
PRITISH NANDY COMMUNICATIONS LTD
The Power of Corporatization

MOVIES REFLECT THE TRUE
whimsy **culture,**
OF A NATION
AND A PEOPLE.

THE 12TH ANNUAL REPORT AND ACCOUNTS 2005

WINNER
golden peacock GLOBAL AWARD
FOR corporate governance
2005 AWARDED IN 2005 BY THE WORLD COUNCIL FOR
CORPORATE GOVERNANCE IN LONDON

PNC PRITISH NANDY
COMMUNICATIONS LTD
THE POWER OF CORPORATIZATION

PRITISH NANDY COMMUNICATIONS LTD
12TH ANNUAL REPORT
YEAR 2004 - 05

BOARD OF DIRECTORS

Pritish Nandy, Chairman
Sharokh Sabavala
Udayan Bose
Satyajit Mitra
Rina Pritish Nandy
Pallab Bhattacharya, Wholetime Director
Rangita Pritish-Nandy, Wholetime Director

COMPANY SECRETARY

Gauri Sahasrabudhe

AUDITORS

Jaideepsingh P Deore & Co
Chartered Accountants

PRINCIPAL BANKERS

Standard Chartered Bank
Breach Candy Mumbai 400 036

ICICI Bank
Nariman Point Mumbai 400 021

REGISTERED OFFICE

87/88 Mittal Chambers Nariman Point Mumbai 400 021



SAHIB BIWI GHULAMI

PRIVANKA CHOPRA FOR

THE ETERNAL TALE OF LOVE, LOSS AND DESPERATION

A PRITISH MANDY COMMUNICATIONS CLASSIC
IN LINE FOR PRODUCTION

CONTENT

When it launched Bollywood Calling four years ago, PNC pioneered the genre called multiplex movies. Not many people took it seriously then. Today there are 73 multiplexes in India with a cumulative seating capacity of 89,470 spread across 276 screens. This compares with 12,000 single screen cinema halls. In other words, multiplexes constitute 0.6 per cent of the number of cinema halls, 2.3 per cent of the total number of screens and an astonishing 34 per cent of the gross revenue from theatres. By the end of next year, there will be around 150 multiplexes with over 200,000 seats spread across 600 screens accounting for almost 60 per cent of the revenue. No wonder every producer is now trying to make multiplex movies, following in PNC's footsteps, and almost 70 per cent of the quality movies coming out of Bollywood belong to this genre. The overseas market loves them. So do television channels. Reaffirming PNC's leadership role in content development and designing. The multiplex movie won PNC the Golden Peacock Award for Innovative Product in 2003.

CORPORATE LEADERSHIP TEAM

Pallab Bhattacharya, Chief Executive Officer

Rangita Pritish-Nandy, Creative Director

Gauri Sahasrabudhe, Company Secretary

Yatender Verma, Vice President, Finance, Compliances and Legal Affairs

Bobbie Ghosh, General Manager, Production

Rucha Pathak, General Manager, Production

Special Invitees

Mahesh Vyas, Chief Manager, Accounts

Sudesh Vaidya, Senior Manager, Compliances

Ishita Pritish Nandy, Deputy General Manager, Special Projects

Purvi Shah, Manager, Public Relations and Promotions

PNC is an equal opportunities employer. Out of the 6 members of the Corporate Leadership Team that runs the affairs of the Company and 4 special invitees, 50 percent are women. The team has an average age of 33, clearly emphasising the importance of youth. They have been with PNC for an average of 6 years, demonstrating continuity and effective HR policies in place. All members of the team have risen from the ranks.

TEN YEAR PROFILE

	Year ended									
	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	31.3.05
	in Rs lakh									
PROFIT AND LOSS ACCOUNT										
Total turnover	570.89	754.71	841.82	855.58	1,409.68	1,560.62	2,039.21	4,136.54	3,188.08	3,586.44
Total expenditure	391.93	594.57	798.63	664.45	1,083.17	1,057.91	1,790.75	3,926.13	2,738.14	2,927.85
Profit before taxation	178.96	160.14	43.19	191.13	326.51	502.71	248.46	210.41	449.94	658.59
Provision for taxation	68.00	51.50	8.00	27.00	85.00	40.00	73.32	47.48	190.02	247.54
Net profit	110.96	108.64	35.19	164.13	241.51	462.71	175.14	162.93	259.92	411.05
Dividend (%)	200	10	10	20	20	20	10	7.5	10	10
BALANCE SHEET										
Net block	87.26	90.27	112.70	164.34	160.42	321.73	596.55	705.45	705.59	675.87
Investments	51.76	89.99	89.99	89.99	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10
Current assets (net)	(2.82)	262.66	580.24	661.96	1,430.28	3,235.46	4,388.80	4,466.06	5,159.90	5,866.69
Miscellaneous expenditure	0.24	0.21	0.78	0.59	3.93	263.24	233.24	203.24	0.00	0.00
Total application of funds	136.44	443.13	783.71	916.88	1,728.31	6,030.11	6,256.26	6,347.84	7,141.04	6,827.66
Borrowings	0.00	160.83	316.37	310.47	0.00	16.23	118.85	131.98	827.62	188.30
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00	229.28	261.71	424.53	614.77
Paid up capital	0.40	60.00	100.00	100.00	785.00	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70
Reserves	136.04	222.30	367.34	506.41	943.31	4,967.18	4,861.43	4,907.45	4,842.19	4,977.89
Net worth	136.20	282.09	466.56	605.82	1,724.38	5,750.64	5,674.89	5,750.91	5,888.89	6,024.59

I welcome you all to your Company's 12th AGM.

The past few months have been epochal for the media and entertainment sector. Government policy changes have triggered both growth and foreign investment in what is undoubtedly one of modern India's fastest growing businesses. Many new television channels have launched. Privately held newspaper companies have gone public. FM radio stations have doubled and, in some cases, trebled their incomes. Multiplexes have multiplied. Telecom companies, in the search for value addition, have almost entirely redefined their businesses. Markets have opened up worldwide for Indian movies. Indian theatre has finally premiered on Broadway and the West End. Indian music is storming the nightclubs in Britain.

At the heart of all this hectic activity is one thing: Content.

Suddenly the whole world has woken up to Indian content. Be it news or entertainment. Be it movies or television. Be it newspapers or magazines. Be it music or radio, cell phones or broadband. Indian content has emerged as a major driver of almost every media platform you can think of. In India for sure and, gradually, it is emerging as a significant player worldwide. At the same time, as Indian content keeps growing in its global impact, new technology platforms are breaking out of the lab and finding a new generation of users. This is a generation that celebrates virtually every innovation that technology breeds. Innovations that are breaking in India in real time.

Your Company is thus privileged to see new markets emerging after years of stagnation and somnolence.

Being one of the first corporate entities in the media and entertainment space, your Company believes that the time has now come to demonstrate the astonishing power of creativity.

This, we believe, can be done in three ways.

One: Pursuit of excellence.

Two: Focussed growth.

Three: Sustained corporatization.

In other words, we have to prove to the market that excellence is not accidental in the content business. It is sustainable and, in fact, predictable for those who are ready to challenge the old shibboleths and design new paradigms for growth. Your Company's products have been invited over the past three years to forty international film festivals where they have not just won critical acclaim but also received some of the highest awards. In fact, a few months ago, the Academy of Motion Picture Arts and Sciences (best known for their famous Hollywood Oscars) in a rare honour for any Indian producer, acquired the screenplay of your Company's film Shabd . The screenplay now shares prestigious archival space in the Margaret Herrick Library in LA with the world's finest motion picture screenplays. It is what you might describe as a historic tribute to a film from India.

Such an honour would have been unthinkable four years ago when we migrated from making television content to the motion picture business. But so much has changed in recent times that nothing seems impossible any more for your Company. The strength and credibility of the PNC brand has been repeatedly reinforced by public acceptance of our products and sustained critical acclaim. Today it is the brand that empowers your Company and gives us that sharp critical edge in the highly competitive marketplace for entertainment products.

Audiences worldwide recognize today the fact that a PNC film showcases the best of Indian talent and creativity.

Your Company has also been reasonably successful in demolishing traditional myths about the motion picture industry and proving that making movies is not a casino business fraught with countless risks and few rewards. By installing systems, sustaining quality and being cautious with costs, we have won a reputation for consistency and value addition. We have also demonstrated that the principles of modern management can be effectively applied in the chaotic world of creativity to enhance both quality of product and profitability. In fact, this is the twelfth year in a row, since the Company was founded in 1993, that we have made a profit and announced a dividend for our shareholders.

We are also the only ISO 9001:2000 certified entertainment Company in India, reaffirming our commitment to systems and sustained quality norms. As for growth, this is the second year in a row that we have been listed among the 500

THE CHAIRMAN'S STATEMENT

fastest growing technology, media and telecom companies in the Asia Pacific region by Deloitte. This is yet another stamp of global recognition that PNC is a Company that understands the business of entertainment.

But product excellence, growth and profitability are not the only things your Company craves to be recognized for. We believe in playing our role as a responsible corporate citizen and that is why we are particularly proud to have received this year the Golden Peacock Global Award for Corporate Governance 2005 instituted by the World Council for Corporate Governance in London in association with the Centre for Corporate Governance and the Institute of Directors. Receiving the award with us at the Nuffield Hall in London were companies of the size and stature of British Telecom and Scottish Power. The award, we believe, recognizes the measure of our commitment to the highest standards of corporate governance in a business which has often been maligned for being risky and not conducive to corporatization.

As the media and entertainment business acquires greater investor confidence, we in PNC strive to further hone our creative and management skills to bring you better returns. We are also constantly attempting to take Indian entertainment products to larger global audiences by opening up new markets and exploiting new technology platforms. There will be without doubt new challenges ahead of us, the most obvious one being to fight the menace of international piracy which continues to predate on our markets and slacken the pace of growth. At the same time, despite the fact that 40 per cent of the industry's revenues are hijacked by pirates, analysts predict that the growth of the entertainment business in India will continue to outpace the growth of the global entertainment market as well as India's own industrial growth rate.

To take advantage of this opportunity is the real challenge before your Company. It is a challenge we are ready to meet. What we need is greater institutional support, easier access to low cost funds, more realistic levels of entertainment tax, more incentives for the creativity business, and better implementation of laws to protect our intellectual property rights. Your Company's biggest asset today is its content library and its toughest challenge is to protect it and maximize the returns from it.

Asia is the new media powerhouse. More people are watching Asian movies worldwide than they have ever done before. Our technology has caught up. Our artistic and technical talent can easily compare with the best anywhere. Our costs are competitive. Our own markets are so huge in themselves that they can sustain our products. Above all, our content looks fresh, different, unusual to the rest of the world. The challenge now lies in taking these opportunities and using them to realise the true potential of your Company.

That is why marketing plays such a crucial role in our business. PNC's inhouse marketing team has been acclaimed as among the best in the industry, a fact reinforced by the number of awards and nominations we have won for our promotions, styling and strategic marketing prowess.

The times ahead look even more eventful and exciting as the media and entertainment industry in India grows, matures, and reaches out to a larger global audience. The professionals who run the day to day affairs of your Company are perfectly capable of taking on the challenge of tomorrow and anticipating the expectations of a complex and constantly evolving marketplace where public tastes are always volatile. Therein lie the opportunities before your Company. We realise that to stay ahead in this business we must always be responsive to change.

PNC is a young Company. The average age of our staff is 33. Half the members of our Corporate Leadership Team, who run the day to day business of this Company, are women. The average employee has been around here for 6 out of the 12 years of our existence and everyone who occupies a position of importance in PNC has risen from the ranks. This affirms our commitment to youth, equal job opportunities, and continuity. We stand together as one single team working to realise the true potential of brand PNC.

The AGM is also the traditional place to put on record our deep appreciation of the efforts of all those who work with us. Every stakeholder in this Company— investors, staff, friends, colleagues and business associates, actors, directors, technicians— plays a vital role in our success. Without their support and tireless efforts we would not be where we are today. We are grateful to each one of them and you for being with us and sharing in the making of the Company's future. I, as its founder, am proud and privileged to share this space with you.

To
The Members

Your Directors have pleasure in presenting their Twelfth Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Turnover for the year was Rs 3,488 lakh compared to Rs 3,071 lakh for the earlier year.

in Rs lakh

Particulars	Year ended				31.3.2005
	31.3.2001	31.3.2002	31.3.2003	31.3.2004	
Income from operations	1,340.13	1,775.36	4,021.93	3,071.02	3,488.28
Other income	220.49	263.84	114.60	117.06	98.16
Total turnover	1,560.62	2,039.20	4,136.53	3,188.08	3,586.44
Total expenditure	1,057.91	1,790.75	3,926.12	2,738.14	2,927.85
Profit before taxation	502.71	248.45	210.41	449.94	658.59
Provision for current tax	40.00	9.20	15.05	27.20	53.48
Net profit after current tax	462.71	239.25	195.36	422.74	605.11
Provision for deferred tax	0.00	64.11	32.43	162.82	194.06
Net profit after tax	462.71	175.14	162.93	259.92	411.05
Dividend (%)	20	10	7.5	10	10
Transfer to reserves	50.00	16.40	13.50	25.56	80.09
Prior period adjustment	2.81	11.06	28.33	4.32	10.60
Balance in profit and loss account	221.12	385.20	211.65	323.35	525.36
Paid up capital	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70
Earning per share	4.39	1.57	1.29	2.44	3.83
Book value per share	54.94	54.22	54.94	56.26	58.28

PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 658 lakh in this fiscal as compared to Rs 449 lakh in the last. During the year efforts were directed to achieve higher margins and grow the bottomline. Revenues were maximized and costs squeezed to generate higher margins leading to a 68% increase in pretax profits. After making a provision for current tax, profits were higher at Rs 605 lakh as compared to Rs 422 lakh in the previous year. A provision of Rs 194 lakh has been made for deferred tax.

Two of the Company's cinematic content projects, Popcorn Khao Mast Ho Jao and Shabd were released worldwide during the year to critical acclaim. Both contributed to your Company's bottomline. One more cinematic content project titled Hazaaron Khwaishein Aisi was readied for release during the year. It appeared in the first quarter of the current year. The Company also dealt in and re-exploited its television shows. To summarise, although topline increased marginally, better cost controls enhanced your Company's profits.

The Company's theme places Soho, the Café, now renamed as Spring and Moksh, the New Age Wellness Place, continue to maintain prime position among Mumbai's finest theme destinations. Your Company is in the process of finalising the structure of moving Moksh into a hundred per cent subsidiary. Setting up theme centres at other venues and cities are also under consideration.

The principal photography of Ek Khiladi Ek Haseena, your Company's next cinematic venture, has been successfully concluded and post-production is currently on. There are over 15 new projects at various stages of development.