



FIRST OF ALL

Inside the report

Corporate philosophy and identity	2-3
Key financial highlights	4-5
From the Managing Director's Desk	6-7
Our business model	14-15
Managing risks	16-17
Portfolio analysis	18

Notice	22-23
Directors' Report	24-27
Management discussion and analysis	28-30
Report on Corporate Governance	31-39

Standalone financial statements:	40
Auditors' report	41-43
Financial statements	44-45
Cash flow statement	46
Accounting policies and notes on accounts	47-57

Consolidated financial statements:	58
Auditors' report	59
Financial statements	60-61
Cash flow statement	62
Accounting policies and notes on accounts	63-74

The Indian film industry is where the Indian automobile sector was in the early-Eighties and the country's housing sector was in the early-Nineties.

At an inflection point.

From this point onwards, the growth of the industry is expected to be faster than usual. This higher-than-average growth is expected to translate into enhanced value for all industry players - actors, film-makers, distributors, infrastructure owners and financiers.

The one company that is most comprehensively equipped to capitalize on this inflection is South India's only listed and organized media financing company.

Picturehouse Media Limited.



Picturehouse Media Limited.

South India's first and only organized film media capital provider in a country which is one of the largest producer of films in the world.

VISION

TO BE A GAME CHANGER IN THE MEDIA AND ENTERTAINMENT SECTOR

MISSION

DELIVER TRENDSETTING SOLUTIONS FOR CAPITAL REQUIREMENTS OF THE MEDIA AND ENTERTAINMENT SECTOR AND CREATE A VALUE CHAIN THAT BENEFITS EVERY STAKEHOLDER.

LEGACY

- Picturehouse Media was acquired in 2007 by Mr Potluri V. Prasad, a serial global entrepreneur. One of the youngest first generation serial Indian entrepreneurs to have built and sold three companies the world over - Procon, Albion Orion LLC and Irevna - before he was 35
- The earlier name of the Company was Telephoto Entertainments Ltd.
- Following a comprehensive market survey, the Company identified film media financing as an attractive niche, marked by the absence of organized financiers

BUSINESS

- As a media capital house, Picturehouse Media finances the end-to-end process in film-making – from film idea germination to its successful completion
- Within just three years, the Company has evolved into a dependable one-stop-shop for film financing through PVP Capital (100 percent subsidiary) as well as film production under the banner of PVP Cinema



PRESENCE

- Picturehouse Media enjoys an extensive presence in the financing of Tamil and Telugu cinema
- The Company has produced and financed over 50 films since inception
- The Company was engaged in the financing of the prominent Kamal Haasan-starrer *Vishwaroopam* and produced blockbuster films like *Naan-E* (released as *Makkhi* in Hindi), and a family entertainer in Telugu titled as *Balupu*

2012-13 OPERATIONAL HIGHLIGHTS

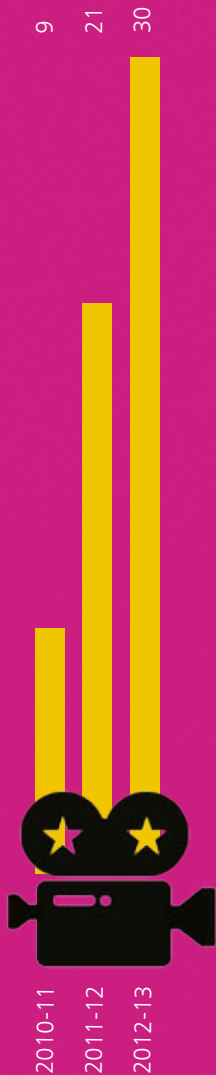
- Financed 30 films including *Vishwaroopam*, *Thuppaki*, *Nayak*, and *Paradesi*
- Acquired PVP Capital (company operating as a film financing NBFC arm of Picturehouse Media)

LISTING

- PHML shares are listed on the BSE
- The promoters held 69.67 percent of the Company's equity as on 31 March 2013.
- The market capitalization of the Company was ₹207.43 crore as on 31 March 2013.

Financial highlights

PORTFOLIO
(NUMBER OF
FILMS FINANCED
AND PRODUCED)



Growing engagement with films...

LOAN BOOK
(₹ CRORE)



... has resulted in an enlarging loan book...

TURNOVER
(₹ CRORE)



... contributing to a rising turnover...

OPERATING PROFIT
(₹ CRORE)



... leading to a surging operating profit...

CASH PROFIT
(₹ CRORE)



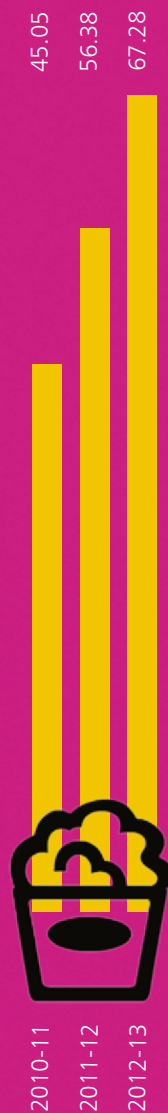
... and rising cash profit...

POST-TAX PROFIT
(₹ CRORE)



...also contributing to a growing post-tax profit

NETWORTH
(₹ CRORE)



Our growing ability to earn and prudently plough-back surpluses...

BOOK VALUE PER SHARE
(₹)



... has enhanced our per share book value

From the Managing Director's desk

*Dear
shareholder,*

INDIA IS POSSIBLY THE MOST ATTRACTIVE FILM MEDIA COUNTRY IN THE WORLD.

The country is special for an interesting reason. When it comes to the film sector, it possesses a characteristic unique perhaps only to itself: it reconciles the magic of scale on the one hand and under-penetration on the other. So even as the country's film industry could well be considered mature for its sheer scale - 4.4 billion cinema visits per year (highest in the world), more than 1,000 films produced annually and 14 million Indians watching a film every day – there is a case that the sector is still fundamentally nascent because of its under-penetration.

The point that deserves a serious consideration is this: even as India accounts for one of the largest film markets in the world, there are only about 900 multiplex screens in the country (*Source: Multiplex Association of India*), which translates into a mere 10 screens per million individuals, a twelfth of the US average (*Source: Business Today, May 2012*). On the other hand, the number of single-screen cinemas in India has declined from 13,700 a decade ago to about 10,500 single-screens on account of the growing clout of digital cinema.

So while on the one hand, we have evidence of extensive digital under-penetration, there is a growing excitement that the country has



THE SHARP RISE IN THE BUDGET FOR FILMS IN INDIA HAS, INTERESTINGLY, CREATED AN UNPRECEDENTED OPPORTUNITY: WHILE EARLIER, PRIVATE UNORGANIZED FINANCIERS WOULD POOL THEIR RESOURCES TOGETHER AND FINANCE A FILM TO COMPLETION, THERE IS A GROWING NEED FOR LARGE, ORGANIZED AND CORPORATIZED FINANCIERS TO PROVIDE STABLE FILM FINANCING TODAY.

arrived at an inflection point. After nearly a century of near-linear growth, the industry has embarked on an exciting transition from conventional to digital media, translating into attractive economics and a completely new way of doing business. What makes this story compelling is that following this point, growth will be higher-than-average, progressively graduating India into the film hub of the world.

A momentum of modern infrastructure creation is driving this excitement. Until 2010, there were around 800 multiplex screens in India; in the last three years, the number of multiplex screens in India has grown to around 1,200. Every year, India is adding around 100 multiplex screens. This pace of modern cinema-watching infrastructure growth is clearly one of the fastest in the world.

Interestingly, this attractive annual increment has a dramatic impact on the economics of the overall Indian film industry. Clearly, the new kid on the block has a remarkable downstream impact: an increasing number of films are being made around a superior audio-visual experience compatible with the modern film-watching infrastructure being created; this has translated into higher ticket prices and footfalls; this increased income in the hands of infrastructure owners has extended to higher distributor collections, higher

producer revenues and higher incomes for performers-cum-technicians. In short, this single reality – modern film-watching infrastructure – has done more for the Indian film industry in the short space of a decade than all the other industry changes put together in the previous nine decades.

In turn, this development has had a significant impact on the cost of film-making. Film-making budgets – across languages and regions – have risen substantially over the last decade to around USD 2-3 million. A film was once considered expensive if it was made with ₹10 crore; the most expensive film made in India today costs ₹100 crore and most films fall in the ₹25-50 crore range today.

The sharp rise in the budget for films in India has, interestingly, created an unprecedented opportunity: while earlier, private unorganized financiers would pool their resources together to finance a film to completion, there is a growing need for large, organized and corporatized financiers to provide stable film financing today.

Picturehouse Media is the right company in the right sector at the right time.

The Company is one of the listed media capital providers in South India and among a handful in the organized

film financing space in the country. What makes the Company special is that even as companies may even be considering an entry in this challenging sector, Picturehouse Media has already demonstrated an extensive track record in having financed more than 50 films since inception. More than just financing films, Picturehouse Media has already demonstrated a capability in financing and closing transactions with no non-performing assets on its books. As a natural extension to this successful track record, Picturehouse Media has already emerged as a market leader in the South Indian film financing space, having engaged with prominent banners and films.

The time has come for Picturehouse Media to leverage its fundamentals and graduate into the next league.

The Company possesses the visibility to make it part of a prominent deal flow, the intellectual capital to grow its book without compromising its liquidity, considerable borrowing room on its books to double its business over the next two years and in doing so extend our focus from South India to the Mumbai film industry.

With my very best regards,

Prasad V. Potluri
Managing Director

