



MALLIKA SHERAWAT AND RAHUL BOSE FOR PYAAR KE SIDE/EFFECTS

KAREENA KAPDOOR SHEDS ALL HER INHIBITIONS IN AND AS CHAMELI



KUMAR GAURAV, SANJAY DUTT, SUNIL SHETTY, AMITABH BACHCHAN, MAHESH ANJREKAR AND LUCKY ALI FOR KAAANTE

PRIYANKA CHOPRA FOR SAHIB BIWI GHULAM



SANJAY DUTT FOR SHABD

BOLLYWOOD STRIKES!

GLOBAL ENTERTAINMENT WILL NEVER BE THE SAME AGAIN.

AISHWARYA RAI FOR SHABD

THE 14TH ANNUAL REPORT AND ACCOUNTS 2007

PNC PRITISH NANDY
COMMUNICATIONS LTD
MOVIES THAT ROCK

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INDIA'S FIRST ISO 9001:2000 CERTIFIED MOTION PICTURE COMPANY.
CERTIFIED BY SGS OF UK.

THE 1ST INDIAN MOVIE BRAND VALUATION

Report Junction.com

PNC brand valued at Rs 2653 million
by Brand Finance/ UK in
January 2007.

PNC PRITISH NANDY
COMMUNICATIONS LTD
MOVIES THAT ROCK

www.pritishnandy.com.com

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PRITISH NANDY COMMUNICATIONS LTD
14TH ANNUAL REPORT
YEAR 2006 – 2007

BOARD OF DIRECTORS

Pritish Nandy, Chairman
Udayan Bose
Nabankur Gupta
Hema Malini
Harshawardhan Sabale
Rina Pritish Nandy
Vishnu Kanhere
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

REGISTERED OFFICE

87/88 Mittal Chambers Nariman Point Mumbai 400 021

WRITER: SUDHIR MISHRA JOYDEEP SARKAR LYRICS: SWANAND KIRKIRE MUSIC: SHANTANU MOITRA DIRECTOR OF PHOTOGRAPHY: SACHIN KRISHN PRODUCERS: PRITISH NANDY RANGITA PRITISH-NANDY

UNDER PRODUCTION

PNC
MULTIFILM

A FILM BY SUDHIR MISHRA

AU RHO EV DAS

PRITISH NANDY COMMUNICATIONS PRESENTS

Report  junkie.com

SOMETIMES, A STORY NEEDS TO BE TOLD CORRECTLY

CORPORATE LEADERSHIP TEAM

Pallab Bhattacharya, Director and CEO, Chairman

Rangita Pritish-Nandy, Creative Director

Bobbie Ghosh, Chief Operating Officer

Jiya Gangwani, Company Secretary

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

Ishita Pritish Nandy, General Manager, Creative Services

Mahesh Vyas, Chief Manager, Accounts

Kishor Palkar, Chief Manager, Accounts

Rahul Singh, Chief Manager, Creative and Technical Services

PNC is an equal opportunities employer. Out of the 9 members of the Corporate Leadership Team that runs the affairs of the Company, around 33 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. Most members of the team have risen from the ranks.

FARDEEN | KOENA | GULSHAN | KAY KAY | MUKUL | AMIN | MAKARAND | RAKHI | FERAZ
KHAN | MITRA | GROVER | MENON | DEV | HAJI | DESHPANDE | SAWANT | & KHAN



PRITISH NANDY COMMUNICATIONS PRESENTS
IN ASSOCIATION WITH
MOTION PIXEL CORPORATION

A PNG MOTION ENTERTAINMENT FILM

RESIDIN

ESHQ AISA KARTA HAI

THEY'RE BACK TOGETHER AGAIN! ADHUN AUR NEE!

AN ANIMATED VERSION OF THE ULTIMATE ACTION FLICK
COMING SOON

PNM ANIMATION

PRITISH NANDY COMMUNICATIONS PRESENTS AN ASSOCIATION WITH MOTION PIXEL CORPORATION & PNG MOTION ENTERTAINMENT FILM. EKEH VERSION 2.0. WWW.EKEHMOVIE.COM
ORIGINAL MUSIC BY PRITISH NANDY. MUSIC BY PRITISH NANDY COMMUNICATIONS. ANIMATION BY ESTUDIO FLEX.
PRODUCED BY PRITISH NANDY. WRITTEN AND DIRECTED BY SUPARN VERMA.

TEN YEAR PROFILE

	Year ended									
	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	31.3.07
	in Rs lakh									
PROFIT AND LOSS ACCOUNT										
Total turnover	841.82	855.58	1,409.68	1,560.62	2,039.21	4,136.54	3,188.08	3,586.43	3,480.25	3,950.07
Total expenditure	798.63	664.45	1,083.17	1,057.91	1,790.75	3,926.13	2,738.14	2,927.84	2,781.58	3,366.89
Profit before taxation	43.19	191.13	326.51	502.71	248.46	210.41	449.94	658.59	698.67	583.18
Provision for taxation	8.00	27.00	85.00	40.00	9.20	15.05	27.20	53.48	62.58	69.76
Net profit	35.19	164.13	241.51	462.71	239.26	195.36	422.74	605.11	636.09	513.42
Provision for deferred tax	0.00	0.00	0.00	0.00	64.12	32.43	162.82	194.06	234.12	236.71
Dividend (%)	10	20	20	20	10	7.5	10	10	10	10
BALANCE SHEET										
Net block	112.70	164.34	160.42	321.73	596.55	705.45	705.59	675.87	571.92	221.00
Investments	89.99	89.99	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10	746.47	405.59
Current assets (net)	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	9,668.96
Miscellaneous expenditure	0.78	0.59	3.93	263.24	233.24	203.24	0.00	0.00	0.00	0.00
Total application of funds	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	10,295.55
Borrowings	316.37	310.47	0.00	16.23	118.85	131.98	827.62	188.30	703.35	161.68
Deferred tax liabilities	0.00	0.00	0.00	0.00	229.28	261.71	424.53	614.77	848.88	1,085.60
Paid up capital	100.00	100.00	785.00	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,446.70
Reserves	367.34	506.41	943.41	4,967.18	4,861.43	4,907.45	4,842.19	4,977.89	5,258.70	7,601.57
Net worth	466.56	605.82	1,724.48	5,750.64	5,674.89	5,750.91	5,888.89	6,024.59	6,305.40	9,048.27

'Brand PNC was valued this year at Rs 2,653 million by internationally reputed brand valuation experts, the UK-based Brand Finance plc and Ernst & Young has computed the discounted cash flow value of our current content library at Rs 1,920.5 million for a potential overseas investor using an annual discount rate of 6% which was provided to E&Y by the investor. At a discount rate of 11%, which E&Y considers as the appropriate rate for this purpose, the value would be Rs 1,142 million. This reaffirms our belief in the intangible creative assets of our business.'

Excerpt from the Chairman's Statement

I welcome you all to your Company's 14th AGM.

This is our fifteenth year in business. As we look back at the road we have traversed— with some nostalgia, some pride— there are many lessons to be learnt. The tiny company we started in September 1993 with a paid up equity of Rs 40,000 to make TV news shows is today one of the most exciting players in the Indian motion picture business. Our domain space may have changed, yes, but the skill sets we applied to our TV content business are exactly the same as what we deploy today in movies. That's our unique strength. We understand what viewers want. We can anticipate their changing needs and expectations and create content they would want to watch.

Much has happened in these fifteen years. We went public in 2000 with a tiny turnover and tinier profits and then, having raised our first growth capital, we focussed our attention on the motion picture industry which was in those days barely Rs 25 billion in size and known to be disorganised, opaque, deeply fractured. Most of its transactions were under reported and even though some remarkably good films were being made, chaos prevailed and serious investors by and large shunned the business. Banks were clearly reluctant to lend money to movie makers and the Shylocks who did, asked for anything between 30 to 40 per cent interest. The miracle was that producers did pay those extortionist rates to borrow money and despite making one movie in every two to three years, they still managed to stay afloat.

The reason was simple. Creative talent in the business was truly remarkable. Producers were equally adroit and not entirely driven by the compulsions of short term profit. So they took time, effort and often great pain to make movies many of which have survived the test of time. But what the industry unfortunately lacked was financial discipline, operational transparency, and respectable funding. As a result, even though we had what was arguably one of the world's greatest movie industries, not many took it seriously. Our entering the business in 2000 luckily coincided with the industry's first tentative moves towards corporatization.

Our resources being limited, we began small and focussed on what we thought could be the new cinema— clever, handcrafted, innovative and entertaining films that did not depend overmuch on big stars and big budgets. The movies we made were essentially designed for young, intelligent, urban audiences keen to look outside the typical formula flick. No, we had no pretensions to niche, parallel or art house cinema. Our strategy was clearly to make popular mainstream movies. But we wanted them to be more interesting, more real, more contemporary—and relate better to the new India that was emerging. The media gave this genre a new title—the multiplex movie. And PNC emerged as its first champion with, if you recall, *Bollywood Calling*.

When that succeeded, we knew we had struck a chord with the audience. So we continued to grow the genre. We made big movies like *Kaante*, mid sized movies like *Jhankaar Beats* and *Chameli*, tiny movies like *Mumbai Matinee*, innovative movies like *Shabd*, international movies like *The Mystic Masseur*. Each one, in its own way, contributed to the new cinema that was emerging and, even before we knew it, we were making three to four movies a year, winning awards and critical acclaim as well as finding a loyal audience in the theatres. TV viewers were also rooting for our kind of movies. DVD sales were rising. We had, to our own astonishment, eleven hit OST albums in a row, starting with *Sur*, our first musical.

This was not entirely planned, I dare say, though we knew very well that the only way to affirm our presence on the scene was to challenge the old orthodoxy and give mainstream cinema a spunky new look, a clever new spin. That's exactly what we attempted and, over the past six years, we have made more movies with new, untried talent than any other production house. The outcome has been rewarding for your Company. We have produced stars of all kinds. Star directors. Star writers. Star technicians. Star actors. Star music directors. Even star choreographers. Over 300 award nominations in five years testify to the quality of our movies. Over 60 of the world's most renowned film festivals have invited us, to showcase our films there. And the box office has rewarded us more than we ever anticipated. Seven of our films have gone on to acquire cult status. One among them, *Hazaaron Khwaishein Aisi*, has been often described as a contemporary classic, the finest film ever made in India.

Whether that's true or not, history will decide. But what has certainly happened in the past six years is that the multiplex movie PNC pioneered is well on the way to becoming today's mainstream cinema. Traditional trade pundits may be still reluctant to admit it, clinging on (as they do) to their old, obsolete notions of what drives Bollywood but audiences clearly know what they want. The rapid old formula is rapidly losing out and a new cinema, daringly different, unquestioningly original, is taking its place. Multiplex screens are seducing away audiences from old single screen theatres. New media platforms are growing young audiences. Big casts and big budgets are no longer the draw. Big ideas are. PNC films like *Pyaar Ke Side Effects*, one of last year's most successful films, capture most eloquently the spirit of the new Indian movie.

The interesting thing is that it is not only Indian audiences who are responding to this new cinema. New viewers are springing up worldwide and Bollywood is suddenly the new buzzword for Indian culture. The amazing global response to the new cinema coming out of India is best exemplified by the fact that we have won top honours at the prestigious Houston Film Festival two years running, first for *Jhankaar Beats* and then again for *Pyaar Ke Side Effects*, both made by first time film makers. The Oscars library is acquiring our path breaking screenplays for their archives. International studios are approaching us for joint ventures.

THE CHAIRMAN'S STATEMENT

Will this pace of growth sustain? Will Bollywood continue to remain the toast of the entertainment world? Well, from all indications, we are growing faster than any other movie industry anywhere in the world, at a pace double our GDP. By the end of the decade, our size will be Rs 175 billion. Seven times what the size was in 2000 when PNC entered the industry. We are proud of the changes we have initiated in a business that no one thought could be corporatized. In the process, your Company has emerged as a role model for those who want to look at movie making as a serious, credible, sustainable business with a unique and attractive risk profile.

This leads me to my favourite argument, that modern India does not need more jobs. It requires opportunities for self employed talent to realise their true potential. That is what this industry has been doing for years. Encouraging and nurturing people of exceptional skills. By widening the frontiers of mainstream cinema and taking it out of the clutches of its old palace guards, PNC is providing opportunities to fresh new talent to break out in every area of the business, particularly in the creative space. The Byzantine intrigues remain, as well as the eccentricities of the business, but in the process of coping with them, we in PNC have learnt the complex art of managing change.

It's my firm conviction that the future of the entertainment business here is limitless. Modern India's hunger for good movie content is enormous and, as new media and technology platforms emerge, be it in television or telecom, theatres or broadband, animation or gaming, comic books or merchandising, the opportunities for companies like yours will grow exponentially. The challenge lies in knowing two things. One: What the audience wants. Two: How it wants it delivered. New pipes are opening up every day and what everyone needs most urgently is quality content. Unfortunately, it's not possible to create such content overnight on a Q to Q basis. The process of creation is complex, time consuming. But, once created, such content is capable of multiple exploitation on multiple platforms, opening up multiple revenue streams. IPRs are indestructible and can be exploited many times over, in many ways into the future.

We in PNC know and recognise this. We have therefore taken some time in getting where we are. But, as you may have noticed, we have been steady and consistent and aware of the goals we have set ourselves in terms of quality and excellence. Our systems are regularly audited for ISO 9001:2000 standards. We got the certificate in 2004 from SGS of UK, the world's largest certification agency and our annual audits show how we have sustained and improved our systems year on year.

Our corporate governance policies have been widely recognized and we have won one of the most prestigious awards for corporate governance in London in 2005. Brand PNC was valued this year at Rs 2,653 million by internationally reputed brand valuation experts, the UK-based Brand Finance plc and Ernst & Young has computed the discounted cash flow value of our current content library at Rs 1,920.5 million for a potential overseas investor using an annual discount rate of 6% which was provided to E&Y by the investor. At a discount rate of 11%, which E&Y considers as the appropriate rate for this purpose, the value would be Rs 1,142 million. This reaffirms our belief in the intangible creative assets of our business.

We are innovating as we grow. Five animation movies are being made in a proposed JV with Florida-based Motion Pixel Corporation. Three of them are based on existing characters and screenplays from our own library. Three sequels and a remake are also being developed. To enhance the experience of watching movies, we are in the process of setting up world class boutique theatres. We are also taking tentative steps into the distribution of movies. All these are integrated moves to consolidate our presence in the Indian motion picture business.

The coming three years will be crucial for your Company as we build new verticals in the business, to prepare for the future. Meanwhile, changing technology and shifting public tastes will keep testing our skills. The challenge lies in staying ahead of change. As India globalises and our entertainment economy integrates with the rest of the world, as Western studios match their wits with Eastern talent to create truly world class movies, the gateways of culture will open up, we will see many new things happening that will make us suspend our disbelief. Movies are about imagination, true. But when imagination, converging technologies and globalisation get together in a world ready for change, you can be sure of tectonic shifts in the way we entertain ourselves. In these shifts will lie immense challenge and opportunity for your Company.

It's my belief that we are ready to accept that.

I cannot end this statement without thanking all those who have made this possible. Every stakeholder in PNC is a partner in our growth. Every employee, every investor, every shareholder, every business associate, every banker, every talent who has worked with us, every person who has watched a PNC film, every critic who has praised or trashed us, every blogger who has posted his point of view on the net has, in his or her own way, shown us the road ahead. Thank you.

To

The Members

Your Directors have pleasure in presenting their Fourteenth Annual Report on the business and operations of the Company together with the audited financial accounts for the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Turnover for the year was Rs 3,882 lakh compared to Rs 3,369 lakh for the earlier year.

in Rs lakh

Particulars	Year ended				31.3.2007
	31.3.2003	31.3.2004	31.3.2005	31.3.2006	
Income from operations	4,021.93	3,071.02	3,488.28	3,369.00	3,881.82
Other income	114.60	117.06	98.16	111.25	68.25
Total turnover	4,136.53	3,188.08	3,586.44	3,480.25	3,950.07
Total expenditure	3,926.12	2,738.14	2,927.85	2,781.58	3,366.89
Profit before taxation	210.41	449.94	658.59	698.67	583.18
Provision for current tax	15.05	27.20	53.48	60.20	65.82
Profit after current tax	195.36	422.74	605.11	638.47	517.36
Fringe benefit tax	0.00	0.00	0.00	2.38	3.94
Provision for deferred tax	32.43	162.82	194.06	234.12	236.71
Net Profit after tax	162.93	259.92	411.05	401.97	276.71
Dividend (%)	7.5	10	10	10	10
Transfer to reserves	13.50	25.56	80.09	40.02	24.97
Prior period adjustment	28.33	4.32	10.60	1.81	27.02
Balance in profit and loss account	211.65	323.35	525.36	676.15	731.60
Paid up capital	1,046.70	1,046.70	1,046.70	1,046.70	1,446.70
Earning per share	1.29	2.44	3.83	3.82	2.36*
Book value per share	54.94	56.26	58.28	60.24	62.54

*weighted average of basic and diluted EPS

PERFORMANCE

Pre tax profit from the operations of the Company amounted to Rs 583 lakh in this fiscal as compared to Rs 699 lakh in the last. During the year serious efforts were directed to enlarge the Company's businesses and create new revenue sources for the future. New business verticals were put in place; new talent was sourced; steps were taken to look at new growth areas, particularly in the context of emerging technologies that impact the nature and future of the Company's core business of creating value added content. The Company is in the process of understanding, absorbing and preparing to use these emerging technologies to maximize its future growth and diversification plans as well as grow its future earnings. At the same time, its focus remains clearly on the current matrix of the Indian motion picture business which is growing at a remarkable pace, in terms of both making content and distributing and exhibiting it. Costs that have gone into the learning process, and into the process of hiring new knowledge and talent resources, will yield results in coming years. However, for the year under review, after making provisions for current tax, profits were lower at Rs 517 lakh as compared to Rs 638 lakh in the previous year. A provision of Rs 237 lakh has also been made for deferred tax.

Three of the Company's cinematic content projects, Ankahee, Pyaar Ke Side Effects and Just Married were released worldwide during the year to critical acclaim and satisfactory income. Bow Barracks Forever, a small but widely acclaimed film that your Company has produced under the banner of PNC Classics, a new extension for quality world cinema, shall appear in the second quarter of the current year. The Company also dealt in and re-exploited some of its television shows. But its key focus remains and will continue to remain the motion picture business which, from all published data, shows a remarkable growth trend that is expected to pick up greater pace this fiscal.