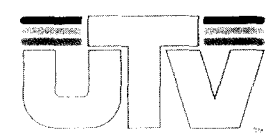


# TV Content Motion Pictures Airtime Sales Film Distribution Broadcasting Post Production & SFX

ANNUAL REPORT 2003-2004



**UTV SOFTWARE COMMUNICATIONS LIMITED**  
An Integrated Media & Entertainment Company

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**An Integrated  
Media & Entertainment Company**





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- United Entertainment Solutions Private Limited
- UTV International Holdings Limited



## UTV SOFTWARE COMMUNICATIONS LIMITED

### CORPORATE INFORMATION

**Name of the Company :** UTV Software Communications Limited.

**Registered Office :** 1076, Parijaat House, Dr. E. Moses Road, Worli, Mumbai - 400 018.

**Auditors:**

Price Waterhouse & Co, Chartered Accountants, 1102/ 1107 Raheja Chambers, Nariman Point, Mumbai - 400 021

Mustafa, Khoo & Co, Chartered Accountants, 30-4 Jalan 11/116B,

Kuchai Entrepreneurs Park, Off Jalan Kuchai Lama, 58200, Kuala Lumpur, Malaysia.

**Registrars:**

Karvy Computershare Private Ltd., Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.

**Bankers :**

**Citibank N.A.**

7th Floor, Plot No. C-61,  
Bandra Kurla Complex, G-block,  
Bandra (E),  
Mumbai 400 051.

**IDBI Bank Ltd.**

Nariman Point Branch,  
Mittal Court, A Wing, 2nd Floor,  
Nariman Point,  
Mumbai 400 021.

**HDFC Bank Ltd.**

Kamala Mills Compound,  
2nd Floor, Senapati Bapat Marg,  
Lower Parel,  
Mumbai 400 013.

**UTI Bank Ltd.**

Central Office, Maker Towers F,  
13th Floor, Cuffe Parade,  
Colaba,  
Mumbai 400 005.

**Kotak Mahindra Bank Ltd.**

Bakhtawar, 2nd Floor,  
229 Nariman point,  
Mumbai 400 020.

**Standard Chartered Bank**

M.G.Road,  
Fort,  
Mumbai 400 001.

**Global Trust Bank Ltd.**

Mahatma Gandhi Seva Mandir Trust Bldg.,  
S.V. Road,  
Bandra (W),  
Mumbai 400 050.

## ANNUAL REPORT 2003-2004

### DIRECTOR'S REPORT

Dear Members

Your Directors have pleasure in presenting the 14th Annual Report and the audited accounts of the Company for the Financial year ended March 31, 2004.

### ECONOMIC OVERVIEW

The Gross Domestic Product (GDP) has shown steady growth and for FY2003-04 was at 8% indicating a robust economic environment for the Indian entertainment industry and increased demand for entertainment.

Interest rates have been low following international trend on cue from the US Fed.

This has increased investor interest in Indian economy. In addition to low interest rates, inflation has been low and has prompted retail lending and consumption.

Corporate profitability was on a high across sectors like automobiles, banking and energy. A number of Indian corporates made global entries in automobile, pharma, IT and other sectors.

There has been a trend of a substantial increase in FDI acceptability in the economy with people following early entrants like GE, Amex, IBP, LG, Samsung etc. to tap Indian resources with objective of cost savings, research services and market opportunities.

Good monsoons had positive impact on the agriculture dependant Indian economy and thus spearheaded the derivative growth of economy.

### MEDIA AND ENTERTAINMENT INDUSTRY

Initiation of corporatisation of the media industry with corporate participation has increased attractiveness and response towards the industry from the non-media sectors including financial sector and others.

Demographic changes in population concentration of India, with 54% Indians below the age of 25 and them being exposed to media and entertainment unlike their previous generations has significant and positive impact on the Indian entertainment sector. Post liberalization Indians have different spending habits and prioritize entertainment spends.

Global Indian audience is increasingly spreading its presence across the globe. This market is close to its ethnic values and thus a huge market potential to be tapped and expanded.

The Indian entertainment industry is expected to grow from Rs.19,200 crores in 2003 to Rs.42,300 crores in 2008, at a Compounded Annual Growth Rate (CAGR) of 17% according to the latest FICCI estimates.

The Television industry leads the entertainment sector with TV revenues likely to grow from Rs.12,300 crores in 2003 to Rs. 28,852 crores in 2008 at a CAGR of 17%.

Out of the total television industry, TV content which is a focus area of growth for your company is likely to grow from Rs.2,516 cores in 2003 to Rs.5,236 crores in 2008. These revenue projections have international contribution as well, which is likely to grow from Rs. 501 crores to Rs. 1,402 crores over 2003 to 2008.

The Movie Industry is expected to grow to Rs.10,100 crores by 2008 from Rs. 4,500 crores, at a CAGR of 18%. The industry is changing due to more acceptable corporate participation and thought processes initiated by your company.



USL WOA



REPORT JUNCTION

03

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## COMPANY PERFORMANCE AND OUTLOOK FOR THE FUTURE

Financial results in '000's

	31st March 2004	31st March 2003
<b>REVENUES</b>	<b>977,525</b>	<b>948,854</b>
<b>EBITD</b>	<b>114,434</b>	<b>144,823</b>
INTEREST EXPENSE	(20,514)	(39,555)
DEPRECIATION	(13,959)	(52,979)
OTHER INCOME	9,456	9,808
<b>Profit before tax and previous year items</b>	<b>89,417</b>	<b>62,097</b>
Prior Year Items	-	2,743
Provision for Income Tax	(11,715)	(5,377)
Deferred Tax Adjustment	(4,562)	32,374
<b>Net Profit for the Year</b>	<b>73,140</b>	<b>91,837</b>

Revenues have increased by 3% while due to an increase in direct cost, as a result of change in business mix; the EBITD has dropped by 19.43%. Depreciation has gone down due to de-merger of our postproduction arm into a subsidiary United Entertainment Solutions Private Limited. Positive impact of Depreciation results in a PBT upswing of 45%. The relative drop in the net profit for the year in comparison to previous year is primarily due to deferred tax adjustment of the previous year.

### SOME MAJOR DEVELOPMENTS OF THE YEAR

- Your company successfully released the movie **Chalte Chalte**. This movie ended the 18 month long drought in bollywood and paved the way for many more successful movies during the year.
- The production of Hrithik Roshan, Preity Zinta and Amitabh Bachchan starrer **Lakshya** was completed and subsequently released in June 2004.
- Your company also started the production of its second huge release for the year 2004, **Swades** likely to release in third quarter of 2004.
- A movie production deal was signed with STAR to produce a minimum of three movies of different genres and budgets.
- Your company decided to vertically integrate the movie model and capture the distribution upswing as well. A new strategy and model was built for our entry as a motion picture distributor.
- Television content produced fresh programming of 490 hours during the year.
- Your company won the '**Best Production House**' of the year award at the 'India Telly Awards 2003' organized by indiatelevision.com
- For the first time Walt Disney commissioned an Indian company to conceptualize its series called **Legends of the ring of fire**. Your company has set benchmarks for Indian animation houses.

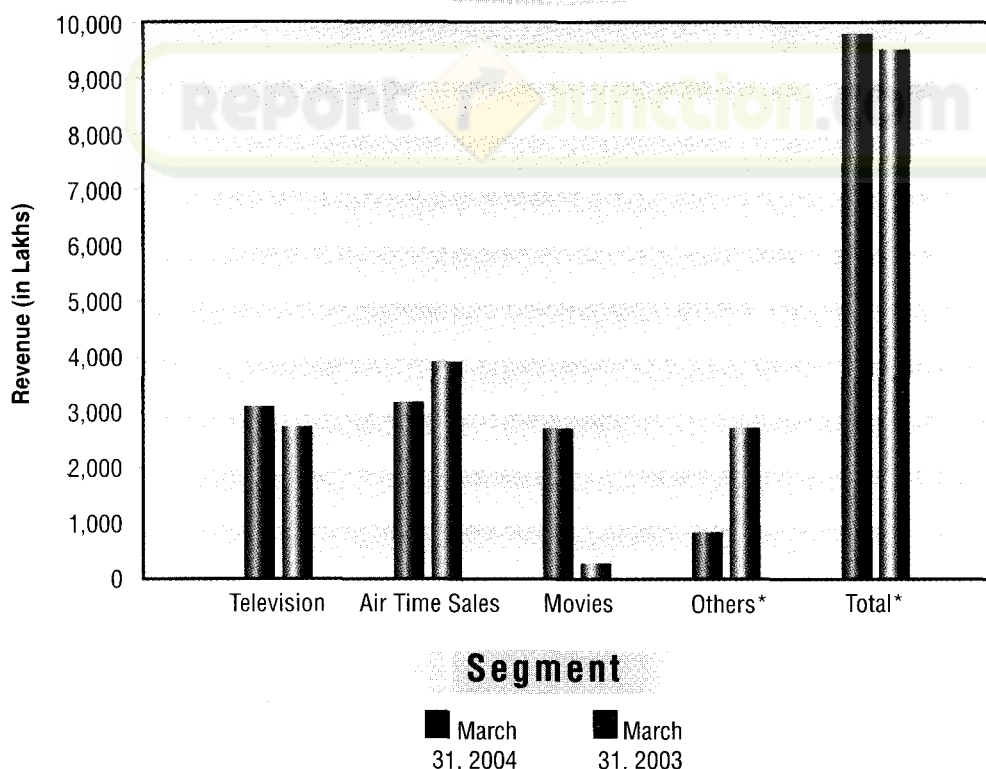
## ANNUAL REPORT 2003-2004

- During the year, your company continued making award winning ad films, some of which are Liberty footwear – Sapne hue apne, Kuch Bhi Karega for Candyman, Johnson & Johnson Nappy pads and Domex etc.
- Your company is proud to be the exclusive dubbing partner for the National Geographic Channel and The History Channel while dubbing Walt Disney's new library. Your company serviced a total of 1153 episodes during the year 2003-04.
- Your company decided to set up a new ventures team that proposed the company's entry into the broadcasting space with a Kids channel. In this year, the entire strategic, operational, marketing, distribution, and financial strategies for the launch of this channel were planned. The 24-hour hindi channel for kids will be called Hungama TV and will be ready for launch in August / September 2004.

### SEGMENTAL REVENUES

The company revenues took a significant shift during the year indicating the long-term focus of the company. Movie business generated significant revenues during the year, thanks to the successful release of Chalte Chalte.

### SEGMENTAL REVENUES



\*Revenues (Others and Total) for FY03 included post-production and animation revenues of Rs. 1608.31 lakhs. During FY04 the same are not included as the same is captured in the accounts of the subsidiary, United Entertainment Solutions Private Limited.

The company is now clearly poised for substantial growth in its key business segments viz:

- TV Content and services
- Movies



UTV SOFTWARE COMMUNICATIONS LIMITED

## TV CONTENT AND SERVICES

TV CONTENT AND SERVICES comprising of TV Content production and Air Time Sales delivered continued revenues of Rs. 63 crores during the year.

The TV Content production inclusive of Fiction, Non-fiction and Animation spreads across all genres like drama, soap, comedy, kids, fantasy, non-fiction and animation. All UTV shows hold top ranks in their respective markets.

**Kehta Hai Dil** topped the number one weekly slot in 16 cities, All C&S Homes for a certain period during the year. **Bhabhi** topped the afternoon daily slot; **Shararat** and **Shakalaka Boom Boom** have been in the top 50 shows in 16 cities, All C&S Homes. Your company's show on Doordarshan, **Meher** is among the top 50 shows in All India market, Meher is the only daily on DD in the Primetime band. Even the Tamil show produced by your company, **Salanam** features in the Top 100 shows for Chennai and Tamil Nadu markets throughout the year.

The Company expects its TV content production to grow from existing 9.5 hours of programming per week to about 25 hours of programming per week by the end of fiscal year 2004-05. Your company is making entry into other broadcaster networks and continuing with its focus on a multi-genre programming mix. The non-fiction and animation part of television content are on a robust growth path too.

## FICTION



*Kehta hai dil*



*Shaka Laka Boom Boom*



*Shararat*



*Kolangal*



*Avargal*

## AIR TIME SALES

The Company is making strong strides in growing Air Time Sales and Syndication business. We have increased the number of shows in our bouquet of marketing products from 5 shows last year to 9 shows starting July 2004. We have strong presence in the South Indian Broadcasting space covering channels like SUN TV, Gemini, DD Bangalore. We also have a UTV produced show **Meher** on DD National. An increased product offering gives us an increasing marketing muscle and increased position of strength.

The existing shows viz, **Annamalai** and **Kolangal** are the number 2 and 3 primetime dailies on the SUN TV. **Avargal** is number 3 Afternoon daily on SUN TV. **Shivaiah** on Gemini TV primetime is the second most popular show.



## ANNUAL REPORT 2003-2004

### MOVIES



*Chalte Chalte*



*Lakshya*

The gradual evolution of erstwhile traditional film production business model to a corporate driven "Studio" model, will be one of the core activities of the company going forward. Indian movies now have an international appeal, which has increased their revenue potential. Also, the availability of structured funding, insurance products and overall change of attitude and work style of traditional film "bigwigs" towards corporate business processes is expected to change the movie business scenario going forward.

I am glad to inform you that, we have adopted a very cautious approach in this segment, while having a dominant visibility, since our first film venture in 1998. Since then we distributed 15 movies of which 11 were successful. Having understood the industry well through this process, we now intend to move gradually towards a fully integrated studio model of film business. Our ventures started in financial year 2001-02 under co-production with other

dominant industry players, '**Chalte Chalte**' directed by Aziz Mirza and '**Lakshya**' directed by Farhan Akhtar, have already been released successfully. Our most talked about co-production '**Swades**' directed by Oscar nominated Director, Ashutosh Gowariker, is due for release in 3rd quarter of 2004-05.

We have signed, during the year, a substantial co-production deal with STAR India Pvt. Ltd., which makes our movie business model significantly risk free and cash flow efficient. We have already signed up with various directors like Aatish Kapadia, Chandan Arora and Tigmanshu Dhulia for this deal. We have also signed up Somnath Sen, Vishal Bhardwaj, David Dhawan, Ram Gopal Varma, Prakash Jha as directors for other movies to be produced under the 'UTV Motion Pictures' banner.

We are happy to inform you that, in order to extend our model to "Studio" model and to extend our creativity to the top of value chain, we have started setting up our own distribution network in India and abroad. Leading the synchronization of distribution & marketing strategy with production strategy, we believe that Indian movie business will see great heights in the future years and we hope to be front-runners in the new dispensation.



*Hyderabad Blues 2*



*Swades*

# UTV UTV SOFTWARE COMMUNICATIONS LIMITED

## AD FILMS

During the year we made adfilms for brands inclusive of Johnson & Johnson, Liberty Footwear, Domex, Candyman Candies, ICICI, Neem Activ, Sunfeast Glucose Biscuits, Maruti, Lakme, Eureka Forbes and many others, having worked with advertising agencies like Ambience, FCB Ulka, Triton, Capital Advertising, Montage Advertising, TBWA Anthem and Lowe.



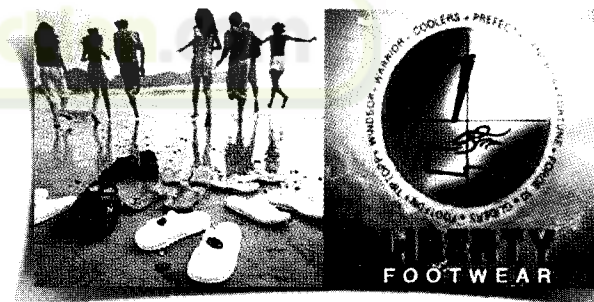
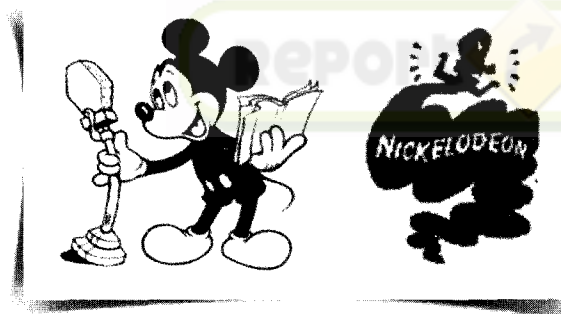
Domex Disinfectant

## DUBBING

We exclusively dubbed National Geographic Channel and The History Channel library. Alongside we serviced Walt Disney preparing them with their new library for the Indian audience. Fox Kids and Star Network were our other prominent clients.



Johnsons Nappy Pads

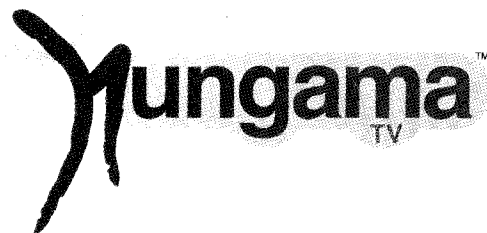


Liberty Summer Situations

## HUNGAMA TV

In terms of achieving larger scales of operation and moving the business up the value chain, we have committed an investment of Rs.20 crores in fiscal 2004-05 in the broadcasting venture targeted towards kids at the age group of 4-14 years. We promote the said venture along with the promoter of our company and we are estimating its launch in

September 2004. The financial closure for the new venture is yet to happen with potential private equity investors carrying out their review of the business model.



Being the first of its kind, Hungama TV is a general entertainment channel for the 4-14 year target audience. This is an original content channel on Indian skies, the first to be live action heavy versus animation for kids. We hope to make this venture successful, sooner

than other general entertainment channel ventures. We are proud to announce that we have already signed a landmark distribution contract with STAR India Pvt. Ltd., a dominant brand in television scenarios in India.