

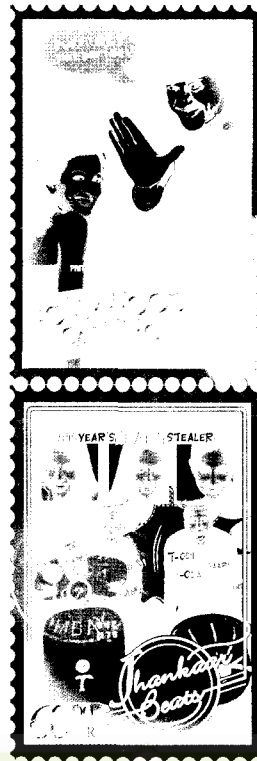
## The 16th Annual Report and Accounts 2009

Pritish Nandy Communications.

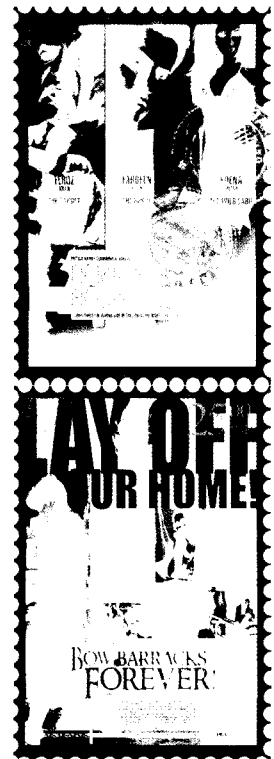
Now a  
Superbrand.



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



## The reason why



PRITISH NANDY COMMUNICATIONS LTD  
16th ANNUAL REPORT

2008 | 2009

BOARD OF DIRECTORS

Pritish Nandy/ Chairman  
Udayan Bose  
Nabankur Gupta  
Hema Malini  
Harshawardhan Sabale  
Rina Pritish Nandy  
Dr Vishnu Kanhere  
Pallab Bhattacharya/ Wholetime Director & CEO  
Rangita Pritish-Nandy/ Creative Director

COMPANY SECRETARY

Nirav Joshi

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

CORPORATE LEADERSHIP TEAM

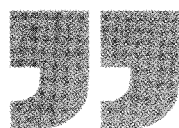
Pallab Bhattacharya/ Director and CEO, Chairman Rangita Pritish-Nandy/ Creative Director  
Bobbie Ghosh/ Chief Operating Officer Nirav Joshi/ Company Secretary Yatender Verma/ Vice President, Finance, Compliances & Legal Affairs  
Ish'ta Pritish Nandy/ Vice President, Creative Services Ramkamal Mukherjee/ Vice President, Media & Special Projects  
Mahesh Vyas/ Chief Manager, Accounts Kishor Palkar/ Chief Manager, Accounts  
Savio Rodrigues/ Chief Financial Strategist Dinar Kadam/ General Manager, Retail & Special Projects

PNC is an equal opportunities employer. In all, there are 11 members in the Corporate Leadership Team that runs the affairs of the Company. The Corporate Leadership Team has an average age of 37, combining youth and experience. Members of the CLT have been with PNC for an average of 8 years, demonstrating continuity and effective HR. Most members of the team have risen from the ranks.



## As I see it, United States and Europe will show negative

3% to a best case 0% growth in 2009 and 2010. Added to that the amount of money they have printed will probably bring inflationary pressures. The earliest I can see a weak positive growth is 2011. Whereas India grew at 6.7% in the crisis year 2008-2009, will probably grow at 7-7.5% in 2009-2010 and hopefully 9% in 2010-2011. I therefore feel that while Europe and America would be struggling to get to their feet, the next 5 years could be golden years for India.



Udayan Bose  
Independent Director/ Prithvi Nandy Communications  
Investment Banker

	Year ended									
	31.3.00	31.3.01	31.3.02	31.3.03	31.3.04	31.3.05	31.3.06	31.3.07	31.3.08	31.3.09
	in Rs lakh									
PROFIT AND LOSS ACCOUNT										
Total turnover	1,409.68	1,560.62	2,039.21	4,136.54	3,188.08	3,586.43	3,480.25	3,950.07	3,384.11	1,533.11
Total expenditure	1,083.17	1,057.91	1,790.75	3,926.13	2,738.14	2,927.84	2,781.58	3,366.89	2,349.39	1,727.99
Profit/ (loss) before taxation	326.51	502.71	248.46	210.41	449.94	658.59	698.67	583.18	1,034.72	(194.88)
Provision for taxation	85.00	40.00	9.20	15.05	27.20	53.48	62.58	69.76	172.85	3.29
Net profit/ (loss)	241.51	462.71	239.26	195.36	422.74	605.11	636.09	513.42	861.87	(198.17)
Provision for deferred tax	0.00	0.00	64.12	32.43	162.82	194.06	234.12	236.71	200.66	(26.49)
Dividend (%)	20	20	10	7.5	10	10	10	10	10	0
BALANCE SHEET										
Net block	160.42	321.73	596.55	705.45	705.59	675.87	571.92	221.00	165.09	164.29
Investments	133.68	2,209.68	1,037.67	973.09	1,275.55	285.10	746.47	405.59	140.18	140.18
Current assets (net)	1,430.28	3,235.46	4,388.80	4,466.06	5,159.90	5,866.69	6,539.26	9,668.96	10,661.57	10,452.67
Miscellaneous expenditure	3.93	263.24	233.24	203.24	0.00	0.00	0.00	0.00	0.00	0.00
Total application of funds	1,728.31	6,030.11	6,256.26	6,347.84	7,141.04	6,827.66	7,857.65	10,295.55	10,966.84	10,757.14
Borrowings	0.00	16.23	118.85	131.98	827.62	188.30	703.35	161.68	139.45	129.88
Deferred tax liabilities	0.00	0.00	229.28	261.71	424.53	614.77	848.88	1,085.61	1,286.27	1,259.78
Paid up capital	785.00	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,046.70	1,446.70	1,446.70	1,446.70
Reserves	943.41	4,967.18	4,861.43	4,907.45	4,842.19	4,977.89	5,258.70	7,601.57	8,094.42	7,920.78
Net worth	1,724.48	5,750.64	5,674.89	5,750.91	5,888.89	6,024.59	6,305.40	9,048.27	9,541.12	9,367.48

'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, 2007*



Report

“Since we value talent, creativity, excellence--which are at the heart of our business--we are constantly attempting to nurture an environment in which they flourish and find self actualization. That is how your Company creates valuable assets that are not always obvious on your balance sheet but which keep on appreciating as your brand and content library grows year on year.

”  
Pritish Nandy  
Chairman/ Pritish Nandy Communications  
Writer

o your Company's 16th AGM.

It has been my pleasure to address you for some years now, ever since we went public. Your Company has been in business for 16 years and it has been our pride to report varying degrees of success and profit, and uninterrupted dividend to shareholders. Last year, however, was the most difficult year we faced. It was also the most agonizing year for all of us in the media and entertainment industry, as well as for the world at large. It is not necessary for me to go into details of the global downturn that took place since I am sure all of you are aware of its extent and the damage it has wrought to economies and businesses worldwide. It is sufficient to say that your Company too has faced difficult times.

Fortunately, the bad times appear to be behind us. Not entirely but to an extent where we can at least start hoping to regain our businesses and confidence in the marketplace. The recent PWC report states that the Indian media and entertainment industry slowed down in 2008, to reflect overall economic realities. This slowdown is expected to continue through 2009 before things begin to pick up in 2010, when the industry could return to double digit growth. The good news is that the report also anticipates that India and China will soon record the highest growth in media and entertainment. Over the next four years, the motion picture industry alone is projected to grow at a CAGR of 11.6% to reach Rs 185 billion in 2013. The growth in allied businesses like telecom, broadcasting, music, home entertainment and new media will also support the revenues of the motion picture industry, as well as growth in overseas sales. There is a distinct interest in Indian movies worldwide and new markets are opening up almost every day in parts of Asia, Europe, Latin America and even North America where Hollywood rules.

For your Company this means revisiting some of our short term plans and strategies and seeing how we can deal with the next few months, till good health returns to the economy. It is important we do not forget that the media and entertainment business in India grew at 16.6% annually between 2004 and 2008. Last year, it decelerated to 8%. As growth picks up over coming months, the annual growth rate for 2009 to 2013 is expected to touch 10.5%. If the world market improves, we may see much stronger growth since the success of Slumdog Millionaire has opened the doors to an entirely new genre of India-centric movies. At the same time, technology innovations are swiftly opening up new windows of commercial exploitation for movies on different emerging platforms: DTH, IPTV, mobile phones, broadband, digital downloads, 3G, everything is changing for consumers of entertainment products. Convergence is no longer a buzzword. It's an actuality we must be all prepared for. It will entirely transform the way we consume news and entertainment.

For those who, like your Company, not only make movies but also own their IPRs, the future looks strong and profitable. Not just from the new movies that we continue to make but also from the re-exploitation of past content that is part of our owned library. The PNC owned library is a rich repertoire of contemporary films that have, in many ways, redefined the motion picture business in India and, as more and more technology platforms open up, this library becomes an invaluable asset for exploitation.

These are indeed fast changing times. Companies like yours that have focused their business almost entirely around the content space are likely to be the biggest beneficiaries of this change as the delivery infrastructure rapidly grows and technology shifts ensure that the common man has more and more access to what he sees as his primary source of entertainment, Movies. Our movies not only boast the world's biggest audience, 3.3 billion people buy theatre tickets for Indian movies annually, larger than the combined ticketed audience for US, Chinese, Japanese, British and French films, but we also make the largest number of films in the world, by far. This actually means that every Indian, rich and poor, watches at least 4 to 5 films a year in the theatres. They also watch double that number on television. They buy DVDs. They buy CDs and digital music. They pay for ringtones and callback tones, use VAS services from their telecom service providers. You can understand what all this means in terms of the growth potential of India's motion picture business.

What supports this potential are two more things. One, India has the cheapest ticket price among all the top ten film making nations of the world: 0.5 US\$ versus 7.2 US\$ in the US, 11.7 US\$ in Japan, 9.5 US\$ in UK and 2.2 US\$ in China. This can only go up in coming years as the theatre hall experience improves. Two, India has till now only 850 multiplex screens as against 29,000 in the US for instance. As more screens open up, especially in our small towns, audiences will grow exponentially. So will the scale and revenues of the business.

Curiously, India is the only major movie watching nation where Hollywood films have not been able to make any significant impact. The power, reach and market for our own movies is so strong that Hollywood blockbusters, even when dubbed into multiple Indian languages, have not been successful in pulling away audiences from our local films. This is a tribute to the resilience of our movie makers. This is also encouraging Hollywood studios to come to India and make local content for the Indian and diaspora markets. For your Company, this is a clear and present opportunity. Also because Indian talent and technical skills compare with the best in the world, and costs out here are but a fraction of what it costs to make movies in Hollywood.

In short, the motion picture industry here is all set to grow hugely once these difficult months are over and the general mood of the economy restores to normal. B2C is doing fine even under the current circumstances. In the past few months, we have seen audiences come back into the theatres in large numbers. B2B however needs to find greater confidence. Since your company has always seen itself as a content maker, we have borne the brunt of the B2B crisis. Yet it continues to be our endeavor to focus on our core skill, which is making movies and designing their marketing strategy for different markets. We will, however, try to build in coming months a more direct B2C interface so that in times like this we do not fumble on our releases. This may require additional resources and manpower but will insulate us from such volatility in the future. It will also ensure that even if B2B transactions are adversely impacted by market conditions, B2C will continue unimpeded.

The past year has taught us some crucial lessons, the most important being that a strong company must have the courage, confidence and imagination to survive difficult times. Luckily the movies we make do not have a sell-by date. So when the multiplex strike happened and all movie releases were stopped for months on end, your Company chose to use its time and resources towards planning new releases and strategizing to seize new content marketing opportunities in the emerging global marketplace. We tied up with a global sales agent of repute, London-based High Point Media Group who will not only take our new movies to new overseas markets but is already trying to get new leases for our existing catalogue. We have used our time well and made some new films that are in the mid-budget range and perfectly match the current mood of the market. We are looking at co-ventures, animation films, new ideas for television, new opportunities for growth and diversification in the content space. You are likely to see the impact of these initiatives when the market revives.

As you are aware, Brand PNC is what defines us and affirms our true status in the business. Two years ago, London-based Brand Finance evaluated the PNC brand as one of the most highly rated in the business and affixed a significant value to it. This year we are proud to have been recognized as the first Superbrand in the motion picture business. As a Company which was founded on the premise that the movie business can be corporatized, we are today pleased that we have not only been acknowledged as a Superbrand and received so many awards and recognitions from all over the world, but we have also shown the inner strength and resources to weather such a stormy, turbulent period.

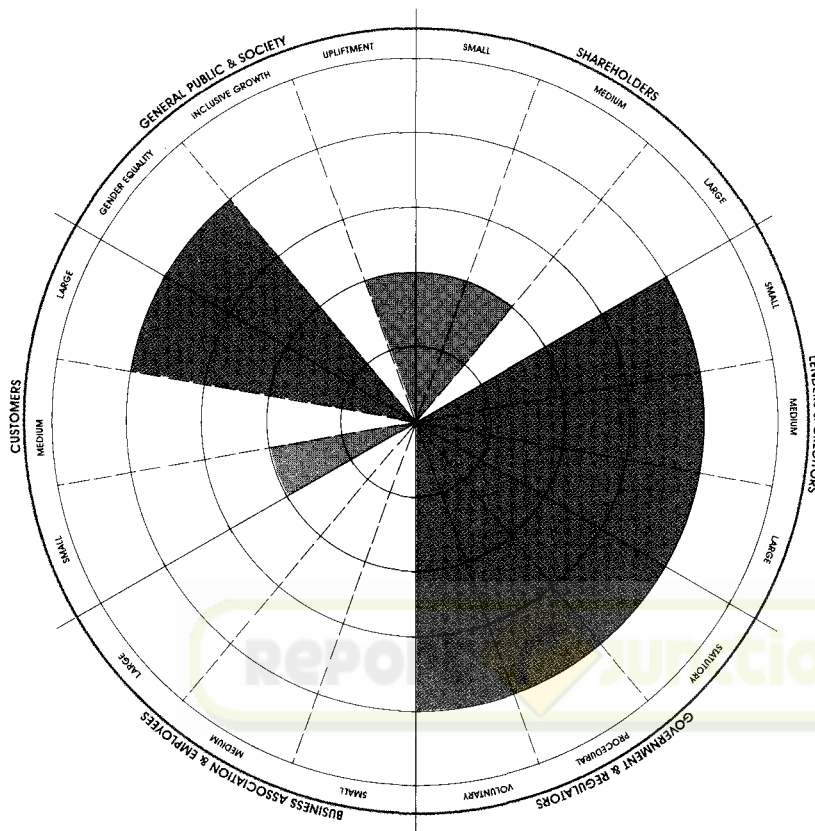
For that I must thank all members of Team PNC who have stood by your Company and empowered your management to take difficult decisions during the past year. They have shown the power of teamwork and the integrity of an organization built on imagination, commitment and faith in the future of media and entertainment. As India grows and integrates with the world and we see a greater sharing of our culture and values, we believe the motion picture industry will open up countless opportunities for Team PNC to take your Company ahead. The last year has tested their mettle and the current year, where the multiplex strike held back all our releases, has challenged them to think out of the box and find new solutions to new problems.

I also urge you, stakeholders in the future of this Company, to bear with us during these stressful times. Your Company has the skills and the wherewithal to sustain itself and emerge stronger, more successful in times to come. Ending with a Woody Allen quote may not be exactly conventional, but if you allow me, "Recessions prove that not only all good beginnings have to end but that all good endings have to offer new beginnings too". His context may have been different but it works for us just as well.



We at PNC always try to provide additional information over and above that prescribed by law. We were the first entertainment company in India to provide annual reports attested by key operating staff, before it became a statutory requirement. The report provided here is an attempt in this direction. It is not mandated by law and is not an exact measure. We caution investors that this is additional information and investors should rely on their own judgment in using and interpreting it. The Company is not responsible for any direct, indirect or consequential losses suffered by any person using this data.

## COVERAGE AND TRANSPARENCY



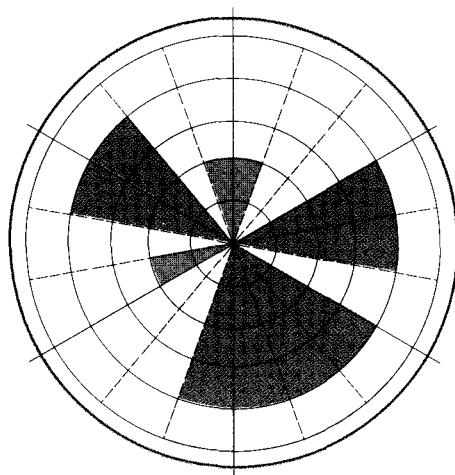
### STAKEHOLDER COMMUNICATION



### LEADERSHIP IN BUSINESS SOCIETY AND THOUGHT



### IN COMPARISON WITH LAST YEAR



■ LEVEL 1 - POOR  
■ LEVEL 2 - LOW  
■ LEVEL 3 - MEDIUM  
■ LEVEL 4 - HIGH  
■ LEVEL 5 - EXCELLENT

360° Corporate Reporting is a performance model developed by IEMAR to evaluate companies on the basis of their scores in key areas usually difficult to measure and on the strength of their stakeholder reporting. This is the second year where the company has been evaluated. The evaluation provides insight into companies in terms of their people, business strategies, brand, linkages, strengths and weaknesses, opportunities that exist and threats they need to ward off. It also conveys to stakeholders the environment in which their companies operate and assesses them on their processes, value of intangibles, transparency and effectiveness of their communication with stakeholders.

It thus conveys to stakeholders a lot of what cannot be precisely measured but needs to be appreciated in order to get the true import of the financial results. In that sense, it makes financial reporting more effective by providing additional information in quick read format.

In the long run, companies that are socio-ecologically progressive do better than those that are solely motivated by profits. This has been empirically proved, leading to the search for a more holistic reporting format. There are a number of initiatives that are currently used by companies. PNC has chosen 360° Corporate Reporting. This gives all round feedback to major stakeholder groups, improves transparency and ensures a shared vision.

To begin with, 360° Corporate Reporting acknowledges the fact that stakeholders, like shareholders, are not homogenous but comprise of different interest groups. It also incorporates crucial factors like creativity and innovation into the reporting framework. It moves from a logical progression of coverage, transparency, compliance, managing risks, managing enterprise to performance and profitability, social responsibility, strategic planning and research, creativity and innovation, ultimately leading to the creation of intangible assets and value.

The reporting is in a diagrammatic format. Different parameters represented by sectors come together in a circle where each sector is divided into subgroups representing detailed components. Each component is rated on a scale of 1 to 5.

The circle of stakeholders deals with coverage and transparency vis-à-vis different groups of stakeholders and is divided into 6 sectors subdivided into 3 segments each. These consist of shareholders, lenders and creditors, Government and regulators, business associates and employees, customers and society at large.

The circle of creation of value covers 7 sectors subdivided into 3 segments each. These consist of compliance, managing risks and enterprise, performance and profitability, social responsibility, strategic planning and vision, research, creativity, innovation, value creation and intangibles.

In the bars below the circles, the extent and effectiveness of stakeholder communication and reporting is judged in the context of the company's ability to connect, communicate,



establish dialogue and eventually achieve a sustainable relationship with all stakeholders. The company's performance on various counts ranging from financial to value creation is judged on the basis of its ability to create ideas for successful projects, products and services and translate these ideas into action, resulting in capitalization and value creation. These assessments are supported by looking at the scope, size and scale of operations, activities and influence of the company. Ultimately the leadership displayed by the company in business, society and thought is judged on whether it is at the fledgling, learning, growth or a mature mentoring state.

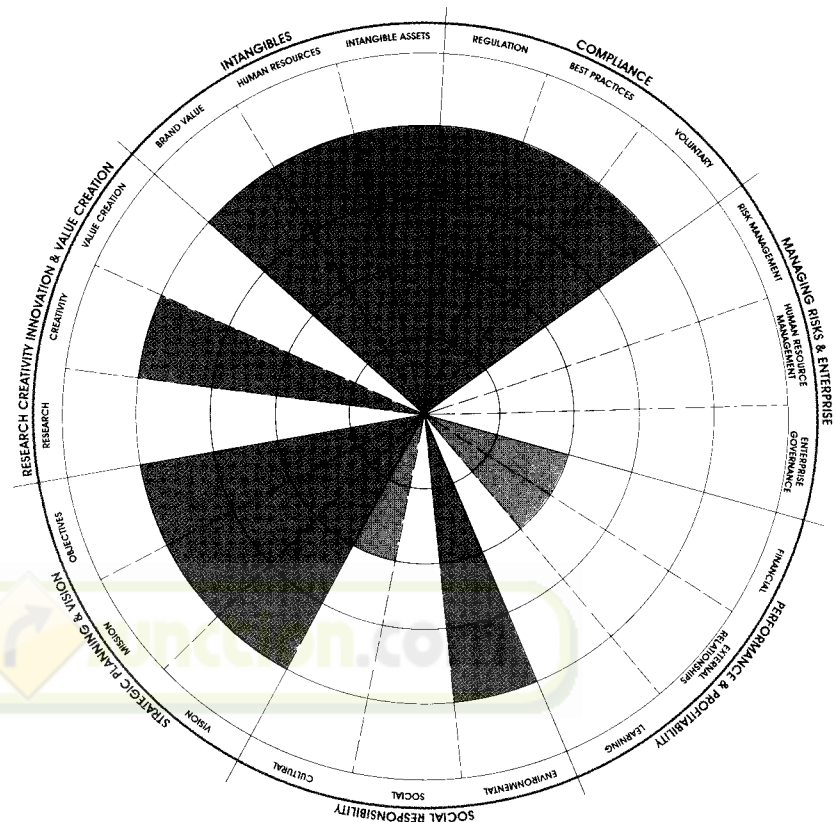
The model enables stakeholders as well as the company to assess where it has come from and where it is moving, giving its true bearings in its journey towards progress. It is unique in as much as it incorporates seemingly opposite drivers such as transparency, corporate social responsibility on one hand and performance and profitability on the other and presents them in a graphic format that can be easily understood. A filled out shape reflects the best state. Wherever there are gaps and the shape shrinks back to the centre the company needs to improve its performance. In the bars, values to the right indicate a better position than those to the left. The sectors are also color coded for easy understanding.

360° Corporate Reporting is like a compass that covers learning, growth, creativity and innovation. It is not designed to provide an exact measure of the distance travelled but indicates the direction in which the company has progressed on its corporate journey.

The change over the last year shows that from the medium shareholders' perception, there were lesser opportunities for growth offered by the stock. The standing in the debt market due to liquidity and solvency has improved viz-a-viz larger lenders, government and regulators and statutory compliances. Relations with business associates, customers and employees are maintained. Some increase in corporate social responsibility is noticed. Risk management has improved though performance and profitability have gone down. Continued emphasis on strategic planning and vision, and research, innovation and value creation have helped the company to manage in troubled times.

IEMAR (The Institute of Environmental Management Accounting and Research - [www.iemar.org](http://www.iemar.org)) is a non profit research organization that is working in the area of transparent, sustainable reporting and evolving techniques to measure, evaluate report and communicate economic activity and corporate performance in socio economic, environmental and cultural terms integrating with financial growth and other performance aspects. IEMAR can be contacted on [iemarindia@yahoo.com](mailto:iemarindia@yahoo.com).

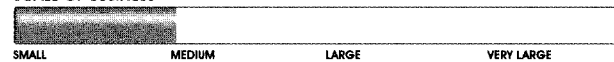
## CREATION OF VALUE



### SCOPE OF BUSINESS



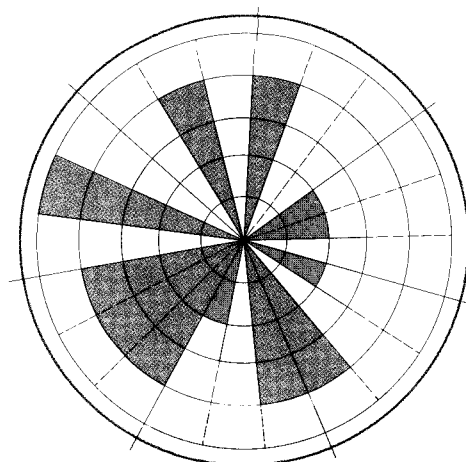
### SCALE OF BUSINESS



### INNOVATION AND VALUE CREATION



### IN COMPARISON WITH LAST YEAR





## India is a storehouse of creative talent

and the Indian film industry is one of its finest showcase. It is growing at a spectacular pace and despite the setback of the past year, we are confident that it will continue to lead the world in terms of creativity, output and growth. Over 3.3 billion people buy tickets to watch our movies which is a bigger audience than for American, British, Chinese and Japanese films put together.

Hema Malini

Joint Director / Pritish Nandy Communications  
Member of Parliament