

THE POWER

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THE 11TH ANNUAL REPORT 2004

CORPORATIZATION

MAKER OF

HAT KE AND YET COMMERCIAL

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WORLD CLASS

PNC [*pr noun*] Maker of high quality, *hat ke* and yet commercially successful world class movies for urban Indian audiences. Actually, shorter form of Pritish Nandy Communications Ltd, a publicly listed Mumbai-based Indian content company founded by Pritish Nandy in September 1993.

PRITISH NANDY COMMUNICATIONS LTD
11TH ANNUAL REPORT
YEAR 2003-2004

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Gauri Sahasrabudhe

AUDITORS

Jaideepsingh P Deore & Co
Chartered Accountants

BANKERS

Standard Chartered Bank
Breach Candy Mumbai 400 036

REGISTERED OFFICE

206 Centrepoint Dr Ambedkar Road Parel Mumbai 400 012

CORPORATE OFFICE

87/88 Mittal Chambers Nariman Point Mumbai 400 021



**INVITED TO THE PUSAN
FILM FESTIVAL 2004**

A STILL FROM ANU'S CHAMELI

AS AGAINST HOLLYWOOD'S 2.8 BILLION

THE WORLD'S BIGGEST ENTERTAINMENT MARKETPLACE

REPORT

WITH HUNDREDS OF MILLIONS OF PEOPLE WHO LOVE WATCHING MOVIES, BE IT IN URBAN MULTIPLEXES OR TINY RURAL THEATRES OR THE TV SCREEN, THE POTENTIAL FOR INDIAN MOVIES IS PHENOMENAL. ADD 20 MILLION NRIS WHO STAY IN TOUCH WITH THEIR COUNTRY AND ITS CULTURE BY WATCHING INDIAN MOVIES IN THEATRES, BUYING DVDS AND MOVIE MUSIC, AND SUBSCRIBING TO ETHNIC TV CHANNELS OVERSEAS, AND YOU CAN IMAGINE WHY OUR MOVIES SELL 3.8 BILLION TICKETS A YEAR, AS AGAINST HOLLYWOOD'S 2.8 BILLION. OUR INCOMES ARE MUCH LOWER ONLY BECAUSE TICKET PRICES IN INDIA AVERAGE 40 CENTS AGAINST HOLLYWOOD'S GLOBAL AVERAGE OF 12 DOLLARS. BUT THIS IS SWIFTLY CHANGING AS HUNDREDS OF SPANKING NEW MULTIPLEX SCREENS IN 25 FAST GROWING, HIGH CONSUMING CITIES ARE OPENING UP, DOUBLING THE ANNUAL CONSUMPTION OF ENTERTAINMENT PRODUCTS. THE ONLY ABERRATION IS PIRACY BUT NEW TECHNOLOGY AND NEW DELIVERY SYSTEMS ARE LEARNING TO BEAT THIS. THE MOVIE INDUSTRY WILL GROSS RS 50,000 MILLION THIS YEAR. MUSIC SALES WILL BE RS 10,610 MILLION, 80% OF IT FROM MOVIE MUSIC. THE RS 155,500 MILLION TV INDUSTRY AND THE RS 3,010 MILLION FM INDUSTRY ARE ALSO DRIVEN BY MOVIE CONTENT.

THAT IS WHY A MOVIE COMPANY LIKE PNC, WHICH WON THIS YEAR'S GOLDEN PEACOCK AWARD FOR THE MOST INNOVATIVE PRODUCT ON THE ENTERTAINMENT SCENE, CAN PLAY A CRUCIAL ROLE IN THIS HIGHLY COMPETITIVE MARKETPLACE.

THE EXECUTIVE COMMITTEE

Pallab Bhattacharya
Wholetime Director

Siddhartha Das
Chief Operating Officer

Ashok Bhattacharya
Chief Financial Officer

Rangita Pritish-Nandy
Creative Director

Yatender Verma
Vice President, Finance
Compliances and Legal Affairs

Bobbie Ghosh
General Manager, Production

Elton Menezes
General Manager, Wellness

FINANCIAL HIGHLIGHTS

	Year ended									
	31.3.95	31.3.96	31.3.97	31.3.98	31.3.99	31.3.00	31.3.01	31.3.02	31.3.03	31.3.04
	Rs in lakh									
PROFIT AND LOSS ACCOUNT										
Total turnover	269.48	570.89	754.71	841.82	855.58	1,409.68	1,560.62	2,039.21	4,136.54	3,209.55
Total expenditure	228.81	391.93	594.57	798.63	664.45	1,083.17	1,057.91	1,790.75	3,926.13	2,759.61
Profit before taxation	40.67	178.96	160.14	43.19	191.13	326.51	502.71	248.46	210.41	449.94
Provision for taxation	17.75	68.00	51.50	8.00	27.00	85.00	40.00	73.32	47.48	190.02
Net profit	22.92	110.96	108.64	35.19	164.13	241.51	462.71	175.14	162.93	259.92
Dividend (%)	200	200	10	10	20	20	20	10	7.5	10
BALANCE SHEET										
Net block	8.66	87.26	90.27	112.70	164.34	160.42	321.73	596.55	705.45	705.59
Investments	25.25	51.76	89.99	89.99	89.99	133.68	2,209.68	1,037.67	973.09	1,275.55
Current assets (net)	(7.82)	(2.82)	262.66	580.24	661.96	1,430.28	3,235.46	4,388.80	4,466.06	5,159.90
Miscellaneous expenditure	0.28	0.24	0.21	0.78	0.59	3.93	263.24	233.24	203.24	0
Total application of funds	26.37	136.44	443.13	783.71	916.88	1,728.31	6,030.11	6,256.26	6,347.84	7,141.04
Borrowings	0.00	0.00	160.83	316.37	310.47	0.00	16.23	118.85	131.98	827.62
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	229.28	261.71	424.53
Paid-up capital	0.40	0.40	60.00	100.00	100.00	785.00	1,046.70	1,046.70	1,046.70	1,046.70
Reserves	25.97	136.04	222.30	367.34	506.41	943.31	4,967.18	4,861.43	4,907.45	4,842.19
Net worth	26.09	136.20	282.09	466.56	605.82	1,724.38	5,750.64	5,674.89	5,750.91	5,888.89

I welcome you here today, to your Company's 11th AGM.

It was an eventful year for your Company. We entered our second decade with three important landmarks, each reaffirming our commitment to specific corporate goals.

First, we received the Deloitte Touche Tohmatsu Award in Hong Kong for being ranked 108th among the 250 fastest growing companies in the Technology, Media and Telecom sector in the Asia Pacific region. We were the only media Company from India in the list. This award affirms your Company's commitment to growth. Second, we won the Golden Peacock Award in Bangalore for creating the most innovative product in the entertainment business-the multiplex movie, which specifically targets the fastest growing audience segment in India: the urban middle class viewer who is ready to experiment with new ideas, new kinds of films. This award establishes your Company's belief in constant innovation. Third, we put ourselves to the ultimate quality test by asking for an ISO audit. It was a move unheard of in show business. You will be happy to know that we are now the first movie company in India-and indeed one of the first in the world-- to be certified ISO 9001:2000 compliant by SGS, the world's biggest inspection Company. This award confirms your Company's belief in putting in place the best systems and consistent quality norms.

Growth. Innovation. Quality. These are not words we casually use. We believe in their enduring contribution towards creating a Company that we, all the stakeholders in PNC, can be truly proud of. That is why I start my annual statement this year by referring to these three achievements. They affirm your Company's commitment towards building an enduring, stable institution. The industry awards have ofcourse followed in regular course and so have the invitations to participate in some of the world's most prestigious film festivals to showcase the films your Company has made. Kaante went to the film festivals in Tokyo, Hamburg and most recently Milan. The Mystic Masseur went to the Telluride Film Festival. Hazaaroon Khwaishein Aisi went to the festivals in Berlin, Los Angeles, Manchester and Edinburgh. It was also invited to the River to River Film Festival in Florence. Sur was invited to the Girlfest in Hawaii. Chameli was invited to Stuttgart and will be shortly showing at the Pusan Film Festival in Korea. Bollywood Calling, like Kaante, went to Milan. Jhankaar Beats was not only shown at the Houston Film Festival, one of America's best known festivals, but also won the very prestigious Critics' Award out there. It had earlier been showcased at the Bite the Mango Film Festival in Bradford, where Hazaaroon Khwaishein Aisi will be shown this year.

You could say that almost all our movies have been travelling around the world, winning awards and encomiums. At the same time, most of them have met with reasonable box office success and helped your Company emerge as one of the most respected banners in the movie business, all within a short spell of three years. So much so that we have now decided to further focus in the specific area of cinematic content and hone the skills we have acquired in project management and logistics planning. These are the twin pillars on which we have built our reputation for creative content designing and manufacture. The learning curve is over. Returns from our movies can only grow now-- and so will our library as more and more movies are made every year.

The value of this library is something your Company is truly proud of. The kind of films we have made are of an enduring nature and since we only lease them out to different distributors in different territories for a limited number of years, the future realizable values are significant. Add to that the fact that virtually every year new territories and new exploitable platforms are opening up and Indian cinema is making strong inroads into the overseas market and you can well imagine the importance of this library and the returns it can fetch your Company in the future. This is why movie companies worldwide give so much value to retaining product IPR on their books.

The Indian movie industry is undergoing a sea change today. The formula movie is yielding way to experimentation and new ideas. The revenue patterns are also changing. Theatrical revenues from certain outlying territories are diminishing while new revenue streams like broadband, DTH, VOD and IDEA are on the verge of opening up. Multiplexes are attracting a completely new kind of audience that, till now, shied away from watching movies in cinema halls. Home video rights are becoming more valuable as more and more people are buying DVDs and VCDs. Overseas audiences are flocking to see a certain kind of Indian movie while local audiences are fragmenting and seeking multiple options. They are no longer impressed by the traditional variety entertainment programme proffered by the industry. They want change. They want variety.

By anticipating these changes in the marketplace, your Company is particularly well poised to consolidate its role as a key player on the scene. The fact that we were one of the first to respect and demonstrate the importance of corporatisation has also helped to enhance the reputation of your Company.

The coming years will see the emergence of Asia as a creative powerhouse. Hollywood is tiring of its own formulae and is

constantly seeking new sources of inspiration. Indian cinema could well provide that. Our talent in the business can easily compare with the best in the world. Our costs are extremely competitive. Our technicians are quick to learn. All we need is institutional support and access to low cost funds. The Indian movie industry has the capacity to attract new markets and swiftly scale up. As it is, the number of movies made in India are more than in Hollywood, the acknowledged global leader in the business. The number of tickets sold for watching Indian movies is also higher. But our problems are also many. Low ticket yields, unrealistic levels of entertainment tax, revenue leakage in most territories, unbridled piracy and the traditionally high cost of debt funding are among them. If we can even partly tackle some of these issues, the Indian movie industry can easily emerge as one of this country's biggest success stories. Like the IT or the BPO industry. What it requires is serious evangelism so that our law makers can understand its true potential as an industry and as a provider of jobs to hundreds of thousands of young and talented people all over the country.

The telecom industry has grown spectacularly in recent years. Millions of Indians from all walks of life have switched over to cell phones. Millions more are surfing the net regularly and will soon start using broadband. Multiplexes are mushrooming. More and more halls are switching over to digital technology. More and more TV channels are coming on air and using more and more of cinematic content in different formats, different ways. In fact, movies, cricket and news will be the key drivers of these platforms in the coming years. They will add distinctiveness to each service brand. Value addition will come from the content source. This will naturally grow more opportunities in our business. That is why we are constantly building on our core competencies to make brand PNC unique and very special. This, we believe, will stand us in good stead in the long run.

We assure you that these efforts will continue with the steadiness and consistency you have seen in the past. We shall endeavour to make good, entertaining, commercially viable movies that can be exploited over multiple platforms and multiple territories bringing success, fame and profit to your Company. The process of constantly finding new ways and means to further de-risk what is essentially a business of unpredictables will also continue without compromising on the high standards of creativity that we have set ourselves. For that, we need to commend the professional managers who run your Company's day to day business.

This statement will not be complete unless I pay tribute to one of our most active independent board members, Sriram Chander who recently passed away at the young age of 43. He joined the board of PNC as a representative of our first angel investor, The Chatterjee Group and was with us through our most critical growing up years. We shall miss him. As indeed we shall also miss industry veteran Yash Johar who was a friend of PNC and on the board of your Company till two years ago when he retired at the age of 73. Both of them were colleagues whose wisdom and contribution I valued deeply-- and PNC will not find it easy to replace them.

I would also like to use this opportunity to thank all the stakeholders in PNC-- investors, employees, friends and business associates, actors, directors, technicians-- without whose tireless efforts we would not be where we are today. We continue to seek their support in our way forward.

To

The Members

Your Directors have pleasure in presenting their Eleventh Annual Report on the business and operations of the Company and the audited financial accounts for the year ended March 31, 2004.

FINANCIAL HIGHLIGHTS

Turnover for the year was Rs 3,092 lakh compared to Rs 4,022 lakh for the earlier year. However, the Company enhanced profits in a highly competitive business environment.

Rs in lakh

Particulars	Year ended				31.3.2004
	31.3.2000	31.3.2001	31.3.2002	31.3.2003	
Income from operations	1,223.79	1,340.13	1,775.36	4,021.93	3,092.49
Other income	185.89	220.49	263.84	114.60	117.06
Total turnover	1,409.68	1,560.62	2,039.20	4,136.53	3,209.55
Total expenditure	1,083.17	1,057.91	1,790.75	3,926.12	2,759.61
Profit before taxation	326.51	502.71	248.45	210.41	449.94
Provision for current tax	85.00	40.00	9.20	15.05	27.20
Net Profit after current tax	241.51	462.71	239.25	195.36	422.74
Provision for deferred tax	0.00	0.00	64.11	32.43	162.82
Net Profit after tax	241.51	462.71	175.14	162.93	259.92
Dividend (%)	20	20	10	7.5	10
Transfer to reserves	30.00	50.00	16.40	13.50	25.56
Prior period adjustment	4.60	2.81	11.06	28.33	4.32
Balance in profit and loss account	41.91	221.12	385.20	211.65	323.35
Paid up capital	785.00	1,046.70	1,046.70	1,046.70	1,046.70
Earning per share	3.02	4.39	1.57	1.29	2.44
Book value per share	21.97	54.94	54.22	54.94	56.26

PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 449 lakh in this fiscal as compared to Rs 210 lakh in the last fiscal. During the year efforts were directed to achieve higher margins and increased bottomline growth. Revenues were maximized and costs squeezed to generate higher margins leading to 100% jump in pretax profits. After making a provision for current tax, profits were higher at Rs 422 lakh as compared to Rs 195 lakh in the previous year. A provision of Rs 162 lakh has been made for deferred tax.

Three of the Company's cinema content projects, Jhankaar Beats, Mumbai Matinee and Chameli released worldwide during the year were well received and added to your Company's bottomline. The Company also dealt in and re-exploited its television content. As customary for last so many years your Company held the Annual Sansui Viewers' Choice Movie Awards in Mumbai this year. To summarise, although the topline dipped, margins were higher and your Company succeeded in more than doubling its profits.

The Company's theme place Sin, the Café at Moksh and Moksh, the New Age wellness place, continues to maintain its prime position as one of Mumbai's finest theme destinations. Your Company is yet to finalise moving Moksh into a hundred per cent subsidiary. Setting up theme centres at other venues and cities are also under consideration.

Hazaaron Khwaishein Aisi is ready for release, the principal photography of Popcorn Khao Mast Ho Jao starring Tanisha and Akshay Kapoor and Shabd starring Sanjay Dutt and Aishwairya Rai are complete and both are under post-production. There are several other projects at various stages of development.

DIVIDEND

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