

EIGHTH ANNUAL REPORT | 2000 - 2001

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BRITISH NANDY COMMUNICATIONS LTD

THE IDEAS COMPANY

PNC
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Shah Rukh Khan performs at the Viewers' Choice Movie Awards 2001



Hrithik Roshan with his award for Best Debut at the Viewers' Choice Movie Awards 2001

Heads & Tails India's first animal rights show hosted by Maneka Gandhi



Koshish on Doordarshan which won the RAPA Award 2001



Hungama Unlimited: the No 1 show on DD Metro



John Abraham, top model, debuts in PNC's next production directed by Rahul Rawail

Actress Kajol in a double role in Kuch Khatti Kuch Meethi, a PNC production



annual report

PRITISH NANDY COMMUNICATIONS LTD

BOARD OF DIRECTORS

Pritish Nandy, Chairman
Sriram Chander
Sharokh Sabavala
Yash Johar
Rina Pritish Nandy
Pallab Bhattacharya, Wholetime Director

COMPANY SECRETARY

Mahesh Joshi

AUDITORS

Jaideepsingh P Deore & Co
Chartered Accountants - Mumbai

BANKERS

Standard Chartered Grindlays Bank
Breach Candy - Mumbai 400 036

IndusInd Bank
D P Marg - Mumbai 400 004

The Sangli Bank
Dadar - Mumbai 400 028

Citibank, N.A.
Nariman Point - Mumbai 400 021

REGISTERED OFFICE

206 Centre Point - Dr Ambedkar Road - Parel - Mumbai - 400 012

CORPORATE OFFICE

Great Western Building - Shahid Bhagat Singh Road - Kala Ghoda - Mumbai - 400 023

executive committee

Pallab Bhattacharya
Wholetime Director

George Darley-Doran
Chief Operating Officer

Christopher Fernandes
Vice President, Finance

Oswald D'Souza
Vice President, Marketing & Sales

Rangita Prithish-Nandy
Executive Producer

Yatender Verma
General Manager, Finance & Accounts

financial highlights

	Year ended 31.3.1994	Year ended 31.3.1995	Year ended 31.3.1996	Year ended 31.3.1997	Year ended 31.3.1998	Year ended 31.3.1999	Year ended 31.3.2000	Year ended 31.3.2001
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Rs in lakh

PROFIT & LOSS ACCOUNT

Total Turnover	60.29	269.48	570.89	754.71	841.82	855.58	1,409.68	1,560.62
Total Expenditure	57.80	228.81	391.93	594.57	798.63	664.45	1,083.17	1,057.91
Profit before Taxation	2.49	40.67	178.96	160.14	43.19	191.13	326.51	502.71
Provision for Taxation	1.50	17.75	68.00	51.50	8.00	27.00	85.00	40.00
Net Profit	0.99	22.92	110.96	108.64	35.19	164.13	241.51	462.71
Dividend (%)	180.00	200.00	200.00	10.00	10.00	20.00	20.00	20.00

BALANCE SHEET

Net Block	8.00	8.66	87.26	90.27	112.70	164.34	160.42	321.73
Investments	9.56	25.25	51.76	89.99	89.99	89.99	133.68	2,209.68
Current Assets (Net)	-16.78	-7.82	-2.82	262.66	580.24	661.96	1,430.28	3,235.46
Miscellaneous Expenditure	0.31	0.28	0.24	0.21	0.78	0.59	3.98	263.24
Total Application of Funds	1.09	26.37	136.44	443.13	783.71	916.88	1,728.31	6,030.11
Borrowings	0.00	0.00	0.00	160.83	316.37	310.47	0.00	16.23
Paid- up Capital	0.40	0.40	0.40	60.00	100.00	100.00	785.00	1,046.70
Reserves	0.69	25.97	136.44	222.30	367.34	506.41	943.31	4,967.18
Net Worth	0.78	26.09	136.60	282.09	467.56	605.82	1,724.33	5,750.64

chairman's statement

The last year was momentous for your Company. In many ways.

To begin with, we dropped the word Private in our name to become Prish Nandy Communications Limited, a public company. Having done that, we went for an initial public offering with JM Morgan Stanley as the lead managers and enhanced our paid up equity to Rs 105 million. Raising, in the process, over Rs 400 million. Once the offering was over, your Company successfully listed itself on the Mumbai Stock Exchange as well as on the National Stock Exchange. As a result, our family of investors has grown much larger and, today, it is my privilege to address a much wider group of people than I have ever done as Chairman of your Company. People who have a direct stake in your Company and its future.

THE PAST YEAR

The times, however, have not been easy and the markets, choppy. Industrial growth has slowed down. The environment in which your Company operates has not been very conducive either. It is the grit and determination of Team PNC that saw your Company through this difficult year and, even as other companies in the ICE sector have been downsizing and laying off, your Company has actually ended the year with a 92 per cent growth in after tax profit. This did not come from interest and other income since the IPO funds were available to your Company only during the last quarter of the year. It came from better financial planning, cutting costs, strategic consolidation.

WHAT IS PNC?

On our road shows before the IPO, we were often asked: But what is PNC? The answer is actually very simple: PNC is a content Company. An efficient, multi-tasking content Company that knows exactly where its core skills lie. It is these skills that your Company is constantly honing so that we can continue to make a strong and substantial impact on the media and entertainment scene, not just in India but also in other parts of the world where the Indian diaspora is prevalent and growing. Unlike others in the media and entertainment sector, we have multiple revenue streams in your Company. But they all come from this one business: Content.

We make content for television channels. We create content that brings people into movie halls. We design events that bring in audiences. Also, interestingly, we make content that drives theme properties in brick and mortar. That is what PNC is all about. In other words, put even more simply, we make and market TV shows, movies, events, content-driven theme places. We build brands, create sponsorship opportunities, drive advertising platforms. And we do all this through the one way we know best. Creativity. That is why your Company calls itself The Ideas Company.

THE ROLE OF CORPORATIZATION

This was also the year when the Government of India decided to support and encourage corporatization in the media and entertainment sector. Your Company welcomes this step and very strongly commends it. We believe that this step will further strengthen companies like PNC which have always believed in the tenets of corporatization. Your Company is entirely run today by professional managers. These managers have brought to the business the highest levels of management expertise and core skills in handling creativity and its marketing. That is why the spreading of corporate values and culture is the best thing that could have happened to us. We will now work more easily, more comfortably in an environment that suits our own culture and upbringing. Also, liberalization will reinforce PNC's search for higher and higher standards of excellence and, hopefully, the global marketplace will soon be the playing field for your Company.

THE COMING YEAR

It is, therefore, only natural that PNC's first global production is a movie made in association with Merchant Ivory Productions of London. You will be pleased to know that the film, *The Mystic Masseur*, which commenced shooting last year, is already complete in record time and will premiere in Venice this fall. Directed by Ismail Merchant, the movie is based on Nobel Prize nominee, Sir Vidya S Naipaul's famous work and stars, among others, Om Puri and Ayesha Dharker from India. Your Company will also be shortly releasing globally Atlanta-based Nagesh Kukunoor's new film, *Bollywood Calling*. This, too, is an English language production and stars, among others, Om Puri, who is already one of the most popular actors in Britain. Last year, your Company produced and released Rahul Rawail's *Kuch Khatti Kuch Meethi* which was critically acclaimed and earned your Company Rs 25 million in foreign exchange from the sale of satellite telecast rights for Asia alone. This year Rawail is making a new film for us.

In fact, currently, we have a number of cinematic content projects on the drawing board and shooting floor. Most of these are aimed at the local market. Others, like *Kaante*, possibly the single biggest film in the making, are crossover productions meant to exploit global markets. In fact, your Company strongly believes that corporate India is all set to make a very strong presence on the global marketplace for cinematic and television content and that is why we are so keen on international projects. The liberalized regulations of RBI and the Government's encouragement to this sector will hopefully help us play a strategic role in developing this new marketplace for the future. It will also ready PNC for its global role as an Indian Company that can compete with the best in the world when it comes to designing, creating and marketing quality content. As the diaspora grows, more and more markets will open up overseas and international players will see the skill sets available in India. Companies like yours will be pre-eminently placed to exploit the opportunities this will offer.

INTO THE NEXT ORBIT

What we now need is size and critical mass. Your Company had, till now, always seen its role as a niche player in the content market. Producing the finest quality but refusing to grow beyond a boutique size. We believed that size would compromise our search for excellence. By going for an IPO last year, we changed that mind set. We demonstrated our desire to enhance size, increase output, diversify and institutionalize our skills. We are now keen to exploit further opportunities and drive your Company, into the forefront of the media and entertainment business here and, eventually, into the global arena where its true destiny lies. This will, in turn, translate into higher revenues and increased profits by leveraging. Your Company will also gain through a more diversified content portfolio that will enhance the quality and value of our library.

THE ROAD AHEAD

The entertainment business in India has enormous potential for growth. Different estimates have been made of its future size and every one of them, however they may vary in other respects, clearly indicates that Indian content is all set to emerge as a powerful force to reckon with. Be it on television screens or in cinema halls all over the world. The internet will also open up its own webcasting platforms when broadband arrives. It is difficult to predict which platforms will eventually drive the entertainment and media business of the future but one thing is certain: multi-tasking content players like PNC will play a key role in its growth and evolution. That is why your Company, which has such strong creative and marketing skills, is clearly committed to its single minded task of producing world class content. Content that can be showcased on multiple media platforms and which can bring in multiple streams of revenue. It is this total focus of your Company that has been its biggest strength over the years. It knows what it is good at and it has never digressed from its core competencies.

It is this focus and cutting edge creativity that has brought in quality institutional investors and a wide range of individual investors like you to share our future. Our employees were also given the opportunity last year, just before the IPO, to share in the success of the Company. We are now in the midst of introducing a stock options plan designed by KPMG to attract and retain talent. The talent base, in fact, of your Company has been widened and, with the opening of Moksh, the New Age wellness place, we have demonstrated that we are capable of producing world class products on brick and mortar platforms as well.

Our television shows continue on Doordarshan, which is the only platform as of now that allows content providers to retain their IPRs. Satellite channels insist on acquiring the shows they commission. That is why your Company has now decided, as a conscious policy, to work only on those platforms where the IPRs remain on its books for future exploitation. After all, this is where the maximum returns come from eventually. Our biggest on the ground event, the Sansui Viewers Choice Movie Awards was held again at the Indira Gandhi stadium in New Delhi in June and saw the biggest stars from the film industry, including Shah Rukh Khan and Karishma Kapoor, performing onstage. The turnout was huge, with Hrithik Roshan joining in cheering the winners.

Moksh, the New Age wellness place we have opened in Mumbai's prestigious Breach Candy district, is India's first holistic health club. It is open to members only by invitation and will restrict itself, in the first year, to only 400 people, which is enough to ensure its viability. The second year will see an enhancement of members and more such wellness products will be opened in different parts of the world over the next three years.

In other words, we see content as a multiple-tasking, multi-platform business where each segment reinforces the other. What we make for movie screens fetches us revenues on satellite TV. What we do in brick and mortar creates television opportunities which, in turn, builds brand. That is the magic of this business. Content drives multiple opportunities at the same time. What is even more interesting, it does not depreciate in value over time. It finds new technological platforms to renew itself. That is why libraries are important. That is why ownership over content is so crucial.

THE TEAM AT PNC

The management team that runs your Company has been further enhanced this year to strengthen our interface with customers, clients, investors. While Team PNC is quite capable of independently driving your Company ahead, we directors of your Company, who stay away from direct executive roles, are always available for advice and support and, whenever required, even active involvement. We are proud to welcome on your board Sharokh Sabavala, a very distinguished professional who has spent over half a decade with the Tata Group, holding some of the highest offices in its companies and steering its corporate communications policy. I am sure your Company will gain a great deal from his wide experience and expertise.

No Chairman's Statement can be ever complete without sharing with all of you the wonderful experience of seeing your Company standing at the threshold of yet another challenging year. While one recognizes the fact that it will be fraught with many uncertainties and concerns, it will be yet another opportunity for Team PNC to demonstrate its agility in meeting the challenges of change. I, for one, am convinced that with your unstinted support and encouragement, your Company will confidently move ahead and design a future for itself as strong and self assured as its past.

directors' report

To
The Members

Your Directors have pleasure in presenting their Eighth Annual Report on the business and operations of the Company and the audited financial accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

Turnover showed a marginal upward increase from Rs 1,224 lakh to Rs 1,340 lakh. A comparative study of the past five years shows sustained performance in a highly competitive business environment.

FINANCIAL HIGHLIGHTS

Particulars	Year ended 31.3.1997	Year ended 31.3.1998	Year ended 31.3.1999	Year ended 31.3.2000	Year ended 31.3.2001 Rs in lakh
Income from Operations	734.38	801.46	790.27	1,223.79	1,340.13
Other Income	20.33	40.36	48.93	185.89	220.49
Total Turnover	754.71	841.82	839.20	1,409.68	1,560.62
Total Expenditure	594.57	798.63	648.07	1,083.17	1,057.91
Profit before Taxation	160.14	43.19	191.13	326.51	502.71
Provision for Taxation	51.50	8.00	27.00	85.00	40.00
Net Profit	108.64	35.19	164.13	241.51	462.71
Dividend (%)	10.00	10.00	20	20	20
Transfer to Reserves	10.00	10.00	25.00	30.00	50.00
Prior Period Adjustment	0.11	1.56	3.06	4.60	2.81
Balance in Profit & Loss A/c	162.14	177.17	291.24	41.91	221.12
Paid up Capital	60.00	100.00	100.00	785.00	1,046.70
Earning per Share	18.11	3.52	16.41	3.02	4.39
Book Value per Share	47.05	46.73	60.64	21.97	54.94

PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 503 lakh in this fiscal year as compared to Rs 327 lakh in 1999-2000. Profit after tax amounted to Rs 463 lakh as compared to Rs 242 lakh in the previous year, thus recording an impressive increase of 92 per cent. During the year, your Company consolidated its position as one of the leading players in the content business by diversifying into and exploiting more cinematic content. Your Company commercially exploited the Hindi feature film titled Kuch Khatti Kuch Meethi, earning an export income of Rs 250 lakh. Sony Entertainment Television premiered the National Award winning film Samar by Shyam Benegal marketed by your Company. The music countdown show called Hungama Unlimited emerged as the number one show on DD Metro and touched the highest TRP on this channel. Several new content projects for commercial cinema were also launched. As also new regional shows on television and a daily show on the national broadcaster has been readied for immediate release. The New Age fitness destination in Mumbai named Moksh is now ready and will shortly commence commercial operations, after which it will be replicated in other cities in India and overseas.

DIVIDEND

In view of the rise in profit, your directors have maintained a dividend of 20% on the equity shares even though the capital base has been substantially enhanced through the Initial Public Offering managed by JM Morgan Stanley. Since the Company will also pay the tax on distribution of this dividend, this makes the effective rate of dividend 22.04 %. This is the eighth year running that your Company will reward its shareholders. The past seven years saw dividends of 180%, 200%, 200%, 10%, 10%, 20% and 20% and two major bonus issues. The paid-up capital of the Company grew from Rs 0.40 lakh to Rs 1,046.70 lakh during this period.

ALLOTMENT OF SHARES

During the year, 26,17,000 equity shares of Rs 10 each were allotted pursuant to the Initial Public Offering through the book building route and fixed price portion.

IPO FUNDS UTILISATION AND PROFITABILITY

The Company has, during the financial year, raised a sum of Rs 4,056 lakh by way of issue of shares through its Initial Public Offering. The Company utilized Rs 939 lakh till 31.3.2001 (during a period of 113 days) for the purposes disclosed in the prospectus and the balance amount has been invested in content projects, term deposits with banks, inter corporate deposits and liquid schemes of mutual funds.

For the year ended 31.03.2001 the revenue was Rs 1,560.62 lakh and profit after tax Rs 462.71 lakh. The Company deferred some of its projects till IPO funds became available. The Company has several content projects in various stages of production. These projects are likely to enhance the Company's performance in the current financial year.

FIXED DEPOSITS

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made thereunder.

SUBSIDIARIES

The Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies forms part of the financial statement.

DIRECTORS

During the year Nani Palkhivala submitted his resignation from the Board of Directors on account of his failing health. The Company has placed on record its appreciation for the valuable services rendered by him during his tenure as a Director. Also, on 1st June 2001, Sharokh Sabavala, joined the Board of Directors as an Additional Director.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibilities Statement, it is hereby confirmed:

- i. that in the preparation of the annual accounts for the financial year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review;
- iii. that the directors 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 the directors had prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

AUDITORS

Jaideepsingh P Deore & Co, Chartered Accountants, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from Jaideep Singh P Deore & Company to the effect that their appointment as Auditors, if made, would be within the limits under Section 224 (1-B) of the Companies Act, 1956.

PERSONNEL

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the annual report and accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the office of the Company.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this report.

COMPLIANCE CERTIFICATE

A certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

ACKNOWLEDGEMENT

The Board wishes to record its appreciation of all the efforts put in by the shareholders, staff, business clients, bankers, financial institutions and associates of Prithish Nandy Communications Ltd who have been responsible for the growth and success of the Company.

For and on behalf of the Board

Mumbai
June 20, 2001

Pallab Bhattacharya
Wholetime Director

Sriram Chander
Director

annexure to directors' report

ADDITIONAL INFORMATION GIVEN AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

INFORMATION AS PER SECTION 217(2A) (B) (II) READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT OF THE YEAR ENDED 31ST MARCH 2001

There were no employees drawing remuneration of Rs 1,00,000 or more per month during the year.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

	For the year ended	
	March 31, 2001	March 31, 2000
A. Total foreign exchange earned:	Rs 25,000,000 (US\$ 541,125.54)	Rs 26,004
B. Total foreign exchange used:		
i. On Import of raw materials and capital goods	Rs 3,466,355 (US\$ 73,476.35)	Nil
ii. Expenditure in foreign currencies on travel, subscription, etc	Rs 1,130,389 (US\$ 24,085)	Rs 517,236

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:
Considering the nature of the business of this Company, the particulars required under this clause are not applicable.

For and on behalf of the Board

Mumbai
June 20, 2001

Pallab Bhattacharya
Wholetime Director

Sriram Chander
Director

