

movies television shows events wellness theme places interactive content movies television shows
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NINTH ANNUAL REPORT 2002

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annual report

PRITISH NANDY COMMUNICATIONS LTD

BOARD OF DIRECTORS

Pritish Nandy, Chairman
Sriram Chander
Sharokh Sabavala
Satyajit Mitra
Rina Pritish Nandy
Pallab Bhattacharya, Wholetime Director

COMPANY SECRETARY

Mahesh Joshi

AUDITORS

Jaideepsingh P Deore & Co
Chartered Accountants

BANKERS

Standard Chartered Grindlays Bank
Breach Candy Mumbai 400 036

REPORT JUNCTION.com

REGISTERED OFFICE

206 Centre Point Dr Ambedkar Road Parel Mumbai 400 012

CORPORATE OFFICE

87/88 Mittal Chambers Nariman Point Mumbai 400 021

executive committee

Pallab Bhattacharya
Wholetime Director

Siddhartha Das
Chief Operating Officer

Gopu Rajgopal
Chief Financial Officer

Rangita Pritish Nandy
Executive Producer

Yatender Verma
General Manager, Finance & Compliances

Raj Mallik
General Manager, Marketing

Elton Menezes
General Manager, Wellness

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	Year ended 31.3.2002
									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	2,039.20
Total Expenditure	57.80	228.81	391.93	594.57	798.63	664.45	1,083.17	1,057.91	1,790.75
Profit before Taxation	2.49	40.67	178.96	160.14	43.19	191.13	326.51	502.71	248.45
Provision for Taxation	1.50	17.75	68.00	51.50	8.00	27.00	85.00	40.00	73.31
Net Profit	0.99	22.92	110.96	108.64	35.19	164.13	241.51	462.71	175.14
Dividend (%)	180	200	200	10	10	20	20	20	10
BALANCE SHEET									
Net Block	8.00	8.66	87.26	90.27	112.70	164.34	160.42	321.73	596.54
Investment	9.56	25.25	51.76	89.99	89.99	89.99	133.68	2,209.68	1,037.67
Current Assets (Net)	-16.78	-7.82	-2.82	262.66	580.24	661.96	1,430.28	3,235.46	4,388.80
Miscellaneous Expenditure	0.31	0.28	0.24	0.21	0.78	0.59	3.98	263.24	233.24
Application of Funds	1.09	26.37	136.44	443.13	783.71	916.88	1,728.31	6,030.11	6,256.26
Borrowings	0.00	0.00	0.00	160.83	316.37	310.47	0.00	16.23	118.85
Paid-up Capital	0.40	0.40	0.40	60.00	100.00	100.00	785.00	1,046.70	1,046.70
Reserves	0.69	25.97	136.44	222.30	367.34	506.41	943.31	4,967.18	4,861.43
Net Worth	0.78	26.09	136.60	282.09	467.56	605.82	1,724.33	5,750.64	5,674.88

chairman's statement

I welcome you here today, to your Company's ninth annual general meeting.

THE PAST YEAR

The past year and a half has seen much turbulence. In India as well as in the overseas market for Indian content. As a result of this turbulence, your Company has not entirely succeeded in fully exploiting its true potential.

Some of the critical theatrical territories in India with high exploitable potential became volatile during the year and as a direct consequence of this, PNC was faced with a Hobson's choice. To hold back the release of all its cinematic content products till things returned to normal or take a risk and put them out in a chancy marketplace. Your Company chose the conservative option and decided to delay its releases. As a result, PNC failed to achieve the topline target it had set itself for the year. The bottomline also suffered since the organisation had realigned itself for substantial growth. Having said that however, your Company has successfully banked the opportunity and is now ready to better exploit the products in a more stable environment.

Apart from volatile market conditions, your Company also faced a generally depressed environment for several reasons. One was escalating terrorism and the threat of war looming on our northern borders, as a result of which the entire content industry took a severe beating. Investors backed off. Distributors delayed releases. Content inventories piled up. Minimum guarantees fell. The international market for theatrical releases of Indian content became choppy— while piracy, both in India and overseas, became a bigger and bigger threat to the industry.

What is worse, all this coincided with the nastiest recession the music industry has ever seen. Music prices, which have traditionally been the backbone of the cinematic content business, crashed. Vast sums of money got locked in and music companies dramatically diminished their investment in buying the rights of new movies and promoting the sales of albums they had already bought.

It is to the credit of your Company that, despite such difficult circumstances, it has been able to deliver two of this year's biggest musical hits. Both the movies, Sur directed by Tanuja Chandra and Kaante directed by Sanjay Gupta, are yet to hit the theatres but their music has been successful already. They have achieved record sales and both Universal and T Series who released the albums have openly acknowledged PNC's very special expertise in delivering great music to support its content products. Hopefully, your Company will be able to leverage this success to get even better prices for the music of its forthcoming movies. For it is extremely rare, as many of the trade papers have pointed out, that two of the year's five top selling music albums have come from the same content company and have hit the charts at the same time.

Now that the border tensions have eased to an extent and the threat of war appears to have somewhat diminished, we find ourselves facing a delayed and uncertain monsoon that has brought with it both drought in some parts of the country and floods in others. The monsoons, as we all know, are crucial for India's economic health and well-being. If they get delayed or fail, the entire economy begins to sharply decline and this is the risk we are currently living with. Your Company, however, is all set to go to the marketplace with several new cinematic products which, even if they are partially successful, could make a significant impact on your Company's P&L figures.

Meanwhile, we are consciously and deliberately diminishing, for the time being, our presence in the TV content business because we fear that in the current environment, we may not be able to realize the kind of firm ad rates that we have traditionally got from our shows on Doordarshan. Your Company is also not exactly enamoured of making shows for those channels where it has no share in the IPR and, as a result, no long-term revenues that such rights could yield. After all, PNC believes that its key assets lie in its content library. So the management of your Company, led by the Executive Committee which takes all strategic decisions regarding operations, finance and marketing, has in its collective wisdom decided not to grow its presence in the TV business for a while and focus instead on what is already on air.

On the events and theme places front, your Company continues its presence. The Sansui Viewers Choice Movie Awards was again a great success and Moksh, the New Age wellness place that PNC opened last year in Mumbai, has been widely acknowledged as one of India's finest theme destinations. In fact, Moksh has been so successful that your Company is examining the possibility of moving it into a hundred per cent subsidiary where it can attract fresh direct

investment that can go into setting up more such content-driven theme places in different cities. There are two immediate plans, one for a Moksh in New Delhi and another in London, but there are several other requests for franchises from all over India. Mumbai itself, according to a market study undertaken by your Company, is ready for three more such facilities.

THE COMING YEAR

Your Company, as you are aware, is a multi-tasking content company. One of the few in the public domain, listed as it is on both the BSE and the NSE. There is a strong possibility, however, that we will soon have company. Several private companies in the media and entertainment sector, particularly content makers and broadcasters, are planning to go public shortly and could soon list themselves on the bourses. Some of India's biggest and most respected business houses are also entering the fray. We welcome this development because we believe it reflects the increasing corporatization of the content business and its imminent global thrust from which all of us will eventually benefit.

India today has the talent, the skill sets and the technology to become a world leader in this business. What has held it back is the fact that it has traditionally had very few serious and organized players. Companies like yours have changed all that and India, as a nation, is now extremely well poised to take advantage of the dramatic growth in the global media and entertainment scene. Great interest has been generated in Indian content worldwide. Be it on cinema screens, TV or the stage. All of a sudden, people in London and Locarno, Tokyo and Trinidad, New Zealand and New Orleans, are excited about seeing and experiencing more of what India has to offer. Familiar buzzwords like Bollywood and art house cinema are yielding way to crossover content.

What does the future hold for India? Two things, I would imagine. One: The arrival of strategic investors in the media and entertainment business who will hopefully bring with them the financial resources and the institutional backing that could make India a serious and substantive player in this global game and help companies like yours to realize their true potential. Two: Increasing support from the Indian Government, banks and financial institutions to assist corporatization and enable all of us to scale up quickly and take advantage of the opportunities that exist in the marketplace.

For too long has the content business here remained constrained by lack of institutional support, absence of corporate management skills, and the consequential inability to seize global opportunities. It is time we changed all that and gave the enormously talented people who work in this industry an opportunity to pitch themselves against the best in the world and demonstrate how gifted we are as a nation when it comes to imagination and creativity. The two special talents that can make India a world leader in the business of content creation.

YOUR COMPANY

In fact, your Company prides itself on these very skills. We believe that creativity and imagination are the most important factors that drive PNC. They are the key to its future as your Company busies itself designing more and more crossover content. This year itself we are releasing three international co-productions. With reputed companies from the US, UK and France. Next year, we are looking at six such co-productions, all of them specifically focussing on crossover, global audiences. For this is where we believe lies real scalability, and our greatest opportunity.

I, as the founder of PNC, take extreme satisfaction and pride in the fact that your Company is today run by a talented and strongly committed group of professionals with the right set of corporate goals. I am confident that they will be able to take it further ahead and I wish them all the best in the coming year, which will be for PNC a crucial one in terms of growth and consolidation.

This also happens to be PNC's tenth year. The years have so quickly passed that it seems almost impossible to believe that three people and an investment of Rs 40,000, which is all I could afford in 1993, could have brought us this far. I urge you all to read the financial highlights of the past nine years here to see how commitment and hard work makes it possible in this country to realise every dream. PNC's success is, in that sense, a tribute to modern India's remarkable spirit of enterprise. It is also a tribute to all those who were ready to support us during our years of struggle. Your Company has reached this far because of their assistance and encouragement.

I take this opportunity to thank you all, members of the greater PNC family, shareholders, clients, employees and business associates, who have shared the Company's efforts and achievements during these critical years and borne with us during our trials and tribulations. But for you, we would not be where we are today.

directors' report

To
The Members

Your Directors have pleasure in presenting their Ninth Annual Report on the business and operations of the Company and the audited financial accounts for the year ended March 31, 2002.

FINANCIAL RESULTS

Turnover increased from Rs 1340 lakh to Rs 1775 lakh. A comparative study of the past five years shows sustained performance in an increasingly competitive business environment.

FINANCIAL HIGHLIGHT

Particulars	Year ended 31.3.1998	Year ended 31.3.1999	Year ended 31.3.2000	Year ended 31.3.2001	Year ended 31.3.2002 Rs in lakh
Income from Operations	801.46	790.27	1,223.79	1,340.13	1775.36
Other income	40.36	48.93	185.89	220.49	263.84
Total turnover	841.82	839.20	1,409.68	1,560.62	2039.20
Total expenditure	798.63	648.07	1,083.17	1,057.91	1790.75
Profit before taxation	43.19	191.13	326.51	502.71	248.45
Provision for current tax	8.00	27.00	85.00	40.00	9.20
Net Profit after current tax	35.19	164.13	241.51	462.71	239.25
Provision for deferred tax	0.00	0.00	0.00	0.00	64.11
Net Profit after tax	35.19	164.13	241.51	462.71	175.14
Dividend (%)	10	20	20	20	10
Transfer to reserves	10.00	25.00	30.00	50.00	16.40
Prior period adjustment	1.56	3.06	4.60	2.81	11.06
Balance in profit & loss a/c	177.17	291.24	41.91	221.12	385.20
Paid up capital	100.00	100.00	785.00	1,046.70	1046.70
Earning per share	3.52	16.41	3.02	4.39	1.57
Book value per share	46.73	60.64	21.97	54.94	54.22

PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 248 lakh in this fiscal year as compared to Rs 503 lakh in 2000-2001. During the year efforts were directed to achieve topline growth. Margins were squeezed and profit after current tax amounted to Rs 239 lakh as compared to Rs 463 lakh in the previous year. Rs 64.11 Lakh was provided for deferred tax.

Your Company's performance in TV content exploitation has been modest in view of the softening of ad rates and ad spends. However, being a multi-platform content Company, your Company used this opportunity to strengthen its presence in the cinematic content business. This is an intrinsic part of your Company's strategy, to migrate to platforms that yield stronger margins. During the year, your Company globally released Bollywood Calling, a film directed by Nagesh Kukunoor. The Mystic Masseur, PNC's international co-production with Merchant Ivory Productions of UK, a film directed by Ismail Merchant and based on Nobel Prize winner Sir Vidya S Naipaul's famous work, was released on 28th March 2002 in the UK. Subsequently it was released in the US and elsewhere. The release in India will take place in the current year.

Another PNC international co-production Kaante, a film directed by Sanjay Gupta and shot almost entirely in Los Angeles, with an unrivalled ensemble cast, is now ready for imminent release. Sur, a film directed by Tanuja Chandra, is also on the verge of release. The music of both Sur and Kaante, released by Universal Music and T Series respectively, have achieved record sales. They are both currently on the bestseller charts in India and overseas.

Jhankaar Beats, a film directed by Sujoy Ghosh, and Hazaron Khawahishein Aisi, an Indo-French co-

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Jhankaar Beats, a film directed by Sujoy Ghosh, and Hazaron Khawahishein Aisi, an Indo-French co-

production, directed by Sudhir Mishra, are almost complete. Several other feature films under the PNC banner, like Hotel Picadilly, a film directed by Anant Balani, and Murder, a film directed by Girish Dhamija, are in various stages of pre-production and production.

The wellness theme place Moksh, a state-of-the-art health and fitness destination in Mumbai with a gym, spa, beauty salon, cardio theatre, oxygen bar and bistro has commenced operations. It is the intention of the Company to replicate Moksh in other cities of India and around the world and towards this purpose has obtained the approval of the shareholders to create a subsidiary in respect of the Moksh business.

The annual Sansui Viewers Choice Movie Awards were held in Mumbai this year. The event, one of the biggest in the entertainment business, was telecast on Sony Entertainment Television.

DIVIDEND

Your Directors are pleased to recommend payment of a dividend of Re 1 per equity share of Rs 10 each being 10 per cent for the year ended March 31, 2002 which, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the Company. The dividend will be paid to those equity shareholders whose names appear on the Register of Members of the Company after giving effect to all valid share transfer in physical form lodged with the Company and/or the Registrars before September 21, 2002 and to those equity shareholders who hold shares in electronic form and whose names appear as beneficial owners as at the end of business hours on September 21, 2002, as per particulars to be furnished by the Depositories viz National Securities Depository Limited and Central Depository Services India Limited. The total amount of dividend outgo is Rs 104.67 lakh.

Your Company continues its uninterrupted tradition of rewarding its shareholders and paying dividends every year since its inception.

LISTING WITH THE STOCK EXCHANGES

1,04,67,000 Equity Shares of Rs 10 each issued by the Company are listed with the Mumbai and National Stock Exchanges. The listing fee payable to both the Stock Exchanges for the year 2001-2002 has been paid.

IPO FUNDS UTILISATION

The Company had, during the financial year ended March 31, 2001, raised a sum of Rs 4056 lakh by way of issue of shares through its Initial Public Offering. The Company utilized Rs. 3185 lakh till March 31, 2002 for content and other purposes disclosed in the prospectus. Pending deployment the balance amount has been invested in term deposits with banks, inter corporate deposits and liquid schemes of mutual funds.

FIXED DEPOSITS

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

SUBSIDIARIES

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

As required by Clause 32 of the Listing Agreement with the BSE and NSE, the financial statements have been consolidated with those of PNC Productions Ltd (formerly known as pnc.com Ltd), a subsidiary Company and Pritish Nandy Com International FZE WLL, a wholly owned overseas subsidiary and the same are attached. The FZ LLC has now moved to Dubai Media City and is now known as PNC International FZ LLC.

DIRECTORS

During the year Yash Johar submitted his resignation from the Board of Directors on account of his other preoccupations and the possibility of him relocating overseas. The Company has placed on record its appreciation for the valuable services rendered by him during his tenure as a Director. On February 27, 2002, Satyajit Mitra, joined the Board of Directors as an Additional Director.