

# PVR PEOPLE POWER



Report



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Annual Report 2008–09

## Board Of Directors

Mr. Ajay Bijli	<i>Chairman cum Managing Director</i>
Mr. Sanjeev Kumar	<i>Joint Managing Director</i>
Mr. Sumit Chandwani	<i>Director</i>
Mr. Vikram Bakshi	<i>Director</i>
Mr. Sanjay Khanna	<i>Director</i>
Mr. Renaud Jean Palliere	<i>Director</i>
Mr. Ravi Sinha	<i>Director</i>

## Company Secretary

Mr. N.C. Gupta

## Auditors

S.R. Batliboi & Co  
Chartered Accountants

## Bankers

Standard Chartered Bank  
HDFC Bank Limited  
Kotak Mahindra Bank Limited

## Subsidiaries

PVR Pictures Limited  
C. R. Retail Malls (India) Private Limited  
Sunrise Infotainment Private Limited  
PVR bluO Entertainment Limited

## Registrar & Share Transfer Agents (R&TA)

Karvy Computershare Private Limited (KCPL),  
17-24, Vittal Rao Nagar, Madhapur,  
Hyderabad - 500 081  
Tel. : +91-40-2342 0815-824 Fax : +91-40-2342 0814  
www.kcpl.karvy.com

## Registered Office

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

## Corporate Office

Block A, 4th Floor, Building No 9, DLF Cyber City Phase III,  
Gurgaon - 122002, Haryana, India

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# Directors' Report

## Dear Shareholders,

Your directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of the Company and Financial Statements for the year ended March 31, 2009.

## Financial Highlights

	2008-09	(Rs. in Lacs) 2007-08
<b>Income</b>	<b>27,870</b>	<b>24,470</b>
Expenditure	22,849	19,092
<b>Earnings before depreciation interest and tax (EBIDTA)</b>	<b>5,021</b>	<b>5,378</b>
Depreciation	1,894	1,510
Interest	1,143	681
<b>Profit before Tax</b>	<b>1,984</b>	<b>3,187</b>
Provision for Taxation including Deferred Tax	719	1,081
<b>Profit after Tax</b>	<b>1,265</b>	<b>2,106</b>
Balance brought forward from previous year	2,767	2,017
<b>Profit available for appropriation</b>	<b>4,033</b>	<b>4,123</b>
<b>Appropriations</b>		
Transfer to Capital Redemption Reserve	1,000	1,000
<b>Dividend</b>		
Preference Shares	12	74
Equity Shares	230	230
Corporate Dividend Tax	41	52
<b>Surplus carried to Balance Sheet</b>	<b>2,749</b>	<b>2,767</b>

During the year under review the exhibition industry was under pressure due to low-occupancy primarily on account of terrorist attacks in major metro cities across the country beside 26/11 episode of Mumbai. The impact of terrorists attacks kept the masses stay away from the Multiplexes resulting into lower box office revenue. In addition there was no release of Hit/Block Buster in the period under review.

## Dividend

The company paid dividend @ 5% on Redeemable Preference Shares of the Company (fully redeemed during the year) on prorata basis during the year.

Your directors are pleased to recommend a dividend of 10% (Re. 1 per Equity Share) for the year ended March 31, 2009. The total outgo on account of dividend to be paid to equity shareholders shall be Rs. 230.13 lacs.

## Operations Review

Kindly refer to Management Discussion & Analysis Report covered under Corporate Governance which forms part of this report.

## Subsidiaries

As on March 31, 2009 the Company has four subsidiary companies namely M/s PVR Pictures Limited (PVR Pictures), M/s C. R. Retail Malls (India) Private Limited (CRR), M/s Sunrise Infotainment Private Limited (SIPL) and M/s PVR bluO Entertainment Limited (PVR bluO) out of which CRR and SIPL are wholly owned subsidiaries of the Company.

### PVR Pictures Limited (PVR Pictures)

PVR Pictures is in the business of film production & distribution. The Company during the year co-produced inter alia a movie namely "Jaane Tu Ya Jaane Na" with Amir Khan Production Private Limited ("AKPPL"). The film performed strongly at the box office. PVR Pictures has net work in major film territories and has distributed various Hollywood and Bollywood movies across Indian theatres.

### PVR bluO Entertainment Limited (PVR bluO)

PVR bluO Entertainment Limited is a 51:49 Joint Venture between the Company and Major Cineplex Group Plc. of Thailand. On 12th March 2009 PVR

bluO opened its first and India's largest 24 lane Bowling Centre with the brand name of "blu-O" located at prestigious Ambience Mall in Gurgaon giving fillip to out door retail entertainment which proved to be extremely successful venture of the Company.

The 24 lane Bowling Centre is equipped with world Cuisine Lounge, 2 Platinum Lounges for Private Dining and variety of entertainment options for consumers.

The opening of bluO is another step towards evolving PVR from a film entertainment company to a retail entertainment player with a focus to enhance the out of home entertainment experience for the patrons and to provide world-class lifestyle entertainment concepts to the Indian consumers.

### Sunrise Infotainment Pvt. Ltd. (SIPL)

Sunrise Infotainment Pvt. Ltd., a wholly owned subsidiary of the Company, operates 6 screen Multiplex at "The Oberoi's Mall" at Goregaon, Mumbai. SIPL opened its Multiplex on 16th May 2008 and was granted entertainment tax exemption on 20th August 2008.

### C.R. Retail Malls (India) Pvt. Ltd. (CRR)

C.R. Retail Malls (India) Pvt. Ltd., a wholly owned subsidiary of the Company, operates the 7 screen Multiplex at "The Phoenix Mills Compound" at Lower Parel, a prime retail and entertainment destination in Mumbai. CRR opened the Multiplex on 26th December 2008 and was granted entertainment tax exemption on 2nd March 2009.

## Consolidated Financial Statements

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the Financial Year 2008-09.

## Particulars under Section 212 of the Companies Act, 1956

The Company has obtained an exemption from the Ministry of Corporate Affairs, Government of India vide its letter no. 47/505/2009-CL-III dated 30th June, 2009 in terms of Section 212(8) of the Companies Act, 1956 from attaching the audited accounts of its subsidiaries for the financial year under review. In pursuance thereof, the Company undertakes that annual accounts of the subsidiary companies and the related detailed

information for the year ended March 31, 2009 will be made available to its investors and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies are also kept for inspection by any investor at the registered office of the Company and concerned subsidiary companies. The statement required pursuant to the above referred approval letters is enclosed after the Consolidated Accounts of the Company forming part of this Annual Report.

## Corporate Governance

The Company is committed to uphold the highest standards of corporate governance. Company strongly believes that this relationship can be strengthened through corporate fairness, transparency and accountability. Your Company complies with all the provisions of Clause 49 of the Listing Agreement.

A report on Corporate Governance, along with a Certificate from Practicing Company Secretary is enclosed. A Certificate from Chairman cum Managing Director and CFO, confirming the correctness of the financial statements, adequacy of the internal control measures as enumerated in Clause 49 of the Listing Agreement are also enclosed.

## Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement, is presented in a separate section forming part of the Annual Report.

## Directors

In accordance with the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sumit Chandwani and Mr. Renaud Jean Palliere retires by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

## Fixed Deposits

During the year under review your Company has not accepted any fixed deposits under section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975.

## Status of Amalgamation of Sunrise Infotainment Pvt. Ltd. with the Company

The Company filed a petition under Section 391 and other applicable provisions of the Companies Act, 1956, alongwith a Scheme of Amalgamation entailing merger of Sunrise Infotainment Private Limited (Transferor Company) with PVR Limited (Transferee Company) with the Hon'ble Delhi High Court on 29th January, 2009. The matter is listed for hearing before the Hon'ble Delhi High Court on 3rd August, 2009.

## Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm:

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) That they had taken proper and sufficient care 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 fraud and other irregularities;
- iv) That they had prepared the annual accounts on a going concern basis.

## Auditors & Auditors' Report

The Statutory Auditors of the Company, M/s. S.R. Batliboi & Co., Chartered Accountants, New Delhi, hold office until the conclusion of the ensuing Annual General Meeting of the Company and are eligible for re-appointment and have confirmed that their re-appointment if made, shall be within the limits of Section 224(1B) of the Companies Act, 1956. The Board recommends the re-appointment of S.R. Batliboi & Co., Chartered Accountants as Statutory Auditors of the Company.

The Auditor's observations and the relevant notes on the accounts are self-explanatory and therefore, do not call for further comments.

Employee Stock Option Scheme (ESOS)

The company received approval of shareholders by means of Postal Ballot on January 5, 2009 for granting of 5,00,000 stock options to the employees of the company. During the year 5,00,000 Options were granted to the eligible employees of the Company in terms of the Employee Stock Option Scheme, 2008 (PVR ESOS, 2008). No options were vested to any employee during the year under review.

The disclosure as required under Clause 12.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended, is set out in Annexure 'III' to the Directors' Report.

The certificate from the Statutory Auditors under the SEBI (Employees Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999, confirming that the PVR ESOS 2008 has been implemented in accordance with the guidelines and shareholders resolution, will be placed before the shareholders at the ensuing Annual General Meeting.

Forfeiture of upfront payment against Warrants

During the year, company forfeited a sum of Rs. 258 lacs due to non exercise of conversion right against 12,00,000 Convertible Warrants into Equity Shares issued to Priya Exhibitors Pvt. Ltd., one of the promoter company.

Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

A statement giving details of Conservation of Energy, technology absorption, foreign exchange earnings, and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given as Annexure - I hereto and forms part of this report.

Particulars of Employees

The information as required in accordance with Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is set out in Annexure 'II' to the Directors' Report. However, as per the provisions of Section 219 (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company.

Acknowledgement

The Directors would like to express their gratitude towards shareholders, customers/patrons, suppliers, collaborators, bankers, financial institutions and all other business associates and various departments of Central Government and State Government for the incessant support provided by them to the company and their confidence in its management.

Your Directors also place on record their deep appreciation of the contribution made by the employees at all levels. Your Company's consistent growth was made possible by their hard work, integrity, cooperation and support.

On behalf of the Board  
  
Ajay Bijli  
Chairman cum Managing Director

Place: Gurgaon, Haryana  
Date : July 31, 2009

Annexure I to Directors' Report : Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

Particulars required under Section 217(1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules. 1988 are as mentioned herein below:

i) Conservation of Energy

- Energy conservation measures taken:
- Power factor is being maintained above 0.95 with the use of capacitor banks. These banks are used to neutralize the inductive current by providing capacitive current. As a result a power factor improves and gets rebate applicable on energy bills from Electricity Distribution Companies (Tata Power/BSES).
  - Switching on/off procedure is being followed for entire lighting and other load within the premises. Timers are being used to ensure this.
  - The air conditioning system preventive maintenance routine services are monitored to make the system efficient. Also regulation of the AHU timings for proper utilisation has further helped in saving electricity consumption.
  - All the new fittings are with CFL or energy saver which uses less electrical power as compared to old GL lamps.

- Temperature sensors are being put in Audi's for better control on AC.
- Seat lights of LED's are used in place of GSL light to save energy.
- Outside consultants have been appointed to suggest energy saving measures over and above the existing system. They will suggest on optimization of energy distribution, Lux level of various areas, design aspects of electrical and HVAC system etc. so that other aspects of energy conservation and equipment efficiency can be maintained.
- Installed Variance Frequency Drives (VFD) for various Air Handling Units (AHU's) to conserve energy.
- Close monitoring of AC Plant, AHU's, pumps, running hours by installation of Running Hours Meters & Energy Meters.
- New Signage Boards have been replaced with LCD's to conserve energy at Company's Multiplex at Faridabad.
- Poster windows in all cinemas having copper chokes have been replaced with electronic ballast to conserve energy and to enhance the light of tube lights.

ii) Technology Absorption

Since the company has no subsisting Technology Agreement hence not applicable.

iii) Foreign Exchange Earnings & Outgo	March 31, 09	March 31, 08
	(Rs.)	(Rs.)
Earnings in foreign currency (on accrual basis)		
Income from Sale of Film Rights	Nil	452,981
Expenditure in foreign currency (on accrual basis)		
Travelling	1,406,013	1,018,553
Professional fees		
(including expenses, net of income tax)	4,134,242	1,878,042
Director Sitting Fees	84,429	Nil
Advertisement Expense	1,117,249	Nil
Total	6,741,933	2,896,595
CIF Value of Imports		
Capital Goods	31,313,984	2,680,226
Software	550,000	285,645
Total	31,863,984	2,965,871

On behalf of the Board

Place: Gurgaon, Haryana  
Date: July 31, 2009

Ajay Bijli  
Chairman cum Managing Director



## Annexure III to Directors' Report :

### Disclosure as required under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as on March 31, 2009

A. Particulars		ESOP Scheme	D. The impact on the profits and EPS of the fair value method is given in the table below :-	
1	Number of options granted	5,00,000		Rs.
2	The Pricing Formula	The closing market Price on the day prior to the date of grant.	Profit as reported	126,516,928.00
3	Number of options vested	Nil	Add - Intrinsic Value Cost	-
4	Number of options exercised	Nil	Less - Fair Value Cost	1,448,270.39
5	Total number of shares arising as a result of exercise of options	Nil	Profit as adjusted	125,068,657.61
6	Number of options lapsed	Nil	Earning per share (Basic) as reported	5.50
7	Variation in the terms of options	Nil	Earning per share (Basic) adjusted	5.43
8	Money realised by exercise of options	Nil	Earning per share (Diluted) as reported	5.42
9	Total Number of Options in force	5,00,000	Earning per share (Diluted) adjusted	5.36
<b>B. Employee-wise details of options granted to:</b>			<b>E. Weighted average exercise price of Options whose</b>	
(i) Senior managerial personnel			(a) Exercise price equals market price	88.00
Name	No. of options granted		(b) Exercise price is greater than market price	Nil
Pramod Arora	81,000		(c) Exercise price is less than market price	Nil
N. C. Gupta	81,000		Weighted average fair value of options whose	
Amitabh Vardhan	76,000		(a) Exercise price equals market price	37.10
Nitin Sood	76,000		(b) Exercise price is greater than market price	Nil
Gautam Dutta	66,000		(c) Exercise price is less than market price	Nil
Sunil Bhatnagar	20,000		<b>F. Method and Assumptions used to estimate the fair value of options granted during the year:</b>	
Rakesh Kaul	20,000		The fair value has been calculated using the Black Scholes Option Pricing model	
Sumneet kaur	20,000		The Assumptions used in the model are as follows:	
(ii) Any other employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year			Date of grant	30-Jan-09
Name	No. of options granted		1. Risk Free Interest Rate	5.01%
	NIL		2. Expected Life	3.70
(iii) Identified employees who were granted option, during any one year, equal or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant			3. Expected Volatility	51.80%
Name	No. of options granted		4. Dividend Yield	0.45%
	NIL		5. Price of the underlying share in market at the time of the option grant (Rs.)	88.00
<b>C. Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20</b>		<b>5.42</b>		

# Management Discussion and Analysis

The following Management Discussion and Analysis Section should be read in conjunction with the financial statements and notes to accounts for the period ended 31st March, 2009. The reference to FY 09 and FY 08 in this section refers to the year ended 31st March, 2009 and year ended 31st March, 2008 respectively. This discussion contains certain forward looking statements based on current expectations, which entail various risks and uncertainties that could cause the actual results to differ materially from those reflected in them. All references to "PVR", "we", "our", "Company" in this report refer to PVR Limited and should be construed accordingly.

## Industry Structure & Development

India's Film industry is one of the largest in the world with more than 1000 movie releases and over 3 billion movie goers annually. The filmed entertainment sector is estimated to have grown at a Compound Average Growth Rate (CAGR) of 17.7 percent over the past 3 years.

While the historical performance witnessed promising performance, the year 2008-09 heralded challenging times for the filmed entertainment industry

as a whole. It is estimated that the growth rate of the industry remained flat during last year owing to weak movie pipeline with less number of successful releases, unanticipated events such as launch of IPL and frequent bomb blasts, and consequent decline realizations from theatricals, Cable & Satellite rights and ancillary revenue streams.

In the long term, the industry is projected to grow at the CAGR of 9.1 percent during 2008-2013, and reach the size of INR 168.6 billion by 2013. The performance is expected to be mainly driven by improved contributions from multiplexes in the overall exhibition industry, rise in overseas box office collections and growth in home video segment. While theatrical collections continue to be the largest contributor to Industry revenues, ancillary revenue streams such as sale of TV rights, mobile rights, internet download rights etc are becoming increasingly important in the overall pie of the industry (Source: KPMG-The Indian Entertainment and Media Industry Report 2009).

Multiplex Industry during the first quarter of current Financial Year 2010 has gone through a difficult phase due to the Indian Premier League (IPL) and the impasse between exhibitors and producers on revenue sharing leading to delay in movie releases. This has adversely

impacted revenue generation of the Company. However the Management is hopeful to recover the shortfall in revenue in the remaining nine month period.

### Opportunities

**1. Largest Industry -** The Indian film industry is one of the largest globally 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 favorable demographics and lack of affordable alternatives, the sector will sustain high growth in the coming years.

**2. Demographic scenario supports long-term fundamentals:** The sector's growth is directly related to the changing demographic profile of the country. Robust macro forecasts and rising disposable income are expected to boost the spend on film exhibition sector.

**3. Rising market for Indian film abroad:** Indian expatriates and the worldwide embracing of Indian cultural products have created a strong new market for Indian films outside India. In recent times, the overseas market has been fast emerging as a primary source of revenue for the filmmakers because of the growing interest in the Hindi films amongst non-resident Indians and is further expected to promote the growth of Indian film industry.

**4. Improvement in the quality and variety of content:** Growing corporatisation in the film industry has opened up gateways for creative producers who have good scripts but no source of financing. Multiplexes are offering greater opportunities for creating content catering to the multiplex audience. This has enabled the producers to be more experimental with projects, creating new avenues for growth.

**5. Adoption of Digital Technology:** Digitiaation of content is playing a major role in transforming the face of the Indian entertainment and media industry. Digital solutions in Filmed Entertainment have helped the producers & exhibitors to reach relevant audience and increase the number of prints with comparatively lower additional costs.

**6. Integration across value chain and changing business mix creating additional value:** On the back of high growth witnessed in the sector, film exhibition companies are increasingly looking for opportunities to vertically integrate across the film industry value chain (production, distribution and exhibition) and diversify their business mix into other entertainment-related revenue generating avenues such as food courts, gaming, advertising.

### Threats/Risks and Mitigation Measures

**1. Concentration risk:** Significant expansion plans across various markets of India by the Multiplex Owners may lead to excess supply and unhealthy competition.

However in view of screen density in India being less than 12 screens per million population as compared to 117 screens per million in USA, we believe that the situation across the country is far from over supply.

**2. Execution delays:** There is a possibility of execution delays due to delay or failure in handover of properties from real estate developers due to pace of retail development or slowdown in organized retail and sluggish real estate activity.

Company has a team comprising of qualified executives which ensures timely execution and completion of projects.

**3. Piracy:** The difference between the average time lag between release of films in major Tier-I cities such as Mumbai and Tier-II cities is the highest in India, making significant scope for piracy. Increase in piracy activities can further hamper revenue streams from sale of rights for TV, DVD, CDs, mobiles etc. Further the shelf life of films in the last few years have reduced significantly, the success or failure of the film now depends largely on its performance in the opening weeks with the privacy having an adverse impact on legitimate revenues of the producers, distributor and exhibitors. We expect film industry in consultation with the Government of India, shall be able to address the issue of piracy successfully.

**4. Quality of Content:** Success in the film exhibition business is heavily dependent on the quality of the content being released and the flow of the content during the year. The success of a release can be highly unstable and seasonal, therefore impacting the performance of the business. With the advent of more and more professional entities into film production in the industry is becoming better and organised and is all set to roll out quality movies on a consistent basis thus producing quality movies for movie goers.

However we are of the view that the quality of the movies to be produced is expected to be better in the time to come.

**5. Competition from other forms of entertainment -** Supply of different types and formats of entertainment, like theme parks, movie-on-demand on DTH and cable platforms, IPL, Live Gaming, amongst others, could affect revenues. PVR has already moved towards lifestyle retail entertainment and opened a 24 lanes Bowling Centre & Karaoke Centre at Ambience

Mall Gurgaon through its Joint Venture Company "PVR bluO Entertainment Limited" in technical and financial collaboration with Major Cineplex Group Plc. Thailand.

### Product wise Analysis

The Revenue Growth under various heads during the year under review is summarised as under:

	(Rs Lacs)		
	Year ended 31.03.2009	31.03.2008	growth
Income from Ticket Sales & Revenue Sharing	17,646	15,753	12%
Sale of Food and Beverages	5,427	4,649	17%
Advertisement & Royalty Income	3,825	2,934	30%
Other Operating Income	575	540	6%
<b>Net Operating Income</b>	<b>27,473</b>	<b>23,876</b>	<b>15%</b>
Other Income	398	594	-33%
<b>Total Income</b>	<b>27,871</b>	<b>24,470</b>	<b>14%</b>

### Financial Performance

The Company's financial performance is discussed under the head "Financial Highlights" in Directors Report to the Shareholders.

### IPO Funds Utilisation

During the year under review the IPO proceeds were fully utilized for the purpose, the public offer was made i.e. for setting up new cinemas, investment in equity share capital of the subsidiaries and other General Corporate requirements of the Company.

### Operating performance

#### Footfalls & Occupancy

The Company entertained around 17 million patrons at its cinemas during FY 2009 as compared to 15.8 million patrons (excluding those at franchise cinemas) during the FY 08, registering a growth of 7%. The growth in footfalls was on account of four new cinemas with 24 screens during the year.

### Future Outlook

The Company has been pursuing an expansion plan that involves setting up of 42 additional screens in the next year, which will be in line with our strategy to be the major Cinema Exhibition player in the country.

Future outlook for the FY 2009-10 is positive and barring the unforeseen circumstances the company's performance is expected to show continued growth.

### Internal Control Systems and their adequacy

The Company has adequate internal control systems commensurate with its size and need.

M/s KPMG periodically review all control systems and assists in monitoring and upgrading the effectiveness of control systems. The Audit Committee also review this process.

### Material Developments in Human Resources

#### Recruitment & Selection

At PVR, we believe in hiring potential talent and develop their skills further by putting up a structured and extensive training program to develop them of professionals who would handle patrons by providing highest level of customer service in the entertainment world.

The stern process of selection encompasses evaluating candidates based on their educational background, Skill & Industry experience. Our linkage with best education and training institutes ensures constant supply of resources that are industry trained and ready to deliver on the values that govern the organization.

### Industrial Relations

With our fair management practices across the board we ensure a congenial work environment and a good quality of work life.

# Report on Corporate Governance

## Corporate Governance

As mandatory under Clause 49 of the Listing Agreement, the company has complied with the conditions of Corporate Governance by establishment of a framework for compliance with the SEBI Regulations.

## Company's Philosophy on Corporate Governance

PVR believes in adopting and adhering the best practices in the area of Corporate Governance and recognizes that good Corporate Governance is essential to build and retain the confidence of its stakeholders vis a vis enhancing corporate performance and accountability.

Corporate Governance has become integral part of PVR in its pursuit of excellence, growth and value creation. It continuously endeavors to leverage available resources for translating opportunities into reality. During the year under review, the Board of Directors, Management and Employees continued its pursuit of achieving these objectives through the adoption and monitoring of prudent business plans, monitoring of major risks of the Company's business and that the Company pursues policies and procedures to satisfy

its legal and ethical responsibilities. The Company's Philosophy is to achieve business excellence and optimize long-term Shareholders' value on a sustained basis by ethical business conduct. The Company is committed to transparency in all its dealings and places strong emphasis on business ethics.

## Board of Directors

### Composition of the Board

As on 31st March, 2009, the Company had seven Directors on the Board. The Board is comprised of two Executive Directors, five Non Executive Directors out of which four are the Independent Directors.

The Company has an Executive Chairman and the number of the Independent Directors is not less than half of total number of Directors.

The terms of reference of the Board of Directors are in accordance with those inter-alia specified in Clause 49 of the Listing Agreement and other applicable provisions of the Companies Act, 1956.

Details of the Board of Directors as on 31st March, 2009 in terms of their directorship/membership in committees of public companies and attendance in the last Annual General Meeting & Board Meetings are as follows:

Name of the Director	Category	Shareholding in the Company (No. of Shares)	Number of Board Meetings attended during the year	Attendance at the last AGM held on Sept. 30, 2008	No. of other Directorships	Number of Committee Memberships and Chairmanship in all Companies including PVR Limited	
						Member-ships	Chairman-ship
Ajay Bijli	Promoter, Executive Director	102922	6	No	2	2	1
Sanjeev Kumar	Executive Director	10000	6	Yes	2	2	-
Sumit Chandwani	Non Executive Independent	-	3	Yes	4	4	1
Vikram Bakshi	Non Executive Independent	-	4	Yes	4	3	-
Renaud Jean Palliere	Non Executive Independent	-	2	No	-	-	-
Sanjay Khanna	Non Executive Independent	7500	6	No	-	-	-
Ravi. K. Sinha	Non Executive	-	5	Yes	2	3	1

## Number of Board Meetings

The Board of Directors met 6 (six) times during the year as follows:

- April 15, 2008,
- June 2, 2008,
- July 31, 2008,
- October 24, 2008,
- November 18, 2008 and
- January 30, 2009

## Remuneration Paid to Directors

### Executive Directors

The details of the remuneration to the Executive Directors are as under:

Mr. Ajay Bijli, Chairman cum Managing Director (CMD) and Mr. Sanjeev Kumar, Joint Managing Director (JMD) of the company were paid following remuneration and perquisites during the year under review:

	Amount (Rs.)	
Remuneration	Mr. Ajay Bijli	Mr. Sanjeev Kumar
Salary & Perquisites	18,339,097	9,185,548
Contribution to Provident Fund	1,380,852	690,426
Total	19,719,949	9,875,974

Perquisites include Company leased accommodation/ HRA.

## Non Executive Directors

During the year under review, Mr. Ravi K. Sinha a non-executive director was paid annual professional fees of Rs. 2,400,000 (Rupees Twenty Four Lacs).

Further, the following Non-Executive Directors of the company were paid remuneration (Sitting fees) for attending meetings of the Board/Committee of the Directors as follows:

Name of the Directors	Sitting Fees (Rs.)
Mr. Sanjay Khanna	2,60,000.00
Mr. Ravi K. Sinha	1,20,000.00
Mr. Sumit Chandwani	1,60,000.00
Mr. Vikram Bakshi	2,00,000.00
Mr. Renaud Jean Palliere	1,00,000.00
Total	8,40,000.00

The company does not have any direct pecuniary relationship/transaction with any of its Non Executive Directors except Mr. Ravi K. Sinha who is paid monthly retainership fees for advising the Company on Corporate matters.

## Code of Conduct

The Board has laid down a Code of Conduct for all Board members and senior management of the Company which is available on the website of the Company [www.pvr cinemas.com](http://www.pvr cinemas.com). All Board members and senior management that includes company



executives' one level below the Board have affirmed compliance with the said Code. A declaration signed by the Chairman to this effect is provided elsewhere in the Annual Report.

### Audit Committee

#### Composition, Meetings and Attendance:

As on March 31, 2009, the Audit Committee comprises of four Non -Executive and Independent Directors. The Chief Financial Officer, the Statutory Auditors and the Internal Auditors are the invitees in the Committee meetings.

The Company Secretary acts as the Secretary of the Audit Committee.

The Terms of reference of the Audit committee are in accordance with those specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

#### Composition and Attendance

Mr. Sumit Chandwani who has knowledge in Finance and Accounts is the Chairman of the Audit Committee. During the year under review the Audit Committee met four times on June 02, 2008; July 31, 2008; October 21, 2008 and January 30, 2009 and the maximum gap between any such two meetings did not exceed four months as stipulated under Clause 49.

Name of the Members	No. of meetings attended
Mr. Sumit Chandwani	2
Mr. Vikram Bakshi	4
Mr. Renaud Jean Palliere	2
Mr. Sanjay Khanna	3

### Investors Grievance Committee

#### Terms of Reference

The Investors Grievance Committee focuses on shareholders' grievances, monitor the response to investors' queries besides strengthening of investor relations. It looks into all kinds of investor complaints including transfer of shares, non-receipt of dividends/ annual reports and other such issues.

#### Composition and Attendance

The Investor Grievance Committee comprises of three Directors, two of whom are Non-Executive Directors.

During the year under review the Investors Grievance Committee met four times on June 02, 2008; July 31, 2008; October 21, 2008 and January 30, 2009.

Name of the Members	No. of meetings attended
Mr. Ajay Bijli	4
Mr. Sumit Chandwani	2
Mr. Sanjay Khanna	3

The Company Secretary, being the Compliance Officer, is entrusted with the responsibility, to look into the redressal of the Shareholders and investors complaints and report the same to the Investor Grievance Committee.

### Remuneration Committee

#### Terms of Reference

The remuneration committee of the Board consists of four members, all of whom are independent directors. The Remuneration committee has been constituted for the determination of remuneration packages of the Directors.

#### Composition

Name of the Members	No. of meetings attended
Mr. Sumit Chandwani	1
Mr. Vikram Bakshi	1
Mr. Renaud Jean Palliere	1
Mr. Sanjay Khanna	1

During the year ended March 31, 2009, the Remuneration Committee meeting was held on June 02, 2008.

The Remuneration policy of the Company is aimed at rewarding performance, based on review of the achievements on a regular basis. The remuneration paid to the Executive Directors is recommended by the Remuneration Committee and approved by the Board of Directors in the Board Meeting, subject to the subsequent approval by the shareholders and such other authorities as and when required.

### Compensation Committee

The Compensation Committee administers and supervises the ESPS and ESOS besides determination of all related matters.

### Composition

Name of the Members	No. of meetings attended
Mr. Ajay Bijli	1
Mr. Vikram Bakshi	1
Mr. Sumit Chandwani	Nil
Mr. Ravi K. Sinha	1

During the year ended March 31, 2009, the Compensation Committee met only once on January 30, 2009.

Details of complaints/ queries received and resolved during the Financial Year 2008-09 are as follows:

Nature of Complaints	Number of complaints / Queries received during the year	Complaints/ Queries resolved during the year
Non-receipt of Securities	3	3
Non-receipt of Annual Report	2	2
Non-receipt of Dividend Warrants	9	9
Non-receipt of refund orders	4	4
<b>Total</b>	<b>18</b>	<b>18</b>

The transfer/transmission/split of physical share certificates is approved by the Company Secretary at least once in a fortnight on the basis of recommendations received from the Company's Registrars and Share Transfer Agent M/s Kavy Computershare Private Limited. The Investors may lodge their grievances through e-mails at cosec@pvr cinemas.com or through letters addressed to Mr. Purnachander, Unit PVR Ltd., Kavy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500 081.

### General Body Meetings:

Details of the last three Annual General Meetings (AGMs) of the Company are as under:

Financial Year	Day & Date	Time	Venue	Special Resolutions passed
2005-06	Wednesday, September 6, 2006	9:30 A.M.	61, Basant Lok, Vasant Vihar, New Delhi - 110057	(i) Increasing the FII Shareholding limit under Foreign Exchange Management Act, 1999; (ii) Utilization of IPO funds in a manner other than that mentioned in the prospectus.
2006-07	Saturday, August 18, 2007	10:30 A.M.	61, Basant Lok, Vasant Vihar, New Delhi - 110057	(i) Issue of Foreign Currency Convertible Bonds pursuant to the provisions of Section 81(1A) of the Companies Act, 1956; (ii) Issue of Warrants convertible into Equity Shares pursuant to the provisions of Section 81(1A) of the Companies Act, 1956; and (iii) Increase in the FII Shareholding limit under Foreign Exchange Management Act, 1999.
2007-08	Friday, September 30, 2008	10:00 A.M.	The Claremont Hotel & Convention Centre, Aaya Nagar, Mehrauli Gurgaon Road, New Delhi - 110 030	(i) Approval to hold office or Place of Profit under the Company.

Resolutions passed during the year through Postal Ballot

During the year under review, the Company has conducted a Postal Ballot in pursuance to the provisions of Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 for seeking approval of the shareholders:

By way of Special Resolutions:

- 1. Granting of Stock Options to the employees under Employees Stock Option Scheme; and
- 2. Alteration in the Articles of Association of the Company;

By way of Ordinary Resolutions:

- 1. Approving Agreements with Mr. Ajay Bijli, Chairman cum Managing Director and Mr. Sanjeev Kumar, Joint Managing Director; and
- 2. Authorisation to the Board of Directors of the Company for creation of charge/mortgage/ hypothecation/encumbrance in terms of Section 293(1) (a) of the Companies Act, 1956.

The notice of the Postal Ballot was published in **Business Standard** (English daily) and **Business Standard Hindi** (Vernacular newspaper).

M/s Brajesh Kumar & Associates, Company Secretaries, New Delhi were appointed as scrutinizer by the Board. Mr. Brajesh Kumar had submitted his report on January 05, 2009 based on which same day result was declared by the company.

The summary of the results are as follows:

Resolution I: Granting of Stock Options to the employees under Employees Stock Option Scheme

Particulars	No. of Postal Ballot Forms	No. of Shares	%
Total Postal Ballot forms received	282	136,49,654	59.31% (of total no. of Equity shares)
Less: Invalid Postal Ballot forms	33	1,238	0.01% (of Total no. of shares under Postal Ballots received)
Net valid Postal Ballot forms	249	136,48,416	99.99% (of Total valid shares under Postal Ballots received)

Votes cast in favour of the resolutions (%age)	238	136,48,123	100% (of Total valid shares under Postal Ballots received)
Votes cast against the resolutions (%age)	11	285	0.00% (of Total valid shares under Postal Ballots received)

Resolution II: Alteration in the Articles of Association of the Company;

Particulars	No. of Postal Ballot Forms	No. of Shares	%
Total Postal Ballot forms received	282	136,49,654	59.31% (of total no. of Equity shares)
Less: Invalid Postal Ballot forms	33	1,238	0.01% (of Total no. of shares under Postal Ballots received)
Net valid Postal Ballot forms	249	136,48,416	99.99% (of Total valid shares under Postal Ballots received)
Votes cast in favour of the resolutions (%age)	240	136,48,100	100% (of Total valid shares under Postal Ballots received)
Votes cast against the resolutions (%age)	9	264	0.00% (of Total valid shares under Postal Ballots received)

Resolution III: Approving Agreements with Mr. Ajay Bijli, Chairman cum Managing Director and Mr. Sanjeev Kumar, Joint Managing Director;

Particulars	No. of Postal Ballot Forms	No. of Shares	%
Total Postal Ballot forms received	282	136,49,654	59.31% (of total no. of Equity shares)
Less: Invalid Postal Ballot forms	33	1,238	0.01% (of Total no. of shares under Postal Ballots received)
Net valid Postal Ballot forms	249	136,48,416	99.99% (of Total valid shares under Postal Ballots received)

Votes cast in favour of the resolutions (%age)	240	136,48,054	100% (of Total valid shares under Postal Ballots received)
Votes cast against the resolutions (%age)	9	310	0.00% (of Total valid shares under Postal Ballots received)

Resolution IV: Authorisation to the Board of Directors of the Company for creation of charge/ mortgage/hypothecation/encumbrance in terms of Section 293(1)(a) of the Companies Act, 1956

Particulars	No. of Postal Ballot Forms	No. of Shares	%
Total Postal Ballot forms received	282	136,49,654	59.31% (of total no. of Equity shares)
Less: Invalid Postal Ballot forms	33	1,238	0.01% (of Total no. of shares under Postal Ballots received)
Net valid Postal Ballot forms	249	136,48,416	99.99% (of Total valid shares under Postal Ballots received)
Votes cast in favour of the resolutions (%age)	235	122,36,355	89.65% (of Total valid shares under Postal Ballots received)
Votes cast against the resolutions (%age)	14	14,12,036	10.35% (of Total valid shares under Postal Ballots received)

The Chairman after pursuing the scrutinizer's report announced that the resolutions as per the Postal Ballot Notice were duly passed with requisite majority and directed that the resolutions be recorded in the minute book.

Subsidiary Companies

The Clause 49 of the listing agreement defines a "Material Non Listed Indian Subsidiary" as an unlisted subsidiary, incorporated in India whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively of the listed holding company and its subsidiary in the immediately preceding accounting year.

PVR Pictures Limited is the material non listed Indian subsidiary of the Company and has Mr. Sumit Chandwani an Independent Director on the Board of PVR Pictures Limited.

Disclosures

a) Related Party Transactions:

There were no materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, directors or the management or their relatives, its subsidiaries etc. during the year, that may have potential conflict with the interests of the Company at large. All related party transactions have been disclosed in the Notes to the Accounts appearing elsewhere in this report.

b) Compliances made by the Company:

There were no non-compliances during the last three years by the Company in respect of any matter related to Capital Market.

c) Compliance of amended Clause 5A of the Listing Agreement:

As required under Clause 5A of the Listing Agreement there were six cases in respect of 176 Equity shares of the Company which could not be credited in the respective demat accounts of the Members due to want of certain information for which M/s Karvy Computershare Private Limited has already sent requisite reminders for intimating desired information. 176 equity shares in demat form have already been credited to a suspense account opened by the company.

d) The Company During the year forfeited a sum of Rs. 258 lacs due to non exercise of rights to convert 12,00,000 Convertible Warrants into Equity Shares issued to an Investor.

There were no penalties imposed or strictures passed on the Company by Stock Exchanges, SEBI or any other Statutory Authority. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements entered into with the stock exchanges.

Management

The Management Discussion and Analysis Report is given separately and forms part of this Annual Report.

CMD/CFO Certification

The Certificate from Mr. Ajay Bijli, Chairman cum Managing Director and Mr. Nitin Sood, Chief Financial