PVR

ANNUAL REPORT
2010-2011

Board of Directors

Mr. Ajay Bijli	Chairman cum Managing Director
Mr. Sanjeev Kumar	Joint Managing Director
Mr. Vicha Poolvaraluk	Director
Mr. Sumit Chandwani	Director
Mr. Vikram Bakshi	Director
Mr. Ravi K. Sinha	Director
Mr. Renaud Jean Palliere	Director
Mr. Sanjay Khanna	Director

Company Secretary
Mr. N.C. Gupta

Auditors
S.R. Batliboi & Co.
Chartered Accountants,
Gurgaon

Main Bankers
DBS Bank Limited
HDFC Bank Limited
Axis Bank Limited

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

Subsidiaries
PVR Pictures Limited
PVR bluO Entertainment Limited
CR Retail Malls (India) Limited

Registrar & Share Transfer Agents
Karvy Computershare Private Limited,
17-24, Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081
Tel.: +91-40-2342 0815-828 Fax: +91-40-2342 0814
www.kcpl.karvy.com

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Directors' Report

Dear Shareholders

Your Directors have pleasure in presenting the Sixteenth Annual Report on the business and operations of the Company and Audited Financial Statements for the year ended March 31, 2011.

Financial Highlights

(Rs. In Lacs)

		2010-11		2009-10
Income		**36,002**		**28,065**
Expenditure		29,926		24,892
Earnings before depreciation/ amortization interest and tax (EBDITA)		**6,076**		**3,173**
Depreciation		2,411		2,162
Interest		1,374		986
Profit before Tax		**2,291**		**25**
Provision for Tax Credit/ (Expense) (net)		(657)		1
Profit after Tax		**1,634**		**26**
Balance brought forward from previous year	2,220		2,749	
Accumulated profit brought forward of Sunrise Infotainment Pvt. Ltd.	-		29	
Loss after tax of 2008-09 of Sunrise Infotainment Pvt. Ltd.	-	2,220	(263)	2,515
Profit available for appropriation		**3,854**		**2,541**
Appropriations				
Transfer to Debenture Redemption Reserve		85		21
Transfer to General Reserve		41		-
Dividend on Equity Shares		286		256
Tax on Dividend		46		44
Balance carried over to Balance Sheet		**3,396**		**2,220**

Financial Review:

While the performance of the Company for the first nine months of 2010-11 was decent, however the fourth quarter was impacted due to the Cricket World Cup as no blockbuster movies were released during the period. On an overall basis, the company has been able to demonstrate promising growth in revenues led by 7%-10% growth in ticket pricing and food & beverage realizations across the same stores.

The success of big blockbuster movies like "Rajneeti", "Housefull" and "Dabangg" boosted the film industry's fortune. Small Budget movies like "Peepli Live", "Phas Gaye Re Obama", "Tanu Weds Manu" among others also did well at the Box Office.

During the financial year under review the total income of the Comapny were Rs. 360 Crores as compared to Rs. 280.6 Crores in 2009-10, up by 28%. EBITDA for 2010-11, were Rs. 60.7 Crores as compared to Rs. 31.7 Crores in 2009-10, up by 91%. Profit after Tax for 2010-11 was Rs. 16.3 Crores as compared to Rs. 0.26 Crores in 2009-10.

The company at present operates 33 properties with 142 screens in 18 cities across the country. The company added 19 Screens at 3 locations i.e. Chennai, Ahmadabad and Lucknow in 2010-11. The Company had signed Agreements/MOUs for 75-80 screens for the coming financial year in different parts of the country including cities like Udaipur, Vijaywada, Delhi, Mysore, Bangalore, Bhopal, Pune etc. which will further boost the revenues and profitability of the company.

The pipeline of the movies for FY 2011-12 looks exciting and the company expects its revenues to consolidate further on the strength of its properties in the best locations.

The company expects that about 25-30 3D films that are expected to be released in financial year 2011-12, will fetch higher ticket prices. The company also has a plan to install digital IMAX theatre systems at its four locations in India. The first two of them would be installed within the next 12 months at Company's two multiplexes in Mumbai and Bangalore.

Dividend

Your Directors are pleased to recommend a dividend of 10% (Re. One per Equity Share) for the financial year ended March 31, 2011.

Operations Review

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

Subsidiaries

As on March 31, 2011 the Company had three subsidiary companies namely M/s CR Retail Malls (India) Limited (CRR) a wholly owned subsidiary, M/s PVR Pictures Limited (PVR Pictures) and M/s PVR bluO Entertainment Limited (PVR bluO).

CR Retail Malls (India) Limited (CRR)

CR Retail Malls (India) Limited operates the 7 screen Multiplex at "The Phoenix Mills Compound" at Lower Parel, a prime retail and entertainment destination in Mumbai. CRR during the period 2010-11 recorded an income of Rs. 28.65 Crores and a Net Profit of Rs. 4.06 Crores.

On 5th May, 2011, PVR Ltd. entered into an arrangement with JM Financial group of Companies for sale of equity shares of CRR. Under the terms of sale of entire equity share of CRR, PVR Ltd. has realized Rs. 100 Crores. PVR has also entered into a lease agreement with CRR to continue to operate the multiplex property on a long term lease basis.

PVR Pictures Limited (PVR Pictures)

PVR Pictures is in the business of film production & distribution. The year under review was adversely impacted on account of poor performance of company's production "Khelein Hum Jee Jaan Sey". As a result the company incurred a loss of Rs. 22.18 Crores at PAT level during 2010-11. The loss after excluding Minority Interest was Rs. 13.31 Crores.

Due to these losses both the investors i.e., JP Morgan Mauritius Holdings IV Limited and India Advantages fund (IAF) have shown their intention for exiting from the company. Your company ("PVR Limited") has now decided to purchase balance 40% equity share capital of PVR Pictures Limited from the said two investors and pay Rs. 60 Crores i.e., Rs. 30 Crores to each of the said two Investors. Post acquisition of 40% share capital by PVR Limited, PVR Pictures Limited shall become a wholly owned subsidiary of your Company.

The company is in the process of completing a movie "Shanghai" which is being directed by Dibakar

Banerjee starring Abhay Deol and Emran Hashmi and is expected to be released in the third quarter of the FY 2011-12.

PVR bluO Entertainment Limited (PVR bluO)

PVR bluO in the financial year 2010-2011 earned a Net Revenue of Rs.14.27 Crores and a Profit after Tax of Rs. 2.08 Crores.

Presently the company operates India's largest bowling alley center in Ambience Mall, Gurgaon. The center has been able to establish itself as a premier leisure and entertainment destination for consumers in NCR. The Company has made a roadmap for expansion of its business and has plans to open additional 3-4 bowling centres in India in next 12 months.

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 2010-11.

Particulars under Section 212 of the Companies Act, 1956

The Ministry of Corporate Affairs, Government of India has granted a general exemption, for attaching the audited accounts of the subsidiaries in the Consolidated Accounts of the Company vide general circular no. 2/2011 dated 8th February, 2011.

Corporate Governance

The Company is committed to uphold the highest standards of corporate governance. Your 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 Practising 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 an integral part of this 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. Vikram Bakshi and Mr. Sumit Chandwani, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment as Directors of the Company.

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 Deposit) Rules 1975.

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 for the Financial Year ended 31st March, 2011 on a going concern basis.

Group Companies

Pursuant to the provisions under the Monopolies Restrictive Trade Practices Act, 1969, read with the relevant provisions under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, ("SEBI Regulations, 1997") and all other applicable laws, persons constituting group for availing of various exemptions from the applicability of the provisions of various Regulations under the SEBI Regulations, 1997, Income Tax Act, 1961 are given in the MDA.

Buy Back of Company's own Equity Shares

The Board of Directors in the meeting held on 27th May, 2011 approved buy back of Company's own Equity Shares from the Stock Exchanges for a sum not exceeding Rs. 26.21 Crores i.e., 10% of the paid up Equity Share Capital and Free Reserves at a price not exceeding Rs. 140 each equity share of face value of Rs. 10 each in accordance with the applicable provisions under the securities and exchange board of India Buy Back of Securities regulations 1998.

Auditors' Report

The Statutory Auditors of the Company, M/s. S. R. Batliboi & Co., Chartered Accountants, Gurgaon, 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 M/s 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.

Change in Capital Structure and Listing of equity shares

The Company's shares are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). During the year, 14,60,112 Equity Shares of face value of Rs. 10 each were allotted to the Equity Shareholders of M/s Leisure World Private Limited on 8th September, 2010, pursuant to the Order of the Hon'ble High Court of Delhi dated 19th August, 2010.

Further 57,330 Equity Shares were allotted to employees of the Company on 31st August, 2010, 1st November, 2010, 30th November, 2010 and 6th January, 2011 against 57,330 options exercised by employees pursuant to Employees Stock Option Scheme of the 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

Your Directors place on records their gratitude to the shareholders, customers/patrons, suppliers, collaborators, bankers, financial institutions and all other business associates and 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 records their deep appreciation of the contribution made by the employees at all levels.

For and on behalf of the Board

Place: Gurgaon, Haryana
Date: May 27th, 2011

Ajay Bijli
Chairman cum Managing Director

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 utilization 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, 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 Variable 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.
- Building Signage with LED's based Technology to save energy and longer life span.
- 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 and also reduce the numbers of tube lights from 4 to 2 in each poster window to conserve Energy.

ii) Technology Absorption

- Installed and commissioned the energy efficient Air Conditioning plant at PVR Priya in New Delhi.
- Installed Energy Efficient Air conditioning plant at PVR Phoenix in Mumbai and PVR Saket in New Delhi during the year.
- Replacing the existing projection system (Analog) with 2k digital projection system for better viewing of movie and save energy as well.
- Added 30 screen PAN India basis on 3D format.

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

iii) Foreign Exchange Earnings & Outgo

	March 31, 2011 (Rs.)	March 31, 2010 (Rs.)
Earnings in foreign currency (on accrual basis)		
Income from Sale of Film Rights	Nil	Nil
Expenditure in foreign currency (on accrual basis)		
Travelling	3,116,371	1,948,161
Professional fees (including expenses, net of income tax)	6,984,619	3,081,409
Director Sitting Fees	32,000	168,370
Advertisement Expense		-
Total	**10,132,990**	**5,197,940**
CIF Value of Imports		
Capital Goods	44,302,583	20,923,540
Software	25,548	658,280
Total	**44,328,130**	**21,581,820**

For and on behalf of the Board

Place: Gurgaon, Haryana
Date: May 27th, 2011

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, 2011

A.

	Particulars	ESOP Scheme
1	Number of options granted	500,000
2	The Pricing Formula	The closing market Price on the day prior to the date of grant.
3	Number of options vested	330,000
4	Number of options exercised	118,390
5	Total number of shares arising as a result of exercise of options	118,390
6	Number of options lapsed	NIL
7	Variation in the terms of options	The vesting period has been changed from graded over 4 years to equally over 3 years pursuant to the Compensation Committee Resolution No. 3 passed on October 29, 2009
8	Money realised by exercise of options	Rs. 10,418,320
9	Total Number of Options in force	381,610

B. Employee-wise details of options granted to:

(i) Senior managerial personnel

Name	No. of options granted
No options were granted during the year	

(ii) Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year

Name	No. of options granted
No options were granted during the year	

(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

Name	No. of options granted
No options were granted during the year	

C. Diluted Earnings Per Share pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 **6.01**

D. The impact on the profits and EPS of the fair value method is given in the table below:

	Rs.
Profit as reported	163,446,973
Add - Intrinsic Value Cost	-
Less - Fair Value Cost	4,660,407
Profit as adjusted	158,786,566
Earning per share (Basic) as reported	6.03
Earning per share (Basic) adjusted	5.85
Earning per share (Diluted) as reported	6.01
Earning per share (Diluted) adjusted	5.84

E. Weighted average exercise price of Options whose
(a) Exercise price equals market price
(b) Exercise price is greater than market price — No options were granted during the current year
(c) Exercise price is less than market price

Weighted average fair value of options whose
(a) Exercise price equals market price
(b) Exercise price is greater than market price — No options were granted during the current year
(c) Exercise price is less than market price

F. Method and Assumptions used to estimate the fair value of options granted during the year:

No options were granted during the current year

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, 2011. 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 refers 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 1200 movie releases and over 3 billion moviegoers annually.

2010-11 witnessed the successful release of big blockbuster movies like “Rajneeti”, “Housefull” and “Dabang” which boosted the film industry’s fortune. Small Budget movies like “Peepli Live”, “Phas Gaye Re Obama” Tanu Weds Manu” among other appear to indicate an increasing audience demand for strong content. In 2011, as a consequence of the Cricket World Cup, fewer films were released during February to March 2011.

However, with an interesting line up of films in 2011-12 the industry is estimated to achieve a 9 percent growth to touch ~INR 91 billion. In the long term, the industry is projected to grow at the CAGR of 9.6% between 2010-2014, and reach the size of INR 132.1 billion by 2014.

2010 witnessed significant capacity expansion by multiplex chains and currently have significant expansion plans. The industry which currently has approximately 1000 multiplex screens is likely to double its screen count over the next 5 years. This multiplex growth is expected to be the key driving force for the growth of Indian film industry.

While theoretical 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. Also rising number of digital screens in the country will enable wider releases of films which may lead to higher theatrical revenues and help reduce piracy. (*Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2011*)

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.
2. **Demographic scenario supports long-term fundamentals:** Due to favourable demographics (75% of the country’s population is below the age of 35) and economic conditions in India, coupled with consumers willing to spend more on a variety of leisure and entertainment services, the filmed entertainment business is set to grow in the years to come.
3. **Urbanization and growing middle class:** Rising urbanization is expected to drive multiplex growth through two levers – (i) a population that increasingly spends on discretionary items such as entertainment, and (ii) availability of quality spaces such as malls which are suitable for multiplexes.