS NOTICED:**

During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

For and on behalf of
**B. K. Khare and Co.**
*Chartered Accountants*
Firm Registration No .105120W

**Sunil Bhandari**
*Partner*
Membership No. 37388

Place: Mumbai
Date: May 26, 2010

# BALANCE SHEET AS AT 31ST MARCH, 2010

Rs. in thousands

| | Schedule No. | 31st March, 2010 | | 31st March, 2009 | |
|---|---|---|---|---|---|
| **I] SOURCES OF FUNDS** | | | | | |
| **1] SHAREHOLDERS' FUNDS** | | | | | |
| a) Share Capital | 1 | 173,059 | | 173,059 | |
| b) Reserves and Surplus | 2 | 679,161 | **852,220** | 619,631 | **792,690** |
| **2] LOAN FUNDS** | | | | | |
| a) Secured Loans | 3 | | 405,521 | | 452,460 |
| b) Unsecured Loans | 4 | | 141,200 | | 114,900 |
| **Total** | | | **1,398,941** | | **1,360,050** |
| **II] APPLICATIONS OF FUNDS** | | | | | |
| **1] FIXED ASSETS** | | | | | |
| Gross Block | 5 | 383,791 | | 111,578 | |
| Less: Depreciation | | 44,914 | | 36,534 | |
| Net Block | | | **338,877** | | **75,044** |
| Capital Work-in-progress | | | | | **272,632** |
| **2] INVESTMENTS** | 6 | | 50 | | - |
| **3] CURRENT ASSETS,LOANS AND ADVANCES** | | | | | |
| Inventories | 7 | 790,753 | | 830,343 | |
| Sundry Debtors | 8 | 93,249 | | 86,389 | |
| Cash and Bank Balances | 9 | 44,537 | | 50,965 | |
| Loans and Advances | 10 | 362,754 | | 337,491 | |
| | | **1,291,293** | | **1,305,188** | |
| **LESS : CURRENT LIABILITIES AND PROVISIONS** | | | | | |
| Current Liabilities | 11 | 205,905 | | 270,143 | |
| Provisions | 12 | 25,375 | | 22,671 | |
| | | **231,280** | | **292,814** | |
| NET CURRENT ASSETS | | | 1,060,013 | | 1,012,374 |
| **Total** | | | **1,398,941** | | **1,360,050** |
| Significant Accounting Policies and Notes to Accounts | 21 | | | | |

As per our attached Report of even date
For **B.K Khare & Co**
Chartered Accountants

**Sunil Bhandari**
Partner
Membership No. 37388

For and on behalf of the Board of Directors

**Kumar S.Taurani**
Chairman & Managing Director

**Ramesh S. Taurani**
Managing Director

**Amitabh Mundhra**
Director

Mumbai, dated: 26th May, 2010

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | Schedule No. | 2009-10 | | 2008-09 | |
|---|---|---|---|---|---|
| **INCOME** | 13 | **842,371** | | **647,246** | |
| Turnover | | | | | |
| Other Income | 14 | 8,226 | **850,597** | 15,735 | **662,981** |
| Total | | | | | |
| **EXPENDITURE** | | | | | |
| Decrease/(Increase) in Stock of Work-in-Progress and Finished Goods | 15 | 1,991 | | (3,545) | |
| Material Consumption | 16 | 14,145 | | 33,892 | |
| Cost of Production / Distribution of films | 17 | 406,504 | | 204,654 | |
| Operating and Other Expenses | 18 | 272,932 | | 261,863 | |
| Artist Management Expenses | | | | 550 | |
| Depreciation | | 13,539 | | 9,210 | |
| Interest | 19 | 43,377 | **752,488** | 21,333 | **527,957** |
| **Profit Before Tax & Prior Period Expenses** | | | **98,109** | | **135,024** |
| Prior Period Expenses | 20 | | - | | 4,234 |
| **Profit Before Tax** | | | **98,109** | | **130,790** |
| Provision for Taxes | | | | | |
| - Current Tax (Refer note no. B-11 of Schedule 21) | | | 8,828 | | 15,298 |
| - Fringe Benefit Tax | | | - | | 824 |
| - Wealth Tax | | | 97 | | 93 |
| - Excess/Short Provisions | | | 4,428 | | 36 |
| **Profit After Tax** | | | **84,756** | | **114,539** |
| Add: Balance Brought Forward | | | 238,320 | | 151,802 |
| Profit Available for Appropriation | | | 323,076 | | 266,341 |
| **Appropriations** | | | | | |
| Proposed Dividend | | | 21,632 | | 19,036 |
| Corporate Tax on Proposed Dividend | | | 3,593 | | 3,235 |
| General Reserve | | | 4,250 | | 5,750 |
| Surplus carried to Balance Sheet | | | 293,601 | | 238,320 |
| | | | 323,076 | | 266,341 |
| Earning per Share | | | | | |
| Basic | | | 4.90 | | 6.62 |
| Diluted | | | 4.90 | | 6.62 |
| (Refer Note No -B12 of Schedule 21) | | | | | |
| Significant Accounting Policies and Notes to Accounts | 21 | | - | | - |

As per our attached Report of even date
For **B.K Khare & Co**
Chartered Accountants

**Sunil Bhandari**
Partner
Membership No. 37388

Mumbai, dated: 26th May, 2010

For and on behalf of the Board of Directors

**Kumar S.Taurani**
Chairman & Managing Director

**Ramesh S. Taurani**
Managing Director

**Amitabh Mundhra**
Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | | 2009-2010 | | 2008-2009 | |
|---|---|---|---|---|---|
| **A:** | **CASH FLOW FROM OPERATING ACTIVITIES :** | | | | |
| | **Proft/(Loss) before tax, Prior Period, Exceptional and** | | | | |
| | **Extraordinary items** | | **98,109** | | **135,024** |
| | **Adjustments for:** | | | | |
| | Depreciation | 13,539 | | 9,210 | |
| | Excess Short Provision | (1,616) | | (5) | |
| | Interest Expense | 43,378 | | 21,333 | |
| | Loss on sale/discard of Fixed Assets (Net) | 443 | | 23,489 | |
| | Interest Income | (773) | 54,971 | (10,612) | 43,415 |
| | **Operating profit/ (loss) before Working Capital changes** | | 153,080 | | 178,439 |
| | **Adjustments for:** | | | | |
| | Trade and other Receivables | (24,901) | | (46,227) | |
| | Inventories | 39,589 | | (565,802) | |
| | Trade Payables | (57,816) | | 13,605 | |
| | | | (43,128) | | (598,424) |
| | **Cash (used in) / generated from Operations** | | **109,952** | | **(419,985)** |
| | Direct Taxes/Fringe Benefit Tax Refund / (Paid) | | (19,843) | | (18,790) |
| | Cash Flow from operating activities before prior period items | | 90,109 | | (438,775) |
| | Prior Period items (net) | | | | **(4,234)** |
| | Net Cash (used in)/from Operating Activities | | 90,109 | | **(443,009)** |
| **B:** | **CASH FLOW FROM INVESTING ACTIVITIES :** | | | | |
| | Purchase of Fixed Asset | (5,610) | | (6,776) | |
| | Paid towards capital advances | - | | (272,631) | |
| | Sale of Fixed Assets | 425 | | 2,082 | |
| | **Net Cash( used in)/ from Investing Activities** | | (5,185) | | **(277,325)** |
| **C:** | **CASH FLOW FROM FINANCING ACTIVITIES:** | | | | |
| | (Repayment)/Proceeds from long term and other borrowings | (20,640) | | 447,433 | |

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | 2009-2010 | | 2008-2009 | |
|---|---|---|---|---|
| Issue of Equity Shares | - | | - | |
| Intercorporate Deposits Received/Paid | | | 19,000 | |
| Security Premium Received | - | | | |
| Investment made | (50) | | | |
| Dividend Paid | (19,036) | | (34,612) | |
| Corporate Dividend Tax Paid | (3,235) | | (5,882) | |
| Interest Paid | (50,049) | | (17,734) | |
| Interest Received | 1,659 | | 9,552 | |
| **Net Cash from/ (used in) in Financing Activities** | | **(91,352)** | | **417,758** |
| **Net (Decrease)/Increase In Cash and Cash Equivalents** | | **(6,428)** | | **(302,577)** |
| **Opening Balance of Cash and Cash Equivalents** | | **50,965** | | 353,542 |
| **Closing Balance of Cash and Cash Equivalents** | | **44,537** | | **50,965** |

**Notes:**

1 Cash and cash equivalents include cash on hand and bank balances in the current accounts and deposit accounts (Refer schedule no. 9 of the Balance Sheet).

2 Additions to fixed assets and sale of fixed assets are considered as a part of investing activities.

3 Proceeds from borrowings reflect the increase in secured and unsecured loans and is net of repayments.

4 Interest on loans, deposits etc is classified as cash flow from financing activities.

5 The cash flow statement has been prepared under the 'Indirect Method" as set out in the Accounting Standard (AS-3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

6 Previous year figures have been regrouped wherever necessary, to correspond with the figures of the current year.

As per our attached Report of even date
For **B.K Khare & Co**
Chartered Accountants

**Sunil Bhandari**
Partner
Membership No. 37388

Mumbai, dated: 26th May, 2010

For and on behalf of the Board of Directors

**Kumar S.Taurani**
Chairman & Managing Director

**Ramesh S. Taurani**
Managing Director

**Amitabh Mundhra**
Director

# SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

Rs. in thousands

| | 31st March, 2010 | | 31st March, 2009 | |
|---|---|---|---|---|
| **SCHEDULE 1 :** | | | | |
| **SHARE CAPITAL** | | | | |
| **Authorised Share Capital** | | | | |
| 20,000,000 Equity Shares of Rs.10/- each | | 200,000 | | 200,000 |
| **Issued, Subscribed and Paid Up** | | | | |
| 17,305,900 (Previous year 17,305,900) Equity Shares of Rs.10/- each fully paid up | | 173,059 | | 173,059 |
| **Total** | | **173,059** | | **173,059** |
| Of the above, 6,38,400 (Previous Year Rs.6,38,400) Equity Shares of Rs.10/- each, fully paid, were alloted to the shareholders of Tips Films Ltd (TFL) without payment being received in cash and as a consideration for acquisition of shares in TFL in accordance with the swap ratio determined. | | | | |
| **SCHEDULE 2 :** | | | | |
| **RESERVES AND SURPLUS** | | | | |
| [I] Securities Premium Account | | | | |
| Balance at the commencement of the year | | 356,011 | | 356,011 |
| (II) General Reserves | 25,300 | | 19,550 | |
| Additions | 4,250 | 29,550 | 5,750 | 25,300 |
| [III] Profit & Loss Account | | 293,600 | | 238,320 |
| **Total** | | **679,161** | | **619,631** |
| **SCHEDULE 3 :** | | | | |
| **SECURED LOANS** | | | | |
| **FROM BANKS** | | | | |
| Term Loans | | 297,859 | | 367,332 |
| Cash Credit Accounts | | 80,731 | | 58,197 |
| **FROM OTHERS** | | | | |
| Term Loan | | 26,931 | | 26,931 |
| (Refer Note No B- 2 of Schedule 21) | | | | |
| **Total** | | **405,521** | | **452,460** |

# SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

Rs. in thousands

| | 31st March, 2010 | | 31st March, 2009 | |
|---|---|---|---|---|
| **SCHEDULE 4 :** | | | | |
| **UNSECURED LOANS** | | | | |
| **Fixed Deposits** | | | | |
| From Directors | | 58,500 | | 54,000 |
| From Others | | 82,700 | | 60,900 |
| **Total** | | **141,200** | | **114,900** |

**SCHEDULE 5 :**

**FIXED ASSETS 31.03.2010**

(Rs. in thousand)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As At 01.04.2009 | Additions | Deductions | As At 31.03.2010 | As At 01.04.2009 | For the Year | Deduction | As At 31.03.2010 | As At 31.03.2010 | As At 31.03.2009 |
| Land & Building | 8,618 | 2,72,632 | 266 | 2,80,983 | 3,020 | 7,119 | 120 | 10,018 | 2,70,965 | 5,598 |
| Plant & Machinery | 68,407 | 19 | 0 | 68,426 | 19,320 | 3,324 | 0 | 22,645 | 45,781 | 49,086 |
| Furniture & Fixtures | 1,340 | 552 | 72 | 1,820 | 243 | 358 | 49 | 553 | 1,267 | 1,097 |
| Office Equipments | 13,884 | 826 | 4,016 | 10,694 | 8,172 | 725 | 3,986 | 4,911 | 5,783 | 5,712 |
| Vehicles | 19,330 | 4,213 | 1,674 | 21,868 | 5,778 | 2,013 | 1,004 | 6,787 | 15,081 | 13,551 |
| **Total** | **1,11,578** | **2,78,242** | **6,029** | **3,83,791** | **36,534** | **13,539** | **5,159** | **44,914** | **3,38,877** | **75,044** |
| Previous Year 31.03.2009 | 1,75,573 | 6,869 | 70,863 | 1,11,578 | 72,030 | 9,210 | 44,706 | 36,534 | 75,044 | |

**SCHEDULE 6 :**

| | | | | |
|---|---|---|---|---|
| **INVESTMENTS** | | | | |
| 5000 Equity Shares of Rs.10/- each (Refer Note NO B-4 of Schedule 21) | | 50 | | - |

# SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

Rs. in thousands

| | 31st March, 2010 | | 31st March, 2009 | |
|---|---|---|---|---|
| **SCHEDULE 7 :** | | | | |
| **INVENTORIES** | | | | |
| **As Valued and certified by the management** | | | | |
| (At cost or Net Realisable Value whichever is lower) | | | | |
| (Refer Note No.B-7 of Schedule 21) | | | | |
| Raw Materials and Packing Materials | | 8,931 | | 9,136 |
| Work in Progress | | 615 | | 115 |
| Finished Goods | | 16,139 | | 18,630 |
| Unamortised Cost of films & videos | | 291,293 | | 45,204 |
| Cost of Underproduction Films | | 473,775 | | 757,258 |
| **Total** | | **790,753** | | **830,343** |
| **SCHEDULE 8 :** | | | | |
| **SUNDRY DEBTORS (UNSECURED)** | | | | |
| Debts outstanding for a period exceeding six months | 29,007 | | 40,529 | |
| Other Debts | 64,265 | 93,272 | 45,873 | 86,402 |
| Less: Provision | | (23) | | (13) |
| **Total** | | **93,249** | | **86,389** |
| Notes : | | | | |
| 1. Sundry Debtors includes | | | | |
| Considered good | 93,249 | | 86,389 | |
| Considered Doubtful | 23 | | 13 | |
| **Total** | **93,272** | | **86,402** | |
| **SCHEDULE 9 :** | | | | |
| **CASH AND BANK BALANCES** | | | | |
| 1. Cash on hand | | 319 | | 338 |
| 2. Bank Balances | | | | |
| With Scheduled Banks | | | | |
| In Current Accounts | 44,218 | | 14,408 | |
| In Fixed Deposits | - | 44,218 | 36,219 | 50,627 |
| **Total** | | **44,537** | | **50,965** |

# SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

Rs. in thousands

| | 31st March, 2010 | | 31st March, 2009 | |
|---|---|---|---|---|
| **SCHEDULE 10 :** | | | | |
| **LOANS AND ADVANCES (UNSECURED)** | | | | |
| 1. Advances Recoverable in cash or in kind or for value to be received | 213,520 | | 240,452 | |
| (Refer to Note No B-9 of Schdule 21) | | | | |
| 2. Intercorporate Deposits | 28,500 | | 28,500 | |
| 3. Rent deposit | 90,600 | | 91,800 | |
| 4. Advance payment of taxes (net off provisions) | 34,310 | | 26,201 | |
| 5. Accrued Interest | 560 | 367,490 | 1,446 | 388,400 |
| Less: Provision | | (4,736) | | (50,909) |
| **Total** | | **362,754** | | **337,491** |
| Notes: Loans and Advances include | | | | |
| 1. Considered good | 362,754 | | 337,491 | |
| Considered Doubtful | 4,736 | | 50,909 | |
| **Total** | **367,490** | | **388,400** | |
| **SCHEDULE 11 :** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Sundry Creditors | | | | |
| Total outstanding dues of Creditors | | 167,284 | | 132,741 |
| (Refer to Note No B-16 of Schdule 21) | | | | |
| **Advances & Deposits** | | | | |
| Advances | 25,779 | | 124,471 | |
| Other Liabilities | 12,842 | 38,621 | 12,931 | 137,402 |
| **Total** | | **205,905** | | **270,143** |
| **SCHEDULE 12 :** | | | | |
| **PROVISIONS** | | | | |
| For Employee Benefits | 150 | | 400 | |
| Proposed Dividend | 21,632 | | 19,036 | |
| Corporate Tax on Dividend | 3,593 | | 3,236 | |
| **Total** | | **25,375** | | **22,671** |

# SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | 2009-10 | | 2008-09 | |
|---|---|---|---|---|
| **SCHEDULE 13 :** | | | | |
| **TURNOVER** | | | | |
| Film Production & Distribution Receipts (Tax deducted at source Rs. 9615103/-, previous year Rs. 4010820/-) | 495,227 | | 345,627 | |
| Audio Products Sales | 31,427 | | 65,978 | |
| Royalty Receipts (Tax deducted at source Rs. 1,13,35,710/-, previous year Rs. 1,18,14,435/-) | 315,717 | **842,371** | 235,640 | **647,246** |
| **SCHEDULE 14 :** | | | | |
| **OTHER INCOME** | | | | |
| Interest Income FDS (Tax deducted at source Rs. 91,368/-, Previous year Rs. 20,05,042/-) | 712 | | 9,651 | |
| Interest Income ICD (Tax deducted at source Rs. 12,910/-, Previous year Rs. 1,21,420/-) | 61 | | 961 | |
| Rent Receipts (Tax deducted at source Rs. 1,22,364/-, Previous year Rs. 93,936/-) | 594 | | 504 | |
| Insurance Claim | | | 3,685 | |
| Miscellaneous Income (Tax deducted at Souce Rs. 20,600/-, Previous Year Rs. 19,352) | 1,880 | | 861 | |
| Foreign Exchange Gain | 2,156 | | | |
| Sundry Credit Balance Written Back | 2,673 | | 73 | |
| Bad Debts Recovered | 150 | | - | |
| **Total** | | **8,226** | | **15,735** |
| **SCHEDULE 15 :** | | | | |
| **DECREASE IN STOCK OF WORK IN PROGRESS AND FINISHED GOODS** | | | | |
| **Closing Stock** | | | | |
| Work in Progress | 615 | | 115 | |
| Finished Goods | 16,139 | 16,754 | 18,630 | 18,745 |
| **Opening Stock** | | | | |
| Work in Progress | 115 | | 49 | |
| Finished Goods | 18,630 | 18,745 | 15,151 | 15,200 |
| Decrease/(Increase) | | **1,991** | | **(3,546)** |

# SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | 2009-10 | | 2008-09 | |
|---|---|---|---|---|
| **SCHEDULE 16 :** | | | | |
| **MATERIAL CONSUMPTION** | | | | |
| Opening stock | 9,136 | | 10,219 | |
| Add: Purchases during the year | 13,940 | | 32,809 | |
| Less: Closing stock | (8,931) | 14,145 | (9,136) | 33,892 |
| **Total** | | **14,145** | | **33,892** |
| **SCHEDULE 17 :** | | | | |
| **COST OF PRODUCTION / DISTRIBUTION OF FILMS** | | | | |
| Cost of Under production films B/f | 757,258 | | 193,918 | |
| Unamortised cost at beginning of the year | 45,204 | | 45,204 | |
| Add: Cost incurred during the year | 369,110 | 1,171,572 | 767,994 | 1,007,116 |
| Less: Unamortised cost at the close of the year | | (291,293) | | (45,204) |
| Less: Cost of underproduction films carried forward | | (473,775) | | (757,258) |
| | | **406,504** | | **204,654** |
| **SCHEDULE 18 :** | | | | |
| **OPERATING AND OTHER EXPENSES** | | | | |
| Job Work Charges | | 567 | | 1,456 |
| Audio, Video Rights & Digital Rights | | 27,931 | | 23,409 |
| In-house Music Production Cost (audio / video non film & censor exps of albums) | | 549 | | 30,436 |
| Royalty for Music Rights | | 796 | | 8 |
| Films Publicity and Distribution Expenses | | 32,652 | | 26,559 |
| **Staff cost** | | | | |
| a) Salaries, Wages and Bonus | 27,860 | | 30,569 | |
| b) Contribution to Provident and Other Funds | 67 | | 195 | |
| c) Staff Welfare | 826 | 28,753 | 1,007 | 31,771 |
| | | **91,248** | | **113,639** |
| **Other Expenses** | | | | |
| Advertisement Expenses | 117,812 | | 16,231 | |
| Foreign Exchange Differnce | - | | 34,714 | |
| Freight and Octroi Charges | 1,602 | | 3,161 | |
| Rent | 13,977 | | 14,850 | |
| Rates and Tax | 1,712 | | 2,967 | |
| Insurance Charges | 7,898 | | 7,862 | |
| Travelling and Conveyance | 3,791 | | 6,558 | |
| Anti Piracy Expenses | 1,005 | | 997 | |

# SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Rs. in thousands

| | 2009-10 | | | 2008-09 | | |
|---|---|---|---|---|---|---|
| **SCHEDULE 18 : (Contd.)** | | | | | | |
| **Repairs and Maintenance** | | | | | | |
| Building | 38 | | | 111 | | |
| Plant & Machinery | 509 | | | 108 | | |
| Others | 202 | 749 | | 687 | 906 | |
| Legal and Professional Fees | | 14,233 | | | 12,322 | |
| Bad Debts and Advances Written Off | 50,067 | | | 8,163 | | |
| Add: Prov for Doubtful Debts & Advances | 23 | | | 8,384 | | |
| Less: Provision for Doubtful Debts/Advances reversed | (46,186) | 3,904 | | (8,382) | 8,165 | |
| Loss on Sale of Fixed Assets | | 443 | | | 3,172 | |
| Loss on Assets awaiting disposal | | - | | | 20,316 | |
| Miscellaneous Expenses | | 14,558 | 181,684 | | 16,003 | 148,224 |
| **Total** | | | **272,932** | | | **261,863** |
| Note: Miscellaneous Expenses includes Business Promotion Expenses, Electricity Charges, Printing and Stationery, Audit Fees, Telephone Charges, Clearing and Forwarding etc. | | | | | | |
| **SCHEDULE 19 :** | | | | | | |
| **INTEREST** | | | | | | |
| - Interest on Vehicle Loan | | | 104 | | | 2 |
| - Interest on Loans from Directors | | | 7,010 | | | 2,616 |
| - Interest on loans from Others | | | 36,264 | | | 18,715 |
| **Total** | | | **43,378** | | | **21,333** |
| **SCHEDULE 20 :** | | | | | | |
| **PRIOR PERIOD EXPENSES** | | | | | | |
| Advertisement Exps | | | - | | | 2,634 |
| Artist Remuneration | | | - | | | 1,600 |
| **Total** | | | **-** | | | **4,234** |

# SCHEDULE NO. 21

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### A SIGNIFICANT ACCOUNTING POLICIES

**1. Basis of preparation of financial statements:**

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, provisions of the Companies Act, 1956 and the applicable accounting standards issued by Institute of Chartered Accountants of India.

**2. Use of estimates:**

The preparation of financial statements in conformity with the generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimate results. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

**3. Revenue recognition:**

**(i) Turnover:**

Audio Product Sale:

Sale of goods to intermediate parties (distributors) and others is recognised when the significant risks and rewards of ownership are transferred and is disclosed net of returns and trade discount. Revenue from sale of audio rights is recognised on transfer / assignment of the rights as per the contracts /arrangements with the parties.

Royalties from Music Rights :

Royalty is recognised only when it is reasonably certain that the ultimate collection will be made.

Revenue from films:

Income from production of films is recognised in the statement of Profit and Loss on release of films as per the contracts / arrangements with distributors. Revenue from distribution of motion pictures is recognized based on ticket sales on exhibition of motion pictures at exhibition theatres. Recoveries from films as overflows are recognized on the basis of business statements received from the distributors. Revenues from terrestrial rights, video rights, satellite rights are recognized on transfer / assignment of respective rights on effective date as per the contracts with the parties.

Although revenues are accounted on accrual basis as aforesaid, the cost is charged to profit and loss account based on the amortisation principles stated in the accounting policy under the head ‘cost of feature films’.

**(ii) Artist Management Receipts:**

Artist Management Receipts are recognised in the statements of Profit & Loss A/c on accrual basis as per the Contracts entered by the Artists with respective parties.

**(iii) Interest Income:**

Interest Income is accounted on accrual basis, at the contracted rates.

**(iv) Others:**

Revenue in respect of insurance/other claims is recognised only when it is reasonably certain that the ultimate collection will be made.

**4. Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses incurred to bring the assets to its current location and condition.

**5. Impairment of Assets:**

Carrying amount of cash generating units/ assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated as the net selling price or value in use, whichever is higher. Impairment loss, if any, is recognised whenever the carrying amount exceeds the recoverable amount.

**6. Copyrights (audio film albums):**

The cost of copyrights (audio film albums) is charged to revenue on the date of release of audio, considering the uncertainty of future economic benefits and the short duration over which such benefits may accrue.

**7. In-house music production (Audio non-film albums):**

In-house music production costs are charged to revenue on completion/release of albums, considering the uncertainty of future economic benefits and the short duration over which such benefits may accrue.

**8. Depreciation:**

Depreciation is provided for on Straight Line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

In respect of depreciable assets for which impairment loss is recognized, depreciation / amortization is charged on the revised carrying amount over remaining useful life of the assets.

Improvements to Leasehold Premises are amortized over the period of lease.

**9. Inventories:**

Items of inventory are valued on the basis as given below:

**(i) Raw Materials & Packing Materials:**

Raw materials and Packing Materials are valued at cost (on First In First Out basis) or net realisable value whichever is lower.

**(ii) Work-In-Progress:**

Work-In-Progress is valued at cost of Raw Materials consumed / used.

**(iii) Finished Goods:**

Finished Goods are valued at cost or net realisable value whichever is lower. Cost comprises of cost of purchase, cost of copyrights (audio/video films), cost of in-house music productions (audio/video-non-films/films), cost of conversion and other costs incurred in bringing the inventory to their present location and condition.

**(iv) Cost of Feature Films:**

Cost of feature films produced or acquired is inventorised and charged to profit and loss account on release of films in the ratio of current revenue to the total expected revenue. At the end of each accounting period, the company reassesses the expected

revenue / realisable value of the balance unamortised cost and if the net realisable value is less than unamortised cost, the same is written down to the net realisable value.

**(v) Cost of under Production Films:**

Expenses of under production films incurred till the films are ready for release are inventorised.

The production of films requires various types of materials in different qualities and quantities. Considering the peculiar nature of those items including their multiplicity and complexity, it is not practicable to maintain quantitative records of those items. Further, in the absence of reusability of such items, the same are not valued.

**10. Foreign Currency Transactions:**

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are effected. Exchange differences arising on settlement are recognised in the profit and loss account.

Monetary items denominated in foreign currency are restated using the exchange rates prevailing at the date of balance sheet and the resulting net exchange difference is recognised in the profit and loss account.

**11. Borrowing Costs:**

Borrowing costs that are attributable to the acquisition of qualifying assets are capitalized as part of the cost of such assets. Borrowing costs that are directly attributable to production of feature films are inventorised as part of cost of production of films. Other borrowing costs are recognised as expense in the period in which they are incurred.

**12. Employee Benefits:**

i. Contribution to Provident Fund is charged to revenue.

ii. Defined Benefit Plan

Company's liabilities towards gratuity is determined on actuarial basis using the projected unit credit method, which consider each period of service as giving rise to an additional unit of benefit and measures each unit separately to build up the final obligation. Past services are recognised on straight-line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

iii. In view of the past trends of leave availed, the amount of employee benefit in the form of compensated absences, being in the nature of short term benefit, is accounted for on accrual basis at an undiscounted value.

**13. Income Taxes:**

Provision for current income tax is made on current tax rate based on assessable income computed under the Income Tax Act 1961 or Book Profit computed under section 115JB (MAT), whichever is higher. MAT credit is recognized subject to requirement of virtual certainty that sufficient future taxable income will be available for set off.

Deferred tax assets and liabilities are recognised for future tax consequences attributable to the timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent periods and are measured using tax rates

enacted or substantively enacted as at the Balance Sheet date. Deferred Tax assets are not recognised unless, in the management judgment, there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax is reviewed at each balance sheet date.

**14. Provisions and Contingent Liabilities:**

Provisions are recognised in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the company.

**15. Segment Accounting:**

Company considers Business segment as the Primary segment.

Based on similarity of activities / products, risk and reward structure, organization structure and internal reporting systems, the Company has structured its operations into the following business segments.

i] Audio / Video productions
ii] Film Productions / Distribution.

Operations of the Company do not qualify, for reporting as geographic segments, under the criteria set out under Accounting Standard 17 on segment reporting issued by The Institute of Chartered Accountants of India.

**16. Earning Per Share:**

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earning per share are computed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where the results would be anti-dilutive.

**17. Cash Flow:**

Cash Flows are reported using indirect method, whereby net profit before tax with adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

**18. Leases:**

Finance leases, where substantially all the risks and benefits incidental to ownership of the leased item, are transferred to the Company, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged to income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease item, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**B. NOTES TO ACCOUNTS**

**1. Contingent Liabilities:**

| | As on 31-03-10 (Rupees) | As on 31-03-09 (Rupees) |
|---|---|---|
| a) Counter Guarantees given to a Bank on behalf of Managing Director | 7,937 | 10,452 |
| b) Penalty under FEMA Act | 9,000 | 9,000 |

The Company is hopeful of favorable decisions for the appeal pending before the Hon'ble Supreme Court. The Hon'ble Supreme Court has granted stay until disposal of petition.

**2. Secured Loans:**

**From Banks:**

Cash Credit Loans are secured by mortgage of deposit of title deeds of Land and Building situated at Silvassa and Palghar and first charge, ranking pari passu by way of hypothecation of Raw materials, Finished Goods and Book Debts are further secured by personal guarantee / mortgage of properties owned by one of the directors of the Company/ relatives.

Term Loans from bank are secured by hypothecation of negatives of the film prints and mortgage of the properties. Out of total Term Loans of Rs. 2,95,180 (Previous year Rs. 3,67,010) outstanding as on balance sheet date, Rs. 1,24,555 (Previous year Rs. 2,17,010) are payable within one year. The loans are counter guaranteed by the Managing Director.

Vehicle loans are secured by hypothecation of vehicles acquired on equitable monthly installment (EMI) system. The amount repayable within the financial year 2010-11 is Rs. 1,246 (Previous year Rs. 296).

**From Others:**

Loans from others is from LIC of India and is secured by Keyman Insurance Policy lodged with them.

**3. Managerial remuneration under section 198 of the Companies Act, 1956:**

**A]**

| Particulars | 2009-10 | 2008-09 |
|---|---|---|
| Salaries | | |
| (i) Kumar S. Taurani | 9,000 | 9,000 |
| (ii) Ramesh S. Taurani | 9,000 | 9,000 |
| **A Total** | **18,000** | **18,000** |

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**B] Computation of Managerial Remuneration:**

| Particulars | Amount | Amount |
|---|---|---|
| **A] Profit Before Tax** | 98,109 | 1,35,024 |
| **ADD :** | | |
| I] ManagingDirectors Remuneration | 18,000 | 18,000 |
| II] Director's fees | 143 | 143 |
| III] Depreciations | 13,539 | 9,210 |
| IV] Provision for Doubtful Debts & Advances (Net) | (46,163) | (6) |
| V] Loss on Sale / Discarded / W/off of Fixed Assets | 443 | 23,489 |
| **B] Total [ I to V]** | **(14,038)** | **50,836** |
| **Net Profits as per Section 198 of the Companies Act, 1956 [A + B]** | **84,071** | **1,85,860** |
| Maximum permissible remuneration to Managing Directors u/s 198 of the Companies Act, 1956 @ 10% of the Profits computed above. | 8,407 | 18,586 |
| As per Share Holders Approval | 18,000 | 18,000 |

**Notes:**

During the year the Company has applied to Central Government for approval under schedule XIII of the Companies Act, 1956 for remuneration to the Directors. The Company has received approval for Mr. Kumar S Taurani whereas approval for Mr. Ramesh S Taurani is awaited.

**4. Investment:**

i] During the year the company has applied for purchase of equity shares (face value Rs. 10 per share) of Label Mobile Media Pvt. Ltd and these are pending for allotment.

No. of shares applied : 5,000 (Previous year NIL)

Amount invested : Rs. 50,000/- (Previous year NIL)

**5. Gratuity:**

i] Description of the Plan:

The Company has covered its gratuity liability by a Group Gratuity Policy named 'Employee Group Gratuity Assurance Scheme' issued by LIC of India. Under the plan, employee at retirement is eligible for benefit, which will be equal to 15 days salary for each completed year of service. Thus, it is a defined benefit plan and the aforesaid insurance policy is the plan asset.

ii] Principal actuarial assumptions:

| | 2009-10 | 2008-09 |
|---|---|---|
| Discount rate | 6.50% | 8.00% |
| Rate of Return on Plan Assets | 9.00% | 9.15% |
| Salary escalation Rate | 5.00% | 5.00% |

Discount Rate is based on prevailing market yields of Indian Government Securities as at the balance sheet date for the estimated term of the obligation.

The salary escalation rate is based on estimate of salary increases, which take into account inflation, promotion and other relevant factors.

iii] Reconciliation of Benefit Obligation:

| | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| Liability at the beginning of the year | 2,265 | 2,750 |
| Interest Cost | 138 | 206 |
| Current Service Cost | 232 | 273 |
| Benefit Paid | (288) | (356) |
| Actuarial (Gain) / Loss on Obligations | (531) | (608) |
| Liability at the end of the year | 1,815 | 2,265 |
| Fair Value of Plan Assets at the end of the year | 2,922 | 2,955 |
| Amount recognised in Balance Sheet as “Liabilities or (Assets)” | (1107) | (690) |

iv] Reconciliation of Fair value of Plan Assets:

| | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| Fair Value of Plan Assets at the beginning of the year | 2,955 | 2,254 |
| Adjustment to Opening Balance | --- | (19) |
| Expected Return on Plan Assets | (257) | 224 |
| Contributions | --- | 855 |
| Benefit Paid | (288) | (356) |
| Actuarial Gain / (Loss) on Plan Assets | (1) | (3) |
| Fair Value of Plan Assets at the end of the year | 2,922 | 2,955 |

v] Expenses recognised in the Profit and Loss Account under the head “Staff Cost”:

| | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| Current Service Cost | 232 | 273 |
| Interest Cost | 138 | 206 |
| Expected Return on Plan Assets | (257) | (224) |
| Net Actuarial (Gain) / Loss recognised | (530) | (605) |
| Expenses recognised in Profit and Loss Account | (417) | (350) |

**6. Payments to Auditors:**

| **Particulars** | **2009-10 Rs.** | **2008-09 Rs.** |
|---|---|---|
| a) As Auditors | 1,000 | 1,000 |
| b) Certification Work | 225 | 15 |
| c) Fees for Management Consultancy | 150 | 150 |
| **Total** | *** 1375** | *** 1165** |

* Excludes service tax Rs. 126 (Previous Year Rs. 122).

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**7.** For the purposes of valuation of inventories of finished goods, the cost of copyright (audio/video-film) and in-house music production costs are considered as costs as per the method consistently followed. However, in absence of records of title wise stock and considering the volume of inventory of finished goods, the entire such cost is apportioned on the stock of saleable inventory, on an average basis [apportioned cost aggregates to Rs. 7,608 (Previous year Rs. 7,011)], which in the opinion of management will not have any material impact on the valuation of inventories (amount unascertained).

**8.** Shareholders have approved buyback of equity shares of the Company (not exceeding 25% of the Paid up Capital) at a maximum price of Rs. 75/- per share through open market route. The follow on steps and related time frame for the same is yet to be crystallized by the Company.

**9.** Sundry Debtors, Sundry Creditors and balances of advances are subject to confirmations and reconciliation, if any.

**10.** Current Assets include Fixed Assets held for disposal Rs. 500 (Previous Year Rs. 500) being realizable value estimated by the Management.

**11. Provision for Tax:**

The current tax provision is based on tax payable on book profits computed u/s 115JB of the Income Tax Act, 1961. Credit for set off of this book profit tax payable is not recognized in the books in view of the uncertainty about future taxable profits.

**12. Earnings per share is calculated as follows:**

| | 31-03-2010 Rs. | 31-03-2009 Rs. |
|---|---|---|
| **Profit/(Loss) attributable to equity shareholders** | **84,756** | **1,14,540** |
| Weighted average number of equity shares used in computing **basic** earnings per share | **17,306** | **17,306** |
| **Basic Earnings per share (Rs.)** | **4.90** | **6.62** |
| Weighted average number of equity shares used in computing diluted earnings per share | **17,306** | **17,306** |
| **Diluted Earnings per share (Rs.)** | **4.90** | **6.62** |
| Nominal value of equity shares (Rs.) | 10/- | 10/- |

**13. Leases:**

Lease expenditure for operating leases is recognized on a straight-line basis over the period lease. The particulars of the premises taken on operating leases are as under:

| | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| Future minimum lease payments under non-cancelable operating leases | | |
| - Not later than 1 year | 242 | 2,809 |
| - Later than 1 year and not later than 5 years. | – | 189 |
| - Later than 5 years | – | – |

**14. Related Party Disclosures:**

I] List of related parties and nature of their relationship is furnished below:

a) Subsidiaries : NIL

b) Key management personnel

Kumar S. Taurani : Chairman & Managing Director
Ramesh S. Taurani : Managing Director

c) Relatives of key Management personnel

Mrs. Renu K. Taurani
Mrs. Varsha R. Taurani
Mr. Kunal K Taurani

d) Other Related Parties (Entities in which Directors/Partners or their relatives have significant influence)

Tips Exports
Tips Finance
Lachmi Sadhuram Taurani Charitable Trust

II] Details of Transactions with Key Management Personnel, relatives of Key Management Personnel and Other Related Parties.

| | | Key Management Personnel | Relatives of Key Management Personnel | Others Related Parties | Total |
|---|---|---|---|---|---|
| 1] | **FINANCE** | | | | |
| a) | **Loans taken** | 5,000 | 3,000 | NIL | 8,000 |
| | | (54,000) | (4,000) | (NIL) | (58,000) |
| b) | **Loan Repayment** | 500 | 500 | NIL | 1,000 |
| | | (NIL) | (NIL) | (NIL) | (NIL) |
| 2] | **OTHER EXPENDITURE** | | | | |
| a) | Rent Paid | NIL | 11,937 | NIL | 11,937 |
| b) | Interest Paid | (NIL) | (10,800) | (NIL) | (10,800) |
| c) | Legal & Prof. Fees paid | 7,010 | 666 | NIL | 7,676 |
| | | (2,406) | (210) | (NIL) | (2,616) |
| | | NIL | 540 | NIL | 540 |
| | | (NIL) | (250) | (NIL) | (250) |
| 3] | **REMUNERATION PAID** | 18,000 | NIL | NIL | 18,000 |
| | | (18,000) | (NIL) | (NIL) | (18,000) |
| 4] | **OUTSTANDING** | | | | |
| a) | Payables Loans | 58,500 | 6,500 | NIL | 65,000 |
| | | (54,000) | (4,000) | (NIL) | (58,000) |
| b) | Receivables Deposits | NIL | 90,000 | NIL | 90,000 |
| | | (NIL) | (90,000) | (NIL) | (90,000) |

Notes: Related party relationship is as identified by the Company and relied upon by the Auditors.

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**Other Related Parties - Disclosures**

Out of the above items, transaction with the party in excess of 10% of total related parties.

| | | Key Management Person | | |
|---|---|---|---|---|
| | | **Kumar S. Taurani** | **Ramesh Taurani** | **Total** |
| 1] | **FINANCE** | | | |
| a) | Loans taken | 1,000<br>(4,000) | 4,000<br>(50,000) | 5,000<br>(54,000) |
| b) | Repayment of Loan | 500<br>(NIL) | (NIL)<br>(NIL) | 500<br>(NIL) |
| 2] | **OTHER EXPENDITURE** | | | |
| a) | Interest Paid | 567<br>(210) | 6,443<br>(2,195) | 7,010<br>(2,406) |
| 3] | **REMUNERATION PAID** | 9,000<br>(9,000) | 9,000<br>(9,000) | 18,000<br>(18,000) |
| 4] | **OUTSTANDING** | 4,500 | 54,000 | 58,500 |
| a) | Loans | (4,000) | (50,000) | (54,000) |

**Other Related Parties – Disclosures**

Out of the above items, transaction with the party in excess of 10% of total related parties are disclosed here as follows.

| | | Relatives of Key Management Personnel | | | Other related parties | |
|---|---|---|---|---|---|---|
| | | **Renu K. Taurani** | **Varsha R. Taurani** | **Kunal K. Taurani** | **Lachmi Sadhuram Taurani Charitable Trust** | **Total** |
| 1] | **FINANCE** | | | | | |
| a) | Loans taken | 1,000<br>(4,000) | NIL<br>(NIL) | 2,000<br>(NIL) | NIL<br>(NIL) | 3,000<br>(4,000) |
| b) | Repayment of Loans | 500<br>(NIL) | NIL<br>(NIL) | NIL<br>(NIL) | NIL<br>(NIL) | 500<br>(NIL) |
| 2] | **OTHER EXPENDITURE** | | | | | |
| a) | Rent Paid | 5,956<br>(5,400) | 5,981<br>(5,400) | NIL<br>(NIL) | NIL<br>(NIL) | 11,937<br>(10,800) |
| b) | Interest Paid | 545<br>(210) | NIL<br>(NIL) | 121<br>(NIL) | NIL<br>(NIL) | 666<br>(210) |
| c) | Legal & Prof. Fees Paid | NIL<br>(NIL) | NIL<br>(NIL) | 540<br>(250) | NIL<br>(NIL) | 540<br>(250) |
| 3] | **OUTSTANDING** | | | | | |
| a) | Payables Loans | 4,500<br>(4,000) | NIL<br>(NIL) | 2,000<br>(NIL) | NIL<br>(NIL) | 6,500<br>(4,000) |
| b) | Receivables Deposits | 45,000<br>(45,000) | 45,000<br>(45,000) | NIL<br>(NIL) | NIL<br>(NIL) | 90,000<br>(90,000) |

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**15. Segment Reporting :**

Disclosures as per the requirements of Accounting Standard – 17 for 'Segment Reporting' is as under

| | | Financial Year Ended | |
|---|---|---|---|
| | | **31-03-10** | **31-03-09** |
| **1** | **Segment Revenue:** | | |
| | Audio Product Sales | 3,52,437 | 3,15,124 |
| | Film Distribution | 4,95,227 | 3,45,627 |
| | **Revenue from Operation** | **8,47,664** | **6,60,751** |
| **2** | **Segment Results:** | | |
| | Profit (+) / Loss (-) before interest & Tax | | |
| | - Audio Products | 1,48,333 | 99,509 |
| | - Film Distribution | 53,649 | 1,08,451 |
| | - Others | ---- | ---- |
| | Less: Interest (Net) | 42,605 | 10,721 |
| | Less: Unallocable Corporate expenses | 61,269 | 66,449 |
| | Profit (+) / Loss (-) before Tax | **98,109** | **1,30,790** |
| **3** | **Capital Employed:** | | |
| | (Segment Assets - Segment Liabilities) | | |
| | - Audio Products | 5,66,492 | 3,52,619 |
| | - Film Distribution | 3,49,609 | 4,67,746 |
| | - Unallocable Corporate Assets Less Liabilities | (63,881) | 2,334 |
| | **Total** | **8,52,220** | **8,22,699** |

**16.** Based on the information available with the Company, no creditors have been identified as "Suppliers" within the meaning of Micro, Small and Medium Enterprises Development Act, 2006.

**17.** During the year the Company has paid Rs. 200 (Previous year Rs. 200) as donation to Bharatiya Janata Party – A Political Party.

**18. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C & 4D OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956 :**

**(i) Turnover**

| | | 2009-10 | | 2008-09 | |
|---|---|---|---|---|---|
| | **Unit** | **Quantity ('000)** | **Value in Rupees** | **Quantity ('000)** | **Value in Rupees** |
| Pre recorded cassettes | Nos | 2 19 | 5,135 | 1,166 | 23,305 |
| Blank cassettes | Nos | ---- | ---- | ---- | ---- |
| Compact Discs | Nos | 733 | 26,292 | 905 | 42,673 |
| **Total** | | | *** 31,427** | | *** 65,978** |

* Excluding Audio Rights Sales of Rs. NIL (Previous year Rs. NIL/-)

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**(ii) Raw Materials Consumed**

| | | 2009-10 | | 2008-09 | |
|---|---|---|---|---|---|
| | Unit | Quantity ('000) | Value (Rupees) | Quantity ('000) | Value (Rupees) |
| Magnetic Tape | Reel | 11 | 865 | 38 | 3,152 |
| Cassettes Plastics Components | PCs | 632 | 1,503 | 3,183 | 9,294 |
| Others | | - | 11,785 | - | 21,446 |
| **Total** | | | **14,153** | | **33,892** |

**(iii) Opening and Closing Stock**

| Class of Goods Manufactured | Opening Stock | | Closing Stock | |
|---|---|---|---|---|
| | Quantity PCs. '000 | Value (Rupees) | Quantity PCs. '000 | Value (Rupees) |
| Pre-recorded Cassettes | 486 | 7,332 | 361 | 8,071 |
| Blank Cassettes | 0.6 | NIL | 0.6 | NIL |
| Compact discs/DVD | 1222 | 11,298 | 1,256 | 8,068 |
| **Total** | | **18,630** | | **16,139** |

**(iv) Capacity and Production**

| Class of Goods Manufactured | Installed Capacity as certified by Technical experts – for single Shift PCs.000 Quantity | | Actual Production For Single Shift PCs.000 Quantity | |
|---|---|---|---|---|
| | 31-3-2010 | 31-3-2009 | 31-3-2010 | 31-3-2009 |
| Pre-recorded Cassettes | | | | |
| In House Production | 16,992 | 30,408 | 403 | 1,493 |
| From Third parties | N/A | N/A | - | - |
| Blank Cassettes | 10,505 | 10,505 | - | - |
| Compact Discs | 250 | 250 | 51 | 84 |

Note: Installed capacity being a technical matter, is certified by a technical expert.

**(v) Value of Raw Materials Consumed**

| | 2009-10 | | 2008-09 | |
|---|---|---|---|---|
| | Percentage to total consumption | Rupees | Percentage to total consumption | Rupees |
| | % | | % | |
| Imported | -- | -- | -- | -- |
| Indigenous | 100 | 14,153 | 100 | 33,892 |
| **Total** | **100** | **14,153** | **100** | **33,892** |

# SCHEDULE 21 : NOTES TO ACCOUNTS

**(Amounts expressed in Indian Rupees Thousands unless otherwise stated)**

**(vi) Expenditure In Foreign Currency**

| Particulars | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| Traveling | 181 | 802 |
| Legal & Professional Fees | --- | 185 |
| Payment to Artistes | --- | 999 |
| Film Production Expenses | 3,251 | 1,63,531 |

**(vii) Earnings In Foreign Currency**

| Particulars | 2009-10 Rs. | 2008-09 Rs. |
|---|---|---|
| F.O.B. value of Exports | 4,299 | 4,184 |
| Royalty (Net) | 1,887 | 3,945 |
| Miscellaneous Income (Film Distribution Rights) | 55,714 | --- |

**(viii)** Cost of feature films incurred during the year and inventories include interest of Rs. 36,539 (Previous Year Rs. 34,625) on Term Loan utilized for the production of the film as also insurance expenditure of Rs. 4,106 (Previous Year Rs. 4,062)

**19. Foreign Currency Exposure :**

The year end foreign currency exposure that have not been hedged by a derivative instrument or otherwise are given below:

| Particulars | 31st March 2010 | 31st March 2009 |
|---|---|---|
| Amount payable in foreign currency on account of import of Goods / services and its equivalent Indian Rupees. | RS. 28,213 | RS. 31,844 |
| | (US$ 625) | (US$ 625) |
| Amount receivable in Foreign Currency on export of goods / services and its equivalent Indian Rupees. | Rs. 13,347 | Rs. 14,444 |
| | (US$ 98) | (US$ 115) |
| Amount payable in foreign currency towards loan / deposits and its equivalent Indian rupees | (GBP 131) | (GBP 118) |
| | NIL | NIL |
| | NIL | NIL |

**20. Previous year's figures have been regrouped wherever necessary, to conform with current year's figures.**

For and on behalf of the Board of Directors

**Kumar S.Taurani**
Chairman & Managing Director

**Ramesh S. Taurani**
Managing Director

**Amitabh Mundhra**
Director

Mumbai, dated: 26th May, 2010

# BALANCE SHEET ABSTRACT AND COMPANY`S GENERAL BUSINESS PROFILE

**As Per Schedule VI, Part (IV) of The Companies Act, 1956**

**I. Registration Details :**

| | | | | | |
|---|---|---|---|---|---|
| Registration No. | : | 11-99359 | State Code | : | 11 |
| Balance Sheet Date | : | 31.03.2010 | | | |

**II Capital Raised during the year :**

| | | | | | |
|---|---|---|---|---|---|
| Public Issue | : | NIL | Right Issue | : | NIL |
| Bonus Issue | : | NIL | Private Placement | : | NIL |

**III Position of Mobilisation and Deployment of Fund :**

| | | | | | |
|---|---|---|---|---|---|
| Total Liabilities | : | 1398941 | Total Assets | : | 1398941 |
| **Sources of Funds** | | | **Application of Funds** | | |
| Paid up Capital | : | 173059 | Net Fixed Assets | : | 338877 |
| Application Monies for Warrants | : | NIL | Capital Work in Progress | : | NIL |
| Reserves & Surplus | : | 679161 | Investments | | 50 |
| Secured Loans | : | 405521 | Net Current Assets | | 1060014 |
| Unsecured Loans | | 141200 | Misc. Expenditure | | NIL |

**IV Performance of the Company :**

| | | | | | |
|---|---|---|---|---|---|
| Total Turnover | : | 850597 | Total Expenditure | | 752488 |
| Profit/(Loss) before Tax | : | 98109 | Profit/(Loss) after tax | : | 84756 |
| Earnings Per Share in (Rs.) (Refer Note No B-9) -Basic | | 4.90 | | | |
| -Dilute | : | 4.90 | Dividend Rate (%) | : | 12.5 |

**V Generic Names of Three Principal Products/Services of the Company :**

(as per monetary terms) :

(1) Item Code No. (ITC Code) : 8524-32

Product Description : PRE-RECORDED AUDIO CASSETTES

(2) Item Code No. (ITC Code) : 8524-90

Product Description : PRE-RECORDED AUDIO COMPACT DISCS

(3) Item Code No. (ITC Code) : NOT APPLICABLE

Product Description : CINEMATOGRAPHIC FILM

**Disclaimer:**

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialse, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.




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**TIPS INDUSTRIES LIMITED**

Regd. Office : 601, 6th Floor, Durga Chambers, Linking Road,
Khar (West), Mumbai - 400 052.

**ATTENDANCE SLIP**
**ANNUAL GENERAL MEETING**

Folio No. : _____ No. of shares held : _____

DPID & Client ID No. : _____

I hereby record my presence at the FOURTEENTH ANNUAL GENERAL MEETING of the Company, on Thursday, 5th August, 2010 at 4.00 p.m. at The Jubilee Room, Hotel Sun-N-Sand, Juhu, Mumbai - 400 049.

_____ _____

Name of the Member / Proxy Member's / Proxy's Signature

NOTE : Member / joint member / proxies are requested to bring this slip with them and hand it over at the entrance. Duplicate slips will not be issued at the entrance of the venue.

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## TIPS INDUSTRIES LIMITED

Regd. Office : 601, 6th Floor, Durga Chambers, Linking Road,
Khar (West), Mumbai - 400 052.

## FORM OF PROXY

I/We, _____ the undersigned, being equity share holder(s) of M/s. Tips Industries Limited hereby appoint Mr./Ms. _____ resident of _____ and failing him / her Mr. / Ms. _____ resident of _____ as my / our proxy, to act for me / us at the FOURTEENTH ANNUAL GENERAL MEETING of the Company, to be held on Thursday, 5th August, 2010 at 4.00 p.m. at The Jubilee Room, Hotel Sun-N-Sand, Juhu, Mumbai - 400 049.

Affix Re.1 Revenue Stamp

Dated this _____ day of _____

Folio No. : _____

DPID & Client ID No. : _____

No. of shares held : _____ Signature : _____

NOTES :

1) Proxy must be deposited at the Registered Office of the Company not later than 48 hours before the Meeting. The Proxy need not be a member of the Applicant Company.
2) In case of multiple proxies, proxy later in time shall be accepted.
3) All alterations made in the Form of Proxy should be initialed.
4) The form should be signed across the stamp.