

ANNUAL REPORT 2005 - 06



PVR
CINEMAS

Movies First

BOARD OF DIRECTORS

Mr. Ajay Bijli	<i>Chairman cum Managing Director</i>
Mr. Sanjeev Kumar	<i>Executive Director</i>
Mr. Sumit Chandwani	<i>Director</i>
Mr. Vikram Bakshi	<i>Director</i>
Mr. Amit Burman	<i>Director</i>
Mr. Renaud Jean Palliere	<i>Director</i>

COMPANY SECRETARY

Mr. N.C. Gupta

AUDITORS

SR Batliboi & Co.
Chartered Accountants
New Delhi

BANKERS

Standard Chartered Bank
ICICI Bank Limited
Kotak Mahindra Bank Limited

REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare Private Limited,
Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034
Tel: +91-40-233 12454;
Fax: +91-40-2343 1551,
www.kcpl.karvy.com

PVR LIMITED**REGISTERED OFFICE:**

61, Basant Lok, Vasant Vihar, New Delhi – 110057

CORPORATE OFFICE:

Block 2A, 2nd Floor, DLF Corporate Park, DLF Qutab Enclave-III,
Gurgaon-122002, Haryana

PVR Limited

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CHAIRMAN CUM MANAGING DIRECTOR'S MESSAGE

Dear shareholders,

I take great pride in presenting to you our eleventh Annual Report. It's the first one after the public listing of our equity shares, and so first and foremost, I would like to thank all the shareholders and investors for showing tremendous interest in our company.

Your faith and encouragement has helped us raise capital for our ambitious expansion plans.

These are interesting times. Rising disposable incomes, higher life expectancy and rapid urbanization are catalyzing, among other positive economic developments, a long-term boom in movie consumption. Trends that augur well for Indian film and film exhibition industry.

So in the current action-filled environment, our main goal will be to continue to be India's largest and most preferred cinema exhibition company.

And to achieve this, we would:

- continue to provide the highest exhibition standards, both on product offering and our service standards fronts, to deliver matchless customer delight.
- increase the number of multiplexes / cinemas under our operation across India, through green field developments and/or through acquisitions of existing multiplexes / cinemas in high quality retail and entertainment destinations. We also plan to tap the market potential of smaller towns and lower income catchment areas using the cost efficient digital projection technology, to offer these consumers a superior movie experience. This will enhance our presence at various price points and also a wider consumer base.
- continue to maximize revenue from our existing cinemas
- utilize economies of scale with respect to our costs to our advantage as we grow in size and expand our reach.

The vision for our film distribution business, which is being carried out by our subsidiary PVR Pictures Limited, is to be the preferred distributor for both English and Hindi movies. With respect to international movies, we intend to position PVR Pictures as the distributor of choice for independent production houses that do not have a base in India for distributing their movies.

Furthermore, our strategy is to increase our presence in Hindi films distribution and enter into alliances with key Indian and foreign production houses for exploiting theatrical as well as non-theatrical film rights. This may entail entering into strategic and commercial partnerships with these production houses at an early stage of film production, to have a critical strategic say in the exploitation of film rights plus avail benefits of lower costs.

But we are equipped with tonnes of energy and enthusiasm to pull off this and everything else that it takes to stay at the helm of Indian entertainment arena.

And en route achieving greater heights, I look forward to your undivided and valuable support for the company.

Regards,

Ajay Bijli.

PVR Limited

PVR AT A GLANCE

We are India's largest Multiplex Cinema operator. We established the first multiplex cinema in India, PVR Anupam in Saket, New Delhi in 1997 and the largest multiplex cinema in India, PVR Bangalore in 2004. As of July, 2006, our geographically diverse cinema circuit in India consisted of 18 cinemas with a total of 70 screens spread over Delhi, Faridabad, Gurgaon, Ghaziabad, Noida, Mumbai, Bangalore, Hyderabad, Lucknow and Indore.

Our brand, *PVR*, is one of India's most recognized film exhibition brands. Our cinemas have been designed with an emphasis on ambience and customer delight, with quality fit outs, comfortable seating and state of the art audio and projection equipments. This coupled with emphasis on marketing and promotions, implementation of uniform operational systems, processes and customer oriented staff training procedures have helped us build a strong brand equity with our customers. Across our various cinemas, we had 8.78 million customers visiting our cinemas in the twelve months ended March 31, 2006.

Our competitive strength also includes cinemas in prime locations, strong relationships with the film industry and mall developers, evolved and structured systems for project evaluation and approval.

Existing Cinemas

PVR Anupam (Saket, New Delhi) – 4 screens, 1000 seats - The first multiplex Cinema in India that changed the landscape of movie going.

PVR Priya (Basant Lok, New Delhi) – single screen, 944 seats - Premier single screen cinema with highest box office collections in Delhi.

PVR Naraina (New Delhi) – 4 screens, 830 seats - West Delhi's first multiplex

PVR Vikaspuri (AEZ Square, New Delhi) – 3 screens, 921 seats – A new concept of neighbourhood cinema.

PVR Gurgaon (Metropolitan Mall, Gurgaon) – 7 screens, 1310 seats - Amidst 3 lac sq. ft. of shopping, PVR Gurgaon with 7 screens gave movie watching a new meaning. The Cinema was recognised internationally for its design and interiors.

PVR Plaza (Connaught Place, New Delhi) – single screen, 300 seats - The first restored heritage cinema in the heart of Delhi.

PVR Faridabad (Ansals Plaza Mall, Faridabad) – 2 screens, 504 seats - Got a completely new segment in Faridabad to experience the unique "PVR way" of watching movies.

PVR Koramangala (Forum Mall, Bangalore) – 11 screens, 2016 seats - India's largest multiplex both in terms of screen count and box office collections. Also introduced India's first exclusive Gold Class auditorium.

PVR EDM (East Delhi Mall, UP) – 3 screens, 726 seats - The best performing cinema in East Delhi.

SRS PVR (SRS World, Faridabad) – 3 screens, 776 seats - Company's first and successful experiment under franchisee model.

Spice PVR (Spice World, Noida) – 8 screens, 1821 seats - North India's largest multiplex with 8 screens including an exclusive Gold Class Cinema & Lounge operated under franchisee model

PVR Panjagutta (Hyderabad Central, Hyderabad) – 5 screens, 1321 seats - A treat for the movie buffs in South India.

PVR Rivoli (Connaught Place New Delhi) –single screen, 329 seats - The second heritage cinema, making Connaught Place, the heart of Delhi, a PVR landmark.

PVR Indore (Treasure Island Mall, Indore) – 5 screens, 1140 seats - Spreading wings beyond the metros, PVR stamped its authority in Indore with largest and finest multiplex in the city, with Gold Class Auditorium.



PVR Lucknow (Sahara Ganj Mall, Hazratganj) – 4 screens, 874 seats - Treating the land of Nawabs with the finest movie experience.

PVR Juhu (Dynamix Mall, Mumbai) – 5 screens, 1260 seats - Giving the city of movies an extra dose of cinema

PVR Mulund (Nirmal Lifestyle Mall, Mumbai) – 6 screens, 1821 seats - Mumbai's largest multiplex.

PVR Sahara (Sahara Mall, Gurgaon) – 2 screens, 528 seats - Second wonder of PVR in Gurgaon.

Expansion Plans

In addition to the above, the Company has entered into agreements for the development of multiplexes at various locations across the country, as follows :

Cinemas Location	State	Screens	Seats
Prashant Vihar, New Delhi	Delhi	3	818
Aurangabad	Maharashtra	3	1,156
Latur	Maharashtra	3	1,136
Goregaon, Mumbai	Maharashtra	6	1,800
Saket, New Delhi	Delhi	6	1,269
Lower Parale, Mumbai	Maharashtra	7	2,050
Chennai	Tamil Nadu	7	1,600
Ludhiana 1	Punjab	4	1,025
Gurgaon	Haryana	7	1,500
Ghatkopar, Mumbai	Maharashtra	4	1,250
Rajouri Garden	Delhi	6	1,500
Ludhiana 2	Punjab	3	1,050
Moradabad	Uttar Pradesh	4	873
Amritsar 1	Punjab	5	1,100
Jalandhar 1	Punjab	4	1,300
Bhatinda	Punjab	4	1,025
Lucknow 1	Uttar Pradesh	4	1,037
Chandigarh	Punjab	4	1,013
Panipat	Haryana	3	800
Lucknow 2	Uttar Pradesh	3	740
Jaipur	Rajasthan	5	1,067
Bangalore	Karnataka	12	2,800
Amritsar 2	Punjab	4	1,000
Khanna	Punjab	4	1,200
Jalandar 2	Punjab	4	1,200
Ranchi	Jharkhand	6	1,250
Dhanbad	Jharkhand	4	1,000
Dehradun 1	Uttaranchal	5	1,250
Ahemdabad 1	Gujarat	6	1,500
Mysore	Karnataka	6	2,235
Ahmedabad 2	Gujarat	7	1,300
Coimbatore	Tamil Nadu	6	2,033
Vijaywada	Andhra Pradesh	4	1,230
Raipur	Chhatisgarh	4	1,400
Amritsar 3	Punjab	4	1,250
Dehradun 2	Uttaranchal	6	1,500
Total		177	47,257

PVR Limited

CORPORATE PHILOSOPHY & VALUES

Corporate Philosophy

Our Corporate Philosophy can be explained by the following words of Victor Hugo ;

"An invasion of armies can be resisted but not an idea whose time has come"

Inspired by the satisfaction one derives from giving shape and form to what was just an idea, or a thought that emerges from a human mind, triggered by one's own imagination or from sensing an opportunity through gap in the marketplace, no matter how big or small, that ultimately ends up making a difference to our social or business lives – PVR has committed itself to the credo of **"Implementing ideas"**.

PVR with a dedicated set of inspired professionals strives to convert great ideas into reality, thereby benefiting its customers, shareholders, employees and the community at large.

Our Values

To dazzle & delight the customer by giving the best cinema experience - everywhere, everytime. This will be achieved through

- Uncompromising Quality of Product.
- Unparalleled Customer Care.
- Unconditional Respect for People.
- Unblemished Character.
- Unabated Speed and Efficiency.
- Positive Mind, Passion and Energy.
- Unrivalled Corporate Citizen.

CORPORATE SOCIAL RESPONSIBILITY

Beyond Movies: Building Lives Together

"PVR is enriched with immense diversity of its employees, the communities, the culture and regions where it operates. Our social commitment is primarily to go beyond 'compliance and philanthropy' and integrate/consolidate our energy for a corporate life that integrates social, ethical, and environmental principles and practices. With our various stakeholders, we want to create such living and working where each and every act is inherently sustainable and restorative."

- Mr. Ajay Bijli, Chairman cum Managing Director (PVR Ltd).

PVR recognizes its corporate social responsibility commitments in diverse ways, which includes engagement with patron/viewer, employees, investor and other pertinent stakeholders. In particular, we believe in motivating our staff in the special context of growing numbers of our customers and shareholders. We also believe that we cannot operate within a community- be it global or local- without taking account of their major challenges and playing our part in meeting them.

Since 1997, the socially responsible practices at PVR have been in practice in different phases - Supporting 'child specific programs (literacy enhancement/basic education) through implementing NGOS like CRY, AMITASHA, etc. ranging from, screening special children film (for disabled and underprivileged children), to celebrating Rose Day to humanize the dreaded killer disease 'cancer', while strengthening the spirits, hopes and energy among the kids living with cancer. The youth specific program through vocational, marketing and entrepreneurial training at 3 tsunami effected districts at Tamil Nadu in association with SMILE FOUNDATION and the Relief, rehabilitation and reintegration of tsunami effected children and women program at Andaman & Nicobar with PRAYAS are our other contributions to immediate needs of relief and rehabilitation.

Current thinking at PVR broadly focuses on quality standards of business practices, so that we provide our customers the services hallmarked by integrity, quality and care. 'Green: the PVR way and Valuing Nature' in and around PVR Cinemas and the most inspiring 'the PVR CHILD LIFE PROGRAM'- mainstreaming the poor discriminated children into the education system through sustained scholarship programs - are some of the energized plans for the forthcoming year. Through our unique vintage points, we do want to participate in the discourse making of CSR by developing partnership / dialogue with like-minded organisations, for evolving and strengthening the CSR policies and programmes of the state, government agencies and civil society organisations.

DIRECTORS' REPORT

Dear Shareholders

Your Directors have the pleasure in presenting the eleventh Annual Report and the Audited Accounts of your Company for the year ended 31st March 2006.

Financial Results

	(Rs. Lacs)	
	2005-06	2004-05
Income	10,743	7,067
Expenses	8,813	5,751
Earnings before depreciation interest and tax (EBIDTA)	1,930	1,316
Depreciation	707	550
Interest	323	239
Profit before Tax	900	527
Provision for Income & Deferred Tax	316	153
Fringe benefit tax	37	—
Profit after Tax	547	374
Balance brought forward from previous year	885	591
Transfer from Debenture Redemption Reserve	226	—
Profit available for appropriation	1,658	966
Appropriations		
Transfer to Debenture Redemption Reserve	—	80
Interim Dividend on Preference Shares	52	—
Interim Dividend on Equity Shares	229	—
Corporate Dividend tax	39	—
Surplus carried to Balance Sheet	1,339	885

FINANCIAL REVIEW

Total Income of the Company for the year under review increased to Rs. 10,743 lacs as compared to Rs. 7,067 lacs in previous year, registering a growth of 52%.

Earnings before interest depreciation and tax (EBIDTA) of the Company for the year under review increased to Rs. 1,930 lacs as compared to Rs. 1,316 lacs in previous year, registering a growth of 47%.

Profit after Tax (PAT) of the Company for the year under review increased to Rs. 548 lacs as compared to Rs. 374 lacs in previous year, registering a growth of 47%.

Dividend

Your Directors have declared and paid an interim dividend of 5% on Redeemable Preference Share capital of 20,000,000 shares for the year ended 31st March, 2006 on a pro-rata basis for the period 23rd September, 2005 to 31st March, 2006 and an interim dividend of 10% on the enhanced equity share capital of 22,877,370 shares for the year ended 31st March, 2006. The record date for this interim dividend on equity shares was 10th May, 2006.

The Board of Directors does not recommend any final dividend for the year.

PVR Limited

Operations Review

The growth in the Income was achieved through a healthy mix of growth in Income of existing cinemas and by opening of new cinemas. The total number of patrons who watched movies at our cinemas during the year were 8.78 million, as compared to 4.94 million in the previous year. The average occupancy in our cinemas during the year was 46% as compared to 40.3% in the previous year. The existing cinemas of the Company showed a growth of 42% in film and food & beverage incomes (some of the existing cinemas were operational for part period in previous year). The growth in film and food & beverage income attributable to new cinemas was 6%.

During the year, we continued to focus on providing a unique movie going experience to our patrons through our product, design, movie promotions and innovative pricing, all aimed at increasing our brand appreciation and increased footfalls.

The Company is focussed towards the development of new projects, and has increased its screen count from 39 to 51 during the year under review. During the period April-July, 2006, the Company opened 19 new screens in 5 multiplexes, increasing its screen count to 70.

New Cinemas which commenced operations

During the year under review the Company commenced operations at three new multiplex projects namely PVR Punjagutta - Hyderabad, PVR Rivoli - Delhi and Spice PVR - Noida adding 12 new screens under its operation.

In addition to the above, the Company has also commenced operations at five new multiplex properties at Mumbai, Indore, Lucknow and Gurgaon during the period April-July 2006, further adding 19 more screens under its operation.

Details of these new cinema properties added by the Company are as under :

Cinema	State	Screens	Seats	Commencement date
New Cinemas added in 2005-06				
Spice PVR, Noida	Uttar Pradesh	8	1821	Dec 2005
PVR Punjagutta	Hyderabad	5	1321	Feb 2006
PVR Rivoli	Delhi	1	329	Feb 2006
New Cinemas commencing operations post 31st March, 2006				
PVR Juhu, Mumbai ²	Maharashtra	5	1260	April 2006
PVR Indore	Madhya Pradesh	5	1140	April 2006
PVR Lucknow	Uttar Pradesh	4	874	April 2006
PVR-Nirmal Lifestyle, Mumbai	Maharashtra	6	1815	June 2006
PVR Sahara, Gurgaon	Haryana	2	528	July 2006

¹ PVR Punjagutta is presently operational with 3 screens and 926 seats. The balance 2 screens are expected to commence operations shortly

² PVR Juhu is presently operational with 2 screens and 580 seats. The balance 3 screens are expected to commence operations shortly

Your Company now operates and manages 70 screens across the country spread over Delhi, Haryana, Karnataka, Uttar Pradesh, Andhra Pradesh, Maharashtra and Madhya Pradesh.

Initial Public Offering of Equity Shares

During the year the Company made an initial public offering (IPO) of its equity shares. The IPO was for 77,00,000 equity shares consisting of a fresh issue of 57,00,000 equity shares by the Company and an Offer for Sale of 20,00,000 equity shares by The Western India Trustee and Executor Company Limited. The issue price per share was Rs. 225. The issue received an overwhelming response and was oversubscribed by 11.59 times.

The shares of the Company were listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) on 4th January, 2006.

Increase in Equity Share Capital

As a result of the IPO, the total paid up equity share capital of the Company was Rs. 2,288 lacs as on 31st March, 2006.



Issue of Preference Shares

The Company issued 20,000,000, 5% redeemable preference shares of face value of Rs. 10 each on 23rd September, 2005 for a consideration of Rs. 2,000 lacs to our Promoter, Mr. Ajay Bijli (Rs. 1,064.20 lacs) and The Western India Trustee and Executor Company Limited (Rs. 935.80 lacs), to partly fund the capital expenditure requirements of the Company. The Preference shares are fully redeemable at the end of 3 years from the date of issue with a put and call option for redemption at the end of 2 years from date of allotment.

Expansion Plans

The Company has been pursuing an expansion plan that involves setting up of about 200 additional screens over the next 3 years, which will be in line with our strategy to be the largest Cinema Exhibition player in the Country. We have identified the towns and locations based on building up scale in certain key film distribution territories, which offer a viable business opportunity in an entertainment tax friendly regime. The business model for the various projects is based on the movie going and spending habits of the population, and accordingly we have come up with the mainstream as well as the low cost multiplex model. The pilot projects of the low cost model will be ready in the fiscal year 2006-07.

Some of the cities where we have already signed up new projects include Delhi, Mumbai, Chennai, Bangalore, Lucknow, Aurangabad, Latur, Ludhiana, Chandigarh, Amritsar, Jalandhar, Panipat, Gurgaon, Jaipur, Ahmedabad, Coimbatore, Vijaywada, Dehradun, Mysore, Moradabad and Bhatinda.

Subsidiaries

The Company has two subsidiary companies in which it holds 100% shareholding namely M/s PVR Pictures Limited and M/s C R Retail Malls (India) Private Limited.

During the year M/s PVR Pictures Ltd. became 100% subsidiary of your Company. In a short span of three years, PVR Pictures Limited has grown into one of the leading film distribution Companies and successfully distributed Hollywood and Hindi Films. PVR Pictures Limited is now looking at making a bigger foothold in the Hindi film distribution business and is exploring options for alliances, tie ups with producers to exploit film rights. The Company shall be deploying certain portion of the IPO funds in the film distribution business as well.

The other 100% subsidiary of the Company, M/s CR Retail Malls (India) Pvt Ltd., will implement the seven screen Multiplex Project at The Phoenix Mills compound, Lower Parel, Mumbai, a prime retail and entertainment destination in Mumbai.

In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956 copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary companies have not been attached with the Balance Sheet of the Company. However, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements, which includes the financial information of the subsidiaries, are enclosed and form part of this Annual Report. Annual Accounts of the subsidiary companies and the related detailed information will be made available to the investors of the holding and subsidiary companies seeking such information at any point of time and the Annual Accounts of the subsidiary companies will also be kept for inspection by any investor in its head office and that of the subsidiary companies concerned. In terms of the said approval, information about capital, reserves & surplus, total assets, total liabilities, investments, turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend in respect of each subsidiary has been given in one sheet with the Consolidation Balance Sheet.

Utilisation of IPO Proceeds

As on March 31, 2006 the Company had utilised Rs. 4,003 lacs as against the estimate of Rs. 8,490 lacs as mentioned in the Prospectus dated 19th December, 2005. The details of the utilisation are mentioned in point 10.2 of Schedule 24 annexed to the Audited annual accounts. The Company's capital expenditure plan from IPO proceeds for 2005-06 was rescheduled in line with the revised handover schedule of its various projects and accordingly the shortfall is being carried over to be spent in the next financial year.

The Company's plan for increasing equity capital investment to Rs. 3,000 lacs in its subsidiary, M/s CR Retail Malls (India) Pvt. Limited shall now be done in 2006-07 since CR Retail Malls (India) Pvt. Limited is in the process of revising its capital structure to receive the investments from your Company. However, the Company had spent Rs. 2,148 lacs on behalf of CR Retail Malls (India) Pvt. Limited, which shall be recovered from CR Retail Malls (India) Pvt. Limited on the investment of equity as above.

The Company's plan for increasing equity capital investment in its subsidiary, PVR Pictures Limited shall now be done in 2006-07 since PVR Pictures Limited is in the process of revising its capital structure to receive the investments from your Company. However, to part fund the business requirements of PVR Pictures Limited your Company has advanced Rs. 145 lacs till date (including Rs. 95 lacs in financial year 2005-06) as an unsecured advance.