

# 5 YEARS. 15 FILMS. 8 HITS. 321 AWARD NOMINATIONS. 53 INTERNATIONAL FILM FESTIVALS. 1 UNBEATABLE BRAND.

## THE 13TH ANNUAL REPORT AND ACCOUNTS 2006

**PNC** PRITISH NANDY  
COMMUNICATIONS LTD  
THE POWER OF CORPORATIZATION

www.pritishnandy.com

www.reportjunction.com

THE 1ST RAMNATH GOENKA MEMORIAL AWARD FOR

**THE MOST  
OUTSTANDING  
MOVIE  
2005**

**HAZAARON KHWAISHEIN AISI**

A PRITISH NANDY COMMUNICATIONS FILM.  
AWARDED AT THE STAR SCREEN AWARDS 2006.

**PNC** PRITISH NANDY  
COMMUNICATIONS LTD  
THE POWER OF CORPORATIZATION

PRITISH NANDY COMMUNICATIONS LTD  
13<sup>TH</sup> ANNUAL REPORT  
YEAR 2005 - 2006

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**BOARD OF DIRECTORS**

Pritish Nandy, Chairman

Udayan Bose

Satyajit Mitra

Nabankur Gupta

Rina Pritish Nandy

Pallab Bhattacharya, Wholetime Director and CEO

Rangita Pritish-Nandy, Creative Director

**COMPANY SECRETARY**

Jiya Gangwani

**AUDITORS**

Jaideepsingh P Deore & Co

Chartered Accountants

**PRINCIPAL BANKERS**

YES Bank

Nariman Point Mumbai 400 021

Standard Chartered Bank

Breach Candy Mumbai 400 036

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**REGISTERED OFFICE**

87/88 Mittal Chambers Nariman Point Mumbai 400 021

FILM RATING/ ★★★★★



Report  junction.com

**Breaks all myths about mainstream cinema!** /THE TIMES OF INDIA

AMITABH Bachchan for  
**Kaante**  
a Pritish Nandy Communications film.

**PNC** | APNC FILM  
www.pritishnandy.com

www.reportjunction.com

## CORPORATE LEADERSHIP TEAM

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Pallab Bhattacharya, Wholetime Director and CEO, *Chairman*

Rangita Pritish-Nandy, Creative Director

Jiya Gangwani, Company Secretary

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

Bobbie Ghosh, Vice President, Production

Anoop Kumar, General Manager, Production

Ishita Pritish Nandy, Deputy General Manager, Special Projects

Mahesh Vyas, Chief Manager, Accounts

Purvi Shah, Senior Manager, PR and Promotions

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PNC is an equal opportunities employer. Out of the 9 members of the Corporate Leadership Team that runs the affairs of the Company, 40 percent are women. The team has an average age of 35, combining youth and experience. They have been with PNC for an average of 6 years, demonstrating continuity and effective HR. All members of the team have risen from the ranks.

FILM RATING/ ★★★★★

Watch her shed her ice maiden image!

/THE TIMES OF INDIA

AISHWARYA Rai for  
**Shabd**  
 a Pritysh Nandy Communications film.

PNC APNC FILM  
www.pritshandycom.com

## TEN YEAR PROFILE

	Year ended									
	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	31.3.06
	in Rs lakh									
<b>PROFIT AND LOSS ACCOUNT</b>										
Total turnover	754.71	841.82	855.58	1,409.68	1,560.62	2,039.21	4,136.54	3,188.08	3,586.44	3,480.25
Total expenditure	594.57	798.63	664.45	1,083.17	1,057.91	1,790.75	3,926.13	2,738.14	2,927.85	2,781.58
Profit before taxation	160.14	43.19	191.13	326.51	502.71	248.46	210.41	449.94	658.59	698.67
Provision for current tax	51.50	8.00	27.00	85.00	40.00	9.20	15.05	27.20	53.48	62.58
Net profit	108.64	35.19	164.13	241.51	462.71	239.26	195.36	422.74	605.11	636.09
Provision for deferred tax	0.00	0.00	0.00	0.00	0.00	64.12	32.43	162.82	194.06	234.12
Dividend (%)	10	10	20	20	20	10	7.5	10	10	10
<b>BALANCE SHEET</b>										
Net block	90.27	112.70	164.34	160.42	321.73	596.55	705.45	705.59	675.87	571.92
Investments	89.99	89.99	89.99	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10	746.47
Current assets (net)	262.66	580.24	661.96	1,430.28	3,235.46	4,388.80	4,466.06	5,159.90	5,866.69	6,539.26
Miscellaneous expenditure	0.21	0.78	0.59	3.93	263.24	233.24	203.24	0.00	0.00	0.00
Total application of funds	443.13	783.71	916.88	1,728.31	6,030.11	6,256.26	6,347.84	7,141.04	6,827.66	7,857.65
Borrowings	160.83	316.37	310.47	0.00	16.23	118.85	131.98	827.62	188.30	703.35
Deferred tax liabilities	0.00	0.00	0.00	0.00	0.00	229.28	261.71	424.53	614.77	848.89
Paid up capital	60.00	100.00	100.00	785.00	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70
Reserves	222.30	367.34	506.41	943.41	4,967.18	4,861.43	4,907.45	4,842.19	4,977.89	5,258.70
Net worth	282.09	466.56	605.82	1,724.38	5,750.64	5,674.89	5,750.91	5,888.89	6,024.59	6,305.40

I welcome you all to your Company's 13<sup>th</sup> AGM.

This year, instead of talking to you about the status and potential of the entertainment industry, as I usually do, let me draw your attention to something more immediate. I refer to the intangible and often unnoticed assets of your Company that are now acquiring value in the new and emerging marketplace.

We in PNC believe that there are six value levers, or what you might like to call value assets, in a creative Company. These need to be understood to appreciate the true worth of a Company like yours.

They are:

1. The PNC brand, the visible face of your Company
2. The PNC content library, our intellectual property
3. The PNC team, our human resource assets
4. The PNC knowledge base, both creative and marketing
5. The PNC relationships built up over 13 years in business
6. The PNC standard, benchmarked by global awards and certifications

These are not easy to value. Some of them are more intangible than others but, increasingly, enterprises worldwide are attempting to put them on their balance sheet so that stakeholders can recognize the intrinsic strengths of their Company, which are not always manifest in conventional financial statements.

My intention here is to share with you our experience that a creative Company is not only about income and costs. It's also about growing these intangible assets. We have seen them impacting valuations in the global entertainment market. The time is imminent when stakeholders here will also appreciate their importance. The tools of valuation may vary. So may the techniques. But the fact that a creative Company needs to be understood and valued in a somewhat different manner is by now well established. What is also established is that their asset base needs to be looked at differently.

It is to examine these assets of your Company and try to put a reasoned and reasonable value to them that we commissioned Dr Vishnu Kanhere, CA and valuations expert and author of the book Software Valuation published by Thomson Learning, to audit three of these areas— our brand, our library, our human resources. He has applied globally acknowledged models to arrive at valuations that we present here in this Annual Report to further the level of disclosure as well as encourage a debate on the importance of intangibles in assessing the true value of a creative enterprise.

To context Dr Kanhere's expert opinion, I draw your attention here to how these value levers contribute towards making PNC a better, stronger, more capable Company. The PNC spirit, best described as the PNC attitude, builds on these assets to create a dynamic, resilient and creative enterprise. We well recognize the fact that it may still take a while for the world to accept the genius of Indian creativity. But it is happening. Indian writers, musicians, movie makers, painters, actors, fashion designers, architects are slowly gaining global stature and it will not be long before Indian enterprises promoting Indian talent and creativity make a serious mark in the global marketplace.

It is with this vision that PNC was born.

It is this vision that drives us ahead today.

### **The PNC Brand**

The PNC brand is the visible face of PNC. It is built on public perception and nurtured by the PNC experience. PNC movies and their global marketing leave an enduring impact on viewers across multiple platforms. Many people see them in theatres and multiplexes. Many more catch them on TV, satellite, cable, terrestrial. There are thousands more who watch them on DVD or buy CDs to listen to their music. Many more hear them on FM, watch them on flights, download them from the net, stream them through broadband. As a young India marches ahead, consuming patterns for entertainment products are swiftly changing. Supported by new technologies; driven by our global diaspora. It is not just the London cabbie who croons our songs. Indian movies are showing in theatres in France and Germany and hitting top 10 charts in Australia, UK, UAE. Our music is now played in lounge bars and discotheques all over the world. Bollywood has suddenly acquired global mindshare. So has the PNC brand, which Dr Kanhere values elsewhere in this Report, in terms of the effort and money spent on communicating it to our target audiences as well as in terms of the extra returns it yields PNC and what value it can possibly command.

### **The PNC Library**

Your Company is in the business of creating content and the key to its success lies in the IPRs it owns and the lease rentals they can fetch on release and in the future. While we have made content from our inception, we entered the movie business only in 2000 and, in the past 5 years, we have built a small but well respected library of films that is growing annually. This library, being new, is live and contemporary. It is what you may call our creative capital. Its

value is defined by its variety and acclaimed excellence. PNC movies like Bollywood Calling, Kaante, Jhankaar Beats, Chameli, Shabd and Hazaaron Khwaishein Aisi have become cult films. Every time a new technology platform opens up, the library leaps into play. Whether viewers watch films in theatres or on TV, computers or handheld devices, what drives them is content. And content is what PNC is all about. Our existing library has been valued, separately in this Report, by Dr Kanhere based on its cost, earning potential and what it could possibly fetch in the marketplace.

#### **The PNC Team**

Team PNC is our HR assets. It is the value of the people who work for your Company and make it what it is today. A well trained, strongly motivated team always outperforms the competition. We in PNC recognize this and strive to keep our team at an optimal performing level through a carefully designed mix of inhouse incentives and strategic outsourcing. This asset has been valued by Dr Kanhere, at the present value of the sum total of payments and rewards they will earn as long as they are with PNC. The underlying presumption of this valuation is that they will at least contribute as much value to the Company as they are paid in their productive life time.

#### **The PNC Knowledge Base**

PNC's knowledge base has been created over 13 years of operations and distilled into its current working system, which is supported by contracts, proformas, checklists and constant performance audit benchmarked against global standards like ISO 9001:2000. Nothing is ever left to chance. In what is essentially a chaotic and disorganized business, PNC has put in place effective systems and controls. This is why your Company is respected for having ushered in a new work culture of professionalism and best practices. It is this knowledge base that ensures PNC continues to move ahead even as its professional talent keeps changing as part of the natural process of attrition and renewal.

#### **The PNC Relationships**

Your Company enjoys excellent relationships in the industry both on the supply side and on the consumer end. This gives PNC an extra edge as it is able to get the best creative and technical talent to work for it at affordable prices and create good content products. On the market side, its relationship with distributors, exhibitors, broadcasters, music publishers, wireless and internet platforms enables it to compete effectively in reaching its products to the eventual consumer. Other media platforms, online as well as offline, collaborate with us. In terms of product quality, placement, price and positioning, PNC films are well poised. This is possible only because of our relationships.

#### **The PNC Standard**

This is what we value the most: Our standards. Recognition has come to your Company in the form of international and national awards for its films as well as corporate awards for the organization itself. Till date, 53 international film festivals, including some of the world's most prestigious, have showcased PNC films. They have received 321 award nominations in the past 5 years for creative and technical excellence. The Margaret Herrick Library in LA, run by Academy of Motion Pictures Arts and Sciences which gives out the annual Oscars, has acquired our screenplays. Deloitte Touche has twice ranked us among the 500 fastest growing TMT companies in the Asia Pacific and the World Congress for Corporate Governance in London last year gave PNC the Global Award for Corporate Governance.

With these awards and recognitions have come certifications earned for excellence in systems management. Your Company is the first movie Company certified by SGS of UK for meeting ISO 9001:2000 standards. This is no mean achievement in a business that celebrates chaos.

#### **The PNC Attitude**

At the core of all this is the enduring spirit of PNC. What we call the PNC attitude. We are constantly learning, constantly responsive to change. Every adversity redefines us. Every success challenges us to better ourselves. As the key components of the marketplace keep evolving with changes in technology and consumer demographics, your Company keeps altering course, honing its strategy. Nothing is constant. Every movie is a new experience, a new challenge, and demands a new marketing plan. Your Company recognizes this. Therein lies its resilience.

Every Friday alters the course of this business. We can see this as a threat. Or we can see this as an opportunity. The PNC attitude stems from constantly responding to new ideas, new challenges, new technology and allowing that to sharpen forward strategy. We always try to leverage our strengths, fight back our weaknesses, so that we can storm the future with zeal, energy and boundless faith in the power, reach and compassion of the entertainment business. It is India's most remarkable asset, combining as it does our tradition and our culture with the compulsions of the modern age.

The AGM is the best time to put on record our deep appreciation of the efforts of all those who work with us and for us. Every stakeholder in PNC— investors, bankers, staff, friends, colleagues and business associates, actors, directors, technicians— plays an important role in us realizing our potential. Without them we would not be what we are today. A Company that has, through sustained corporatization, transformed India's motion picture business.

To  
The Members

Your Directors have pleasure in presenting their Thirteenth Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2006.

### FINANCIAL HIGHLIGHTS

Turnover for the year was Rs 3,369 lakh compared to Rs 3,488 lakh for the earlier year.

in Rs lakh

Particulars	Year ended				31.3.2006
	31.3.2002	31.3.2003	31.3.2004	31.3.2005	
Income from operations	1,775.36	4,021.93	3,071.02	3,488.28	3,369.00
Other income	263.84	114.60	117.06	98.16	111.25
Total turnover	2,039.20	4,136.53	3,188.08	3,586.44	3,480.25
Total expenditure	1,790.75	3,926.12	2,738.14	2,927.85	2,781.58
Profit before taxation	248.45	210.41	449.94	658.59	698.67
Provision for current tax	9.20	15.05	27.20	53.48	60.20
Net profit after current tax	239.25	195.36	422.74	605.11	638.47
Fringe benefit tax	0.00	0.00	0.00	0.00	2.38
Provision for deferred tax	64.11	32.43	162.82	194.06	234.12
Net profit after taxes	175.14	162.93	259.92	411.05	401.97
Dividend (%)	10	7.5	10	10	10
Transfer to reserves	16.40	13.50	25.56	80.09	40.02
Prior period adjustment	11.06	28.33	4.32	10.60	1.81
Balance in profit and loss account	385.20	211.65	323.35	525.36	676.15
Paid up capital	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70
Earning per share	1.57	1.29	2.44	3.83	3.82
Book value per share	54.22	54.94	56.26	58.28	60.24

### PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 699 lakh in this fiscal as compared to Rs 659 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 6.07% increase in pre-tax profits. After making a provision for current tax, profits were higher at Rs 638 lakh as compared to Rs 605 lakh in the previous year. A provision of Rs 234 lakh has been made for deferred tax.

The Company's cinematic content projects, 'Ek Khiladi Ek Haseena' and 'Hazaaron Khwaishein Aisi' were released worldwide during the year. Both contributed to your Company's bottomline. Three more cinematic content projects titled 'Ankahee', 'Pyaar Ke Side Effects' and 'Bow Barracks Forever' were readied for release during the year. 'Ankahee' appeared in the first quarter of the current year. The Company also dealt in television content. To summarise, although topline decreased marginally, better margins increased your Company's profits.

The Company's wellness business was transferred to PNC Wellness Pvt Ltd with effect from April 1, 2006. During the quarter ended June 30, 2006, the Company acquired all the 60,000 shares of PNC Wellness Pvt Ltd, thereby making it a wholly owned subsidiary of our Company. Also, the said quarter witnessed the release of the Company's most talked about film 'Ankahee'.

'Pyaar Ke Side Effects' and 'Bow Barracks Forever' are at pre release promotions stage. 'Khela' is under post production. There are over 8 new projects at various stages of development.