







# INSIDE THE REPORT

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CINEMA

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A dimly lit film set with a blue tint. In the foreground, a person is seen from the back, sitting at a desk with a laptop and a large monitor. The laptop screen shows a website. In the background, a large studio light on a stand is visible, along with other equipment and people working on the set.

The Indian film industry is where  
the Indian automobile sector  
was in the early-Eighties and  
the country's housing sector  
was in the early-Nineties.  
At an inflection point.

When your son or daughter aped a movie actor of the silver screen for fun at home, it's watched with fun. As the child grew up, a typical mom or dad always chided and dissuaded their ward saying cinema could never become a career. But, as the years passed by, people slowly began seeing its positives. No matter what their profession or economic class has been, people have patronized cinema as it is the best way of entertainment.

Nothing else can replace a motion picture.

Movie industry grew by leaps and bounds over the years. From silent movies to talkies to special effects; from black and white to colour movie to RGB; from 16mm to 35mm to 70 mm to cinemascope to i-Max and 3D to YouTube and Smartphone videos; cinema has undergone a circle of metamorphosis.

Multiple concepts, a myriad of story lines and numerous nuances like animation, short film, and cartoon also crept into the cinema as a business.

Now the big picture is unveiled. Picturehouse Media Ltd, the lone listed entity in this realm, is at its core. From movie production & financing, PML is set to become the magnifier and amplifier of the big picture it is visualizing, for it wants to be seen larger and heard louder.

From investment to shareholding, from financing to reaping dividends, from windfall to market risks, investors have got used to staying longer and stronger in the play with the Big Picture visualized by PML.



## Vision

To be a game changer in the media and entertainment sector.

## Mission

Deliver trendsetting solutions for capital requirements of the media and entertainment sector and create a value chain that benefits every stakeholder.



## Corporate Philosophy and Identity

Picturehouse Media Limited.

South India's first and only organized film media capital provider in a country which is one of the largest producer of films in the world.

## Legacy

- Picturehouse Media was acquired in 2007 by Mr Prasad V. Potluri, a serial global entrepreneur. One of the youngest first generation serial Indian entrepreneurs to have built and sold three companies the world over - Procon, Albion Orion LLC and Irevna - before he was 35.
- The earlier name of the Company was Telephoto Entertainments Ltd.
- Following a comprehensive market survey, the Company identified film production & financing as an attractive niche, marked by the absence of organized financiers. Capital provision or a simple term of financing of films was one of the few scalable initiatives in the Indian entertainment industry.

## Business

- As a media capital house, Picturehouse Media finances the end-to-end process in film-making – from film ideation germination to its successful completion.

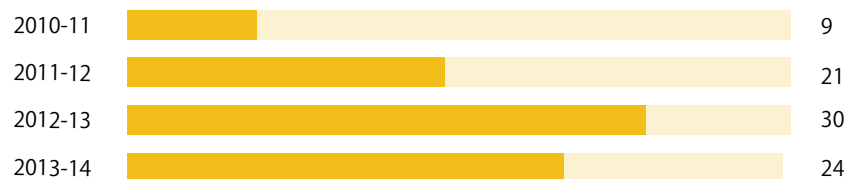
- Within just three years, the Company has evolved into a dependable one-stop-shop for film financing through PVP Capital (100 percent subsidiary) as well as film production under the banner of PVP Cinema.

## Presence

- Picturehouse Media enjoys a leadership position in the financing of Tamil and Telugu cinema.
- The Company has produced and financed over 50 films since commencement of business.

## Financial Highlights

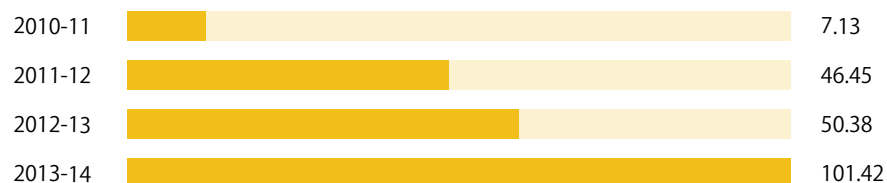
Portfolio (number of films financed and produced)



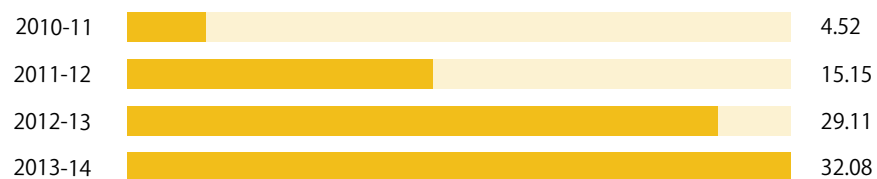
Loan book (₹ crore)

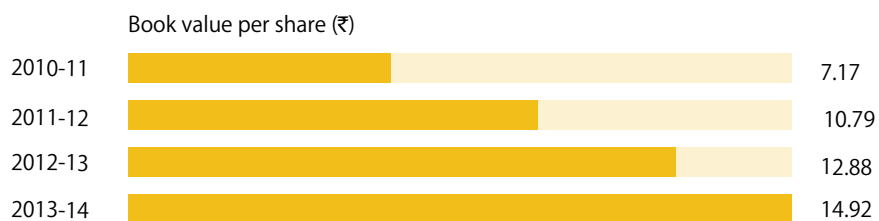
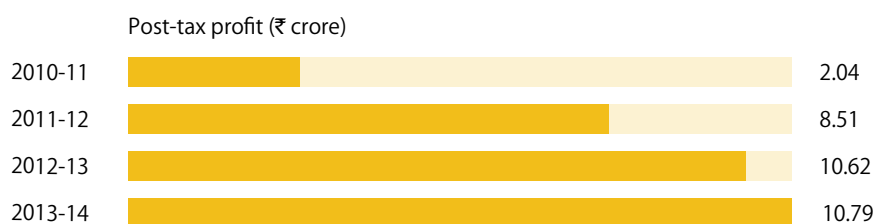
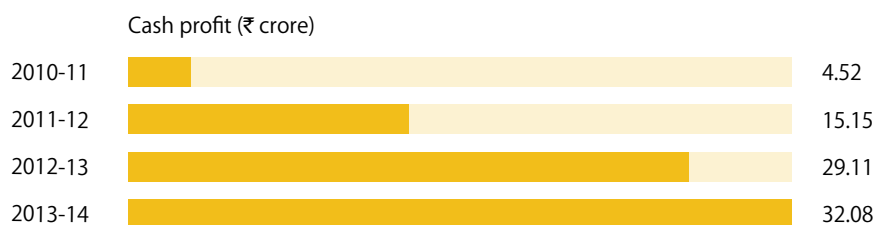


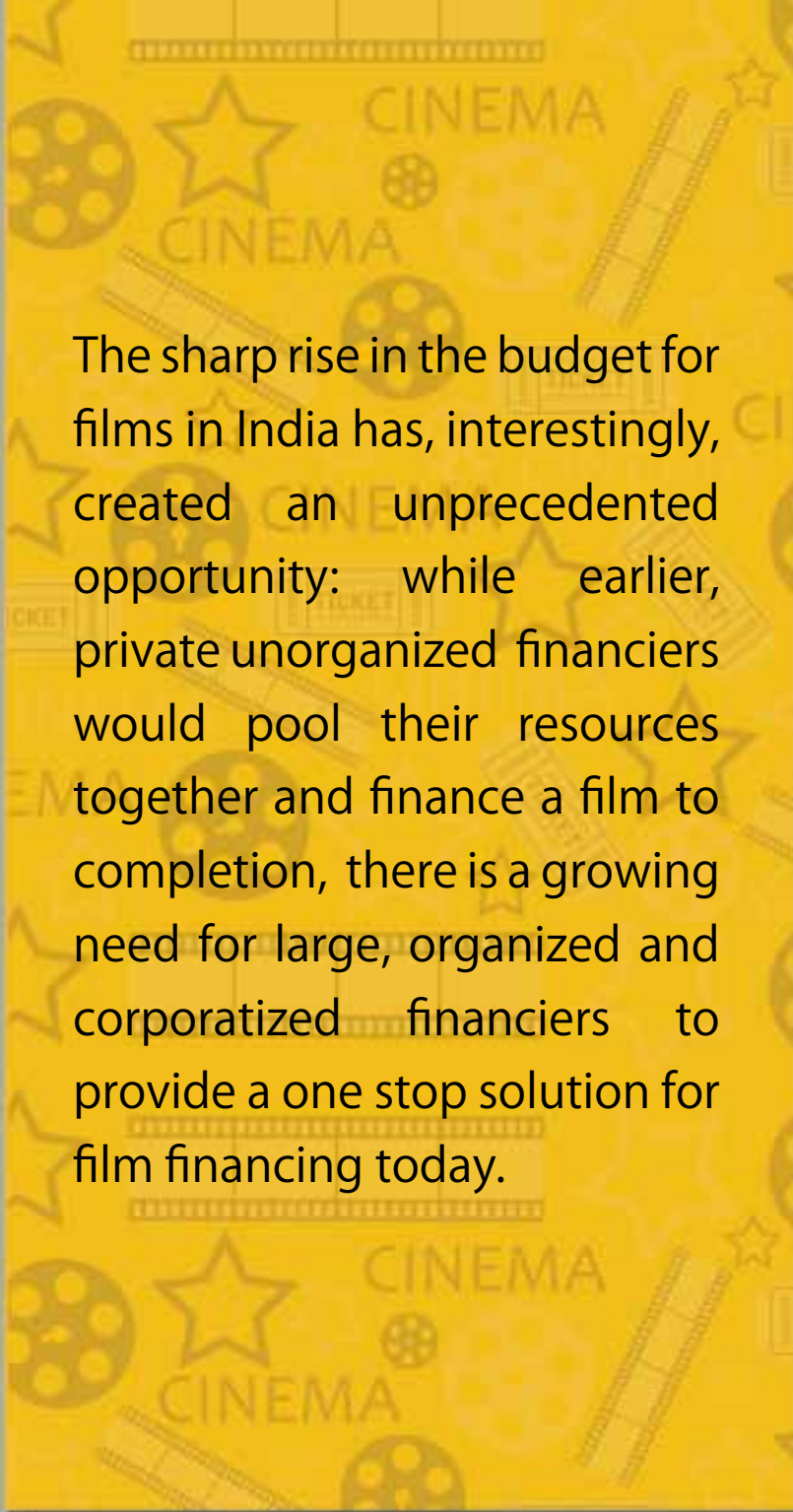
Turnover (₹ crore)



Operating Profit (₹ crore)







The sharp rise in the budget for films in India has, interestingly, created an unprecedented opportunity: while earlier, private unorganized financiers would pool their resources together and finance a film to completion, there is a growing need for large, organized and corporatized financiers to provide a one stop solution for film financing today.



## Managing Director's desk

Dear Shareholder,

**INDIA IS POSSIBLY THE MOST ATTRACTIVE FILM MEDIA COUNTRY IN THE WORLD.**

The multi-hued spectrum of India's celluloid world is as diverse as its cultural, historical, regional and linguistic kaleidoscope. Maybe, for the rest of the world, Bollywood is the face of Indian cinema. But the regional tinsel towns like Tollywood, Kollywood and Kannada film industry are as bigger and even more new money spinners in the entertainment industry.

Indian film industry is set to grow by an estimated 11.5 percent of CAGR (compounded annual growth rate) over the next five years, hitting ₹19,300 crore (\$3.1bn) by 2017, according to a FICCI-KPMG report. The surge has a trigger-the growing middle class population, its changing aspirations and the plans by large business houses to build more multi-screen cinemas.

After tasting a success at the Bollywood, the global giants set their sight on regional markets including Marathi cinema, Tamil tinsel town, the Kollywood, and Tollywood, the Telugu filmy firmament.



Combined, these regional markets make up for more than half of the Indian film industry's revenues. Aside from being a relatively untapped market, cost of production of regional movies is not way too high usually, with some exceptions.

The size of Media & Entertainment industry in South India is estimated at ₹ 23,900 crore in FY 2013. The industry is poised to grow at a CAGR of 16 percent till FY-2017, driven by demands of its ever-discerning consumers and unstinted endeavors by media vehicles to expand their presence and operations.

While enabling regional media players to reach their target audience, the industry continues to attract national players to explore this growing South market.

India is special for an interesting reason. When it comes to the filmdom, it possesses a characteristic unique, perhaps, only to itself. It brings together the magic of scale on one hand and under-penetration on the other. So, even as the country's movie industry could well be considered mature for its sheer scale - 4.4 billion cinema visits a year (highest in the world by any measure), more than 1,000 movies produced annually and 14 million Indians watching a film every day – there is a case that the sector is still fundamentally nascent because of its under-penetration.

The point that deserves a serious consideration is this: Even as India accounts for one of the largest movie markets in the world, there are only about 900 multiplex screens in the country (Source: Multiplex Association of India), which translates into a mere 10 screens per million individuals, a twelfth of the US average (Source: Business Today, May 2012). On the other hand, the number of single-screen cinemas in India has declined from 13,700 a decade ago to about 10,500 single-screens on account of the growing clout of digital cinema.

A momentum of modern infrastructure creation is driving this excitement. Until 2010, there were

around 800 multiplex screens in India; in the last three years, the number of multiplex screens in India has grown to around 1,200. Every year, India is adding around 100 multiplex screens. This pace of modern cinema-watching infrastructure growth is clearly one of the fastest in the world.

Interestingly, this attractive annual increment has a dramatic impact on the economics of the overall Indian film industry.

This has a remarkable downstream impact as an increasing number of movies are being made craftily around a superior audio-visual experience compatible with the modern film-viewing infrastructure being created. This has translated into higher ticket prices and footfalls. This obviously increased the income into the hands of infrastructure owners. Thus, it has extended to higher distributor collections, higher producer revenues and higher incomes for actors, performers and technicians across the board.

In short, this single reality – modern film watching infrastructure - has lead the Indian movie industry in the short span of a decade stride more rapidly than all the other industry changes put together in the earlier nine decades.

In turn, this development has had a significant impact on the cost of film-making.

Movie-making budgets – across languages and regions – have risen substantially over the last decade to around USD 2-3 million (translating into around ₹15 crore to ₹20 crore on an average). A film was once considered expensive, if it was made at a cost of ₹10 crore. The most expensive movie made in India today costs ₹100 crore and most films fall in the ₹25 Cr - ₹50 Crore bracket.

The steep rise in the budgets for films in India has, interestingly, created an unprecedented opportunity. While private and unorganized financiers were pooling up their resources together to finance a film until its completion till recently, there is a growing need for large,

organized and corporatized financiers to provide stable film financing today.

Picturehouse Media is the right company in the right sector at the right time.

The Company is one of the listed media capital providers in South India and among a handful in the genre of organized film financing in the country.

What makes the Company special is that even as many companies may even be considering an entry in this challenging sector, Picturehouse Media has already demonstrated an extensive track record in having financed more than 50 films since commencement of business.

More than just financing films, Picturehouse Media has already demonstrated a capability in production and build a strong brand recall for the organisation amongst film-goers.

We believe that the vernacular cinema has always been the leader for the last 100 years and will remain so for another century to come. Entertainment industry in the South takes 40 percent of the chunk of the cake and that is where we have evolved as absolute leaders who have not only brought great amount of discipline to the Industry but also Institutional Practices, and Scalability. And, people have recognized and appreciated our brand.

Today PML is a household name within the fraternity and the public as well and those are the realms where we carved a niche for ourselves in the last three years and, intend to scale it up in the next five to seven years.

The journey of next five years will be towards monetizing our brand and goodwill in the South Indian market place. We will be comfortable navigating and operating this space which is good enough for us to build and scale up in the next 10 years.

We have created intangibles so far; tangibles will happen in the next three to five years. The goal is to be the top most producer of feature films in Telugu, Tamil, Kannada and Bollywood, because none of the producers from North India has been successful down South. The first step in this direction is our film "Bangalore Days" in Kannada.

With the costs involved in film production spiraling continuously, the scope and opportunity for individual producers is declining. It is high time that institutional investors pitched in and that is what we have realized three years ago. Today, we are one of the pioneers who institutionalized film production.

Very best regards to you all.

Prasad V. Potluri  
Managing Director





The journey of next five years will be towards monetizing our brand and goodwill in the South Indian market place. We will be comfortable navigating and operating this space which is good enough for us to build and scale up in the next 10 years.

The very stepping in of Picturehouse Media Ltd into the filmy firmament has set in an orientation, the way business is done. It is now passing through a process and we are proud to have pioneered the concept.

The largely unorganized business has been shown the way on how to channelize it and PML is the flag-bearer in this specialized business.

It's not just the various steps in movie making, even its business needs professionalism. We have brought in the same into the industry. And, it is here to stay. From storyline to screening, every step is subjected to a thorough anticipation audit, SWOT analysis and expert opinion.

Emotional quotient of the producer and the movie goer, tastes, glamour, craze, picturization,

taking, editing, mood, theme, protocol, etiquette, dialogue, music, screenplay, are all taken into consideration before embarking upon a project.

This professional discipline empowers managers to scale up the business across a wide spectrum of banners and languages, as it is constantly scrutinized, audited and updated.

Today PML is a household name within the fraternity and the public as well and those are the realms where we carved a niche for ourselves in the last three years and, intend to scale it up in the next five to seven years.



Without risk, there is no reward. So goes the saying. But, Picturehouse Media Ltd largely devised a formula that de-risks the film financing business. Thereby, it has bolstered the investor confidence in the company. This obviously minimized or at times nullified the non-performing assets.

If the investor loses money due to the market risks, it happens with his consent. But if the investment goes down the drain due to lack of professional way of handling the business, it is called travesty of justice.

De-risking may not be a complete insulation. But the financial structure engineered into the system provides organic growth to the company from its internal accruals and captive resources resulting in attractive dividends. The corpus thus created would naturally become a resource for achieving an accelerated growth of the company.

Picturehouse Media Ltd believes in strong fundamentals. The operational discipline infused into its management of film financing largely leverages its investment in direct access and market intelligence of the end-to-end process of film production and its release. This enables the company to deploy funds on a timely basis.

The film's master copy/negatives are the instruments against which a lien is secured towards collateral which will be enlarged only after all the loans are cleared.

PML has the necessary bandwidth to operate on all fronts to complete the production, recover dues and provide a healthy operation keeping the investor interests in view, even in the event of a producer fails to fulfill all the commitments.

**The revenues are not subject to market vagaries, thanks to its meticulous effort to keep the NPAs at zero. This is indeed a remarkable feat scripted by PML.**

We have created intangibles so far; tangibles will happen in the next three to five years.

The goal is to be the top most Capital provider & Content creator in Telugu, Tamil, Kannada and Bollywood, because none of the producers from North India has been successful down South.

We believe that the vernacular cinema has always been the leader for the last 100 years and will remain so for another century to come. Entertainment industry in the South takes 40 percent of the chunk of the cake and that is where we have evolved as absolute leaders who have brought not only great amount of discipline to the Industry but also Institutional Practices, and Scalability. And, people have recognized and appreciated our brand.

With the costs involved in film production spiraling continuously, the scope and opportunity for individual producers is declining. It is high time that institutional investors pitched in and that is what we have realized three years ago. Today, we are one of the pioneers who institutionalized film production.

The company's focus on Internal Revenue Return (IRR) balancing yielded excellent results and put the company on a good stead in terms of ensuring the safety of principal and also sustainable return higher than the existing cost of capital.



# Our business model

Ten things that our shareholders need to know about how we have emerged as one of the most exciting media capital providers in the South Indian film industry.

## Objective

Our core purpose is to be an attractively profitable company with industry-leading IRRs.

## Niche

The Company has selected to be present in the Tamil Nadu, Telangana, Andhra Pradesh, Karnataka and Kerala film financing segments.

## Structured capital deployment

The Company works only with AAA-rated producers who in turn work with top-rated artistes and technicians.

## Capital

The Company finances prospective films using low-cost accruals. A growing net worth has helped grow the Company's business.

## Discipline

The Company's structured three-tier verification and documentation process appraises a producer's creditworthiness, project viability, security collateral and the quantum of funds release. All funding proposals are appraised as projects, which are carefully analyzed by a credit committee headed by the Managing Director. The result is a willingness to finance one of an average 10 film proposals.

### **Robust intellectual capital**

The senior management is passionate about the business with an appraisal of over 1,000 films across various genres. The Company possesses a team of experienced professionals who possess in-depth knowledge and experience in project financing coupled with vast experience in the film industry.

### **NPAs**

The Company's robust film appraisal and financing/producing capabilities are validated through zero non-performing assets following more than 50 films being financed in the last three years.

### **Exposure**

The Company finances only 60-65 percent of the total film budget; the rest is mobilized by the producer to ensure continued commitment.

### **Collateral**

The Company charges a lien on the film negatives/digital media, which is released only after its dues have been completely liquidated. In instances, the Company also charges land banks/other assets as security collateral to secure its lending.

### **Extension**

The Company extended to film production to strengthen the quality of its brand, ensure a stronger market understanding and diversify income streams.

The Company has produced blockbuster films like Naan E (in Tamil) and Balupu (in Telugu).

# Managing risks

## Industry risks

**The Indian media and entertainment industry may cease to grow.**

### Mitigation

The Indian media and entertainment industry has outperformed the Indian economy with one of the fastest growing sectors in the country today. As a growing population pool has access to larger disposable incomes, the industry has grown faster. A KPMG-FICCI Frames 2012 report states that the Indian media and entertainment industry registered a 12 percent growth over 2010 to reach ₹728 billion. This growth trajectory was backed by strong consumption in Tier II and III cities, continued growth of regional media, and a fast increasing new media business. Overall, these trends are expected to push the industry to register a CAGR of 15 percent to an estimated ₹1,457 billion by 2016. Moreover, the same report states that the Indian film industry is projected to grow at a CAGR of 10.1 percent to touch ₹150 billion by 2016 from its size of ₹93 billion in 2011 indicating a growth of 11.5 percent vis-à-vis 2010.

## Competition risks

**The competitive Indian film financing industry may trend towards thinning margins.**

### Mitigation

Picturehouse Media is the largest and only listed player in the South Indian film financing space. By virtue of its sheer scale, the Company has embraced the larger vision of organizing the industry, typically characterized by unorganized moneylenders. The Company has carved out a unique space for itself; the Company is a selective financier with a rejection rate of 90 percent.

## Perception risks

**The Indian film financing and production industry is considered to be a high risk proposition.**

### Mitigation

The film financing and production industry is fraught with risks. However, the business becomes attractive for players like Picturehouse Media who operate in the organized space, backed with 100 percent compliance with processes with a view to remove arbitrariness in decision-making.

The Company finances films following a comprehensive study of creditworthiness and track record of film producers/directors/actors/technicians. The Company has selected to work only with AAA-rated producers and prominent artistes and technicians. Moreover, the Company's role as a financier is independent of the commercial performance of the film as it recovers its outstandings well before film release.

## Project completion risks

The film project might be delayed or might not be completed at all, impacting the portfolio adversely.

### Mitigation

The Company monitors film progress. In certain cases, it checks with film processing labs/digital film storage companies to refer to the quantum of film shot on reel besides deputing staff to periodically visit studios and other on-site locations to ascertain shooting progress. Based on this understanding, it releases milestone funds or undertakes course corrections. In the rare event of a film not likely to be completed, the Company assumes the role of a producer (as was the case in the film Rajapattai, which was successfully released and funds recovered). The Company intends to leverage this experience and produce around five films in 2013-14.

## Collateral risks

The Company's loan book might be exposed to losses in the event of the film being postponed or shelved.

### Mitigation

The Company charges a lien on the film negatives/ digital media and even land bank and other assets in extreme cases to cover its loans. Besides, it issues NOCs for film release only once all the outstandings are paid by the producer. A strong recovery system backed by robust loan collaterals has resulted in the Company reporting zero NPAs on its books over the last three years with a track record of financing/producing over 50 films during this period.

## Piracy risks

Piracy might dampen the prospects for legitimate revenue generation.

### Mitigation

The Company is independent of this risk as it closes its entire lending transaction before the film is released.

## Financing risks

The Company may not be able to mobilize funds for onward deployment.

### Mitigation

In fact, the Company mostly depends on internal sources and to an extent on external agencies to generate funds for deployment into film financing.

## Capital deployment risks

The Company might not be able to get the right opportunity to deploy funds.

### Mitigation

On an average, the Company refuses to finance nine out of the 10 films that come its way, reflecting the high quality of its loan book of ₹118.65 crore (2012-13). On an average, the Company keeps a pipeline of around 10 films at all times with a view to ensure limited idling of deployable capital, which is otherwise put into liquid assets.



# CORPORATE INFORMATION

## **Board of Directors:**

Mr. R Nagarajan  
Mr. N S Kumar  
Mr. Prasad V. Potluri - Managing Director

## **Board Committees**

### **Audit Committee:**

Mr. R Nagarajan  
Mr. N S Kumar  
Mr. Prasad V. Potluri

### **Stakeholders Relations Committee:**

Mr. R Nagarajan  
Mr. N S Kumar  
Mr. Prasad V. Potluri

### **Nomination & Remuneration Committee:**

Mr. R Nagarajan  
Mr. N S Kumar  
Mr. Prasad V. Potluri

## **Key Managerial Personnel:**

Mr. Prasad V. Potluri – Managing Director  
Mr. A. Praveen Kumar – Chief Financial Officer  
Mr. Adalat Srikanth – Company Secretary

## **Statutory Auditors:**

M/s. CNGSN & Associates,  
Chartered Accountants, No.2,  
Vijayaraghava Road, T Nagar  
Chennai – 17.

## **Principal Bankers:**

Kotak Mahindra Bank Limited  
HDFC Bank Limited  
Indian Overseas Bank

## **Registered Office:**

KRM Centre, 9th Floor, Door No.2  
Harrington Road, Chetpet  
Chennai – 600 031.  
Telephone: +91-44-30285570  
Fax: +91-44-30285571  
Email: ir.telephoto@pvpglobal.com

## **Corporate Office:**

4th Floor, Punnaiah Plaza,  
Plot No.83 & 84, Road No.2  
Banjara Hills, Hyderabad – 34.  
Telephone: +91-40-67309999  
Fax: +91-40-67309988  
Email: ir.telephoto@pvpglobal.com

## **Stock Exchanges where Company's Securities are listed:**

The BSE Limited

## **Registrar & Transfer Agents:**

### **Cameo Corporate Services Limited**

"Subramanyam Building"  
1, Club House Road, Chennai – 002.  
Telephone: +91-44-28460390  
Fax: +91-44-28460129  
Email: investor@cameoindia.com

## NOTICE

NOTICE is hereby given that the 15<sup>th</sup> Annual General Meeting of the Members of Picturehouse Media Limited (formerly known as Telephoto Entertainments Limited) will be held on Friday, the September 26, 2014 at 11.30 A.M. at The Kings Hall, The Pleasant Days Resort, Chennai – Bangalore Highway, Palanjur, Sembarambakkam, Chennai – 600 123, Tamilnadu to transact the following:

### Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2014, Statement of Profit & Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To reappoint M/s. CNGSN & Associates, Chartered Accountants, Chennai (FRN: 004915S) as the statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be decided by the Board of Directors.

### Special Business:

3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. R. Nagarajan (DIN:00443963), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company for a period of 5 years effective from September 26, 2014 to September 25, 2019.”

**“RESOLVED FURTHER THAT** the Board of Directors and/or the Company Secretary, be and are hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution”.

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

**“RESOLVED THAT** pursuant to Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. N S Kumar (DIN:00552519), Director of the Company in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company for a period of 5 years effective from September 26, 2014 to September 25, 2019.”

**“RESOLVED FURTHER THAT** the Board of Directors and/or the Company Secretary, be and are hereby authorized to settle any question, difficulty or doubt, that may arise in giving effect to this resolution and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution”.

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 14 and other applicable provisions, if any of the Companies Act, 2013, and any rules framed there under and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the existing Articles of Association of the Company be altered as set out below:

- i) After the existing Article 2.a (vi), the following Article shall be added:

**Article 2.1 (vii):** Any reference to the Sections/provisions that were expressed in the Articles under the erstwhile Companies Act, 1956 be read with reference to the corresponding Sections/provisions of the new Companies Act, 2013 with related Rules, as may be prescribed and amended from time to time.

- ii) The existing Article 33 a shall be replaced with the following Article:

**Article 33 a:** The maximum number of Directors shall be such number of Directors as may be permissible under the applicable provisions of the Companies Act, 2013, as may be amended from time to time.

- iii) The existing Article 39 shall be replaced with the following Article:

**Article 39:** The Directors shall be liable for retirement by rotation as per the provisions of the Companies Act 2013. Notwithstanding anything to the contrary contained herein, no Managing Director / Whole Time Director, Independent Director, Nominee Director and Small Shareholders Director shall be liable to retire by rotation. No share qualification is required for becoming a Director in the Company

- iv) After the existing Article 42.b, the following Article shall be added:

**Article 42.c:** The Managing Director of the Company can also be appointed or reappointed as Chairman & Managing Director of the Company.

**By order and on behalf of the Board**  
For Picturehouse Media Limited

Sd/-  
Adalat Srikanth  
Company Secretary

Date: August 8, 2014  
Place: Chennai

## Notes

1. The Statement pursuant to Section 102 (1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.
2. A member entitled to attend and vote at the Annual General Meeting ("the Meeting") is entitled to appoint a proxy to attend and vote only on a poll on his/her/its behalf and the proxy, however, need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before commencement of the Meeting. A proxy form for the AGM is enclosed and forms part of this Annual Report.
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf.
4. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the Meeting. Members are requested to bring their attendance slips along with their copy of Annual Report to the Meeting.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, September 22, 2014 to Friday, September 26, 2014 (both days inclusive) for the purpose of Annual General Meeting.
7. Pursuant to Section 101 of Companies Act, 2013 read with the relevant Rules, the Company is allowed to serve documents like notices, annual reports, etc., in electronic form to its Members. Accordingly, the said documents of the Company for the financial year ended March 31, 2014 will be sent in electronic form to those Members who have registered their e-mail addresses with their DPs. However, in case a Member wishes to receive a physical copy of the said documents, such Member is requested to send an e-mail duly quoting his DP ID and Client ID or the Folio number, as the case may be, to **ir.telephoto@pvpglobal.com** for receipt of hard copies. This would enable the Company to update its database by incorporating/updating the designated e-mail addresses in its records. Members may also note that the said documents will also be uploaded on the website of the Company at **www.pvpcinema.com**.
8. Members are requested to quote their Registered Folio Number, Client ID, and Number of shares on all correspondence with the Company/RTA and notify the Company's RTA, or the Depository Participants, the change of registered address, if any.
9. Non-Resident Indian Members are requested to inform the Company's RTA immediately of:
  - (i) Change in their Residential status on return to India for permanent settlement.
  - (ii) Particulars of their Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank with Pin Code Number, if not furnished earlier.
10. The Company has designated an exclusive email ID **viz. ir.telephoto@pvpglobal.com**, which would enable the investors/shareholders to post their complaints while quoting their Registered Folio Number, Client ID, and Number of shares. However, it may be noted that the Company would not respond to any kind of malicious allegations made by the shareholders with ulterior motives.

11. Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the meeting.
12. The Annual Report of the Company for the year 2013-14 circulated to the Members of the Company is available on the Company's website, viz. [www.pvpcinema.com](http://www.pvpcinema.com).
13. The Company pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, is extending e-voting facility for its Members to enable them to cast their vote electronically instead of participating and voting physically in the Annual General Meeting. In this regard, the Company has appointed Mr. D. Hanumanta Raju, Partner, M/s. D. Hanumanta Raju & Co, Practicing Company Secretaries, Hyderabad who in the opinion of the Board is a duly qualified person, as a Scrutinizer to collate the electronic voting process in a fair and transparent manner.
14. The e-voting facility will be available at the link **<http://evoting.karvy.com>** during the voting period.
15. The login ID and password for e-voting along with process, manner and instructions are being sent to the members individually at their registered e-mail IDs along with physical copy of the Notice.
16. Members are requested to note that the e-voting will open at 10.30 a.m. on September 18, 2014 and shall remain open for 4 days i.e. upto September 20, 2014 and shall not be allowed beyond 6 p.m on September 20, 2014.
17. The procedure and instructions for e-voting are as follows:
  - i. Open your web browser during the voting period and navigate to **<https://evoting.karvy.com>**
  - ii. Enter the login credentials (i.e., user-id & password) provided to you as mentioned at point no. 15 supra.
  - iii. In the event of any difficulty, please contact toll free No. 1-800-34-54-001 for any further clarifications.
  - iv. After entering these details appropriately, click on "LOGIN".
  - v. Members holding shares in Demat/Physical form will then reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password shall be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this same password can be used by the Demat holders for voting in respect of other companies also, provided that the other Company opts for e-voting through Karvy e-Voting platform. Then, System will prompt you to change your contact details like mobile number, email ID etc on first login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - vi. You need to login again with the new credentials.
  - vii. On successful login, system will prompt to select the 'Event' i.e., 'Company Name'.
  - viii. If you are holding shares in Demat form and had logged on to **<https://evoting.karvy.com>** and you have already casted your vote in respect of any company, then your existing login id and password are to be used.



- ix. On the voting page, you will see Resolution Description and against the same the option 'FOR/ AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'
- x. After selecting the resolution you have decided to vote on, then click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, then click on "OK", and in case, if you wish to modify your vote, then click on "CANCEL "and accordingly modify your vote.
- xi. Once you 'CONFIRM' your vote on the resolution, then in such case, you will not be allowed to modify your vote in any manner.
- xii. Corporate/Institutional Members (corporate /FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to **evotingpml@pvpglobal.com** with copy to **evoting@karvy.com**. The file scanned image of the Board Resolution should be in the naming format "Corporate Name\_ Event no."
- xiii. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.

## ANNEXURE TO THE NOTICE

### STATEMENT AS REQUIRED UNDER SECTION 102 (1) OF THE COMPANIES ACT, 2013.

#### Item Nos. 3 & 4:

Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Mr. R. Nagarajan and Mr. N S Kumar as Independent Directors of the Company for a period of 5 years effective from September 26, 2014 to September 25, 2019." As required, the Company has also received notice pursuant to Section 160 of the Companies Act, 2013 from members proposing the appointment of aforesaid Independent Directors. They have held the positions as such for more than 5 (five) years.

A brief profile along with other details of the Independent Directors are as follows:

Name of Director	Mr. R. Nagarajan
DIN	00443963
Date of birth	July 06, 1938
Date of appointment on the Board	April 27, 2006
Qualifications	B. Com (Hons.), CAIIB
Profile of the Director	Mr. R. Nagarajan is a retired State Bank of India (SBI) official, who during his 50 years of career, held various positions in different part of the Country with SBI. He retired in 1998 as the Chief General Manager of SBI, Chennai Circle.
Directorships held in other public companies	PVP Ventures Limited Duggar Finance & Investments Limited PVP Capital Limited
List of the Committees of other Companies in which chairmanship/Membership held	Chairman of Audit Committee, Stakeholders Relationship Committee & Member of Nomination & Remuneration Committee of PVP Ventures Limited and Chairman of Audit Committee of PVP Capital Limited
Chairman/Member of the Committees of the Company	Chairman of Audit Committee; Stakeholders Relationship Committee and Nomination & Remuneration Committee.
No. of shares held in the Company	NIL
Relationship with other directors of the Company	NIL

Name of Director	Mr. N.S. Kumar
DIN	00552519
Date of birth	January 06, 1947
Date of appointment on the Board	April 27, 2006
Qualifications	MS in Computer Science Operations from Ohio University, USA and BE from Guindy College of Engineering, Chennai.
Profile of the Director	Over 40 years of experience in information technology and project management. He has been actively involved in multiple international assignments and managed several initiatives in project development and quality assurances.
Directorships held in other public companies	PVP Ventures Limited Electro Scan India Limited PVP Capital Limited (w.e.f.28/04/2014)
List of the Committees of other Companies in which chairmanship/Membership held	Member of Audit Committee & Stakeholders Relationship Committee and Chairman of Nomination & Remuneration Committee of PVP Ventures Limited and Member of Audit Committee of PVP Capital Limited
Chairman/Member of the Committees of the Company	Member of Audit Committee; Stakeholders Relations Committee and Nomination & Remuneration Committee.
No. of shares held in the Company	NIL
Relationship with other directors of the Company	NIL

The Board of Directors believe that the contribution of the aforementioned Independent Directors with the Company shall be of immense help to the furtherance of the growth of the Company and hence, the Board recommends the appointment of Mr. R. Nagarajan and Mr. N S Kumar as Independent Directors as set out in Item Nos. 3 to 4 for the approval of the shareholders at the ensuing Annual General Meeting.

In the opinion of the Board, the Independent Directors fulfill the conditions specified in Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2013 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Directors are not connected in any way to the management of the Company, except that of rendering services as professional directors of the Company. Further, all the aforesaid Independent Directors have given a declaration to the Board of Directors to the effect that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Other than the above appointees, none of the Directors, Key Managerial Personnel or their relatives are concerned or interested in the proposed Ordinary Resolutions as set out in Item Nos. 3 to 4 of this Notice except to the extent of their shareholding. This explanatory statement may also be regarded as disclosure under Clause 49 of the Listing Agreement.

The Board recommends the Ordinary Resolutions set out at Item Nos. 3 to 4 of the Notice for approval by the shareholders.

### Item No. 5:

The amendment to the Articles of Association of the Company is being proposed to alter the Articles in line with the new provisions of the Companies Act, 2013. Further, the proposed alterations would also enable the Company to appoint a Director as Chairman & Managing Director of the Company, which is otherwise not vested with the Board, unless there exists a provision to this effect in the Articles of Association.

A copy of the Memorandum and Articles of Association of the Company would be available for inspection by the members at the Registered Office of the Company during normal business hours (9:30 am to 6:00 pm) on all working days except Saturdays and Sundays (including Public Holidays) up to the date of the Annual General Meeting.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested, either financially or otherwise, in the resolution set out at Item No. 5, except to the extent of their shareholding.

The Board recommends the Special Resolution set out at Item No. 5 of the Notice for approval by the shareholders.

#### **By order and on behalf of the Board**

For Picturehouse Media Limited

Sd/-

Adalat Srikanth

Company Secretary

Date: August 8, 2014

Place: Chennai

# DIRECTOR'S REPORT





## Dear Shareholders,

The Board of Directors (Board) of Picturehouse Media Limited (Company) with immense pleasure, present their 15<sup>th</sup> report on the business operations of your Company for the financial year 2013-14. This Report is being presented along with the audited financial statements for the year.

### Financial Results

(₹ in lakhs)

Particulars	Standalone		Consolidated	
	2013-2014	2012-2013	2013-2014	2012-2013
Total Income	7933.24	4354.87	10141.99	5038.39
Operational, Administration and other expenses	6399.63	1996.67	6939.22	2110.05
Profit/(Loss) before Depreciation, Interest and Tax	1533.61	2358.20	3207.77	2928.34
Depreciation	29.43	17.08	29.47	17.08
Interest and Finance Charges	871.59	1206.31	1410.35	1341.66
Profit / (Loss) before Tax	632.60	1134.82	1762.95	1569.60
Exceptional Items	0	(12.69)	0	(12.69)
Provision for taxation	227.18	378.47	683.73	520.37
Profit/ (Loss) after tax	405.42	769.03	1079.22	1061.92

## Review of Operations

The year under report is a mixed year for the Company. While PVP Capital Limited, Wholly Owned Subsidiary of the Company had performed exceptionally well during the year by registering a revenue from operations of Rs.1953 lakhs as against Rs.683 lakhs during the previous year and also by registering a net profit of Rs.671 lakhs as against Rs.293 lakhs during the previous year. However, the Parent Company i.e., Picturehouse Media Limited could not do well, mainly because of the reason that the bi-lingual movie produced by it, i.e., Irاندام Ulagam ('Varna' in telugu), could not attract the audience and severely impacted the bottom-line of the Company. Because of this reason, though there is a two fold increase in the consolidated total income, the profit was not in proportion to the turnover.

On consolidated basis, total income for the financial year 2013-14 at Rs.10141.99 lakhs was higher by 101.29% over last year (Rs.5038.39 lakhs in 2012-13). Earnings before interest, tax, depreciation and amortization (EBITDA) at Rs.3207.77 lakhs was higher by 9.54% over last year (Rs.2928.34 lakhs in 2012-13). Profit after tax (PAT) at Rs. 1079.22 lakhs was higher by 1.62% over last year (Rs.1061.92 lakhs in 2012-13). On standalone basis, revenue from operations for the financial year 2013-14 at Rs. 7933.24 lakhs was higher by 82.17% over last year (Rs.4354.87 lakhs in 2012-13). EBITDA at Rs. 1533.61 lakhs was lower by 35% over last year (Rs. 2358.20 lakhs in 2012-13). PAT at Rs. 405.42 lakhs was lower by 47.28% over last year (Rs. 769.03 lakhs in 2012-13).

After the result of "Irاندام Ulagam", the Management of the Company, after a thorough introspection, has decided to "go slow" in movie production and as a result the Company has rolled out only one film after Irاندام Ulagam ('Varna' in telugu) viz., Vallavukku Pullam Ayudham (co-produced with Hand Made Films) which is remake of successful Telugu Movie 'Maryada Ramanna', which has yielded moderate profits. Irrespective of the success or failure, one positive issue that has happened during the year was that the Company could able to get a very good brand image for its banner "PVP Cinema". During the current financial year, the Company would be making a multi starrer movie with Akkineni Nagarjuna and Nandamuri Taraka Rama Rao (popularly known as "Jr. NTR")

in the lead roles and the story discussions and movie planning are in progress. Apart from this direct movie, the Company is planning to buy remake rights of some super hit movies in other regional languages.

## Dividend

In order to conserve the resources for future plan of actions and also to reduce the dependence on outside lenders, the Board of Directors did not recommend any dividend for the financial year 2013-14.

## Capital Structure

During the year, there is no change in the capital structure of the Company.

## Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, the audited Consolidated Financial Statements are provided in the Annual Report.

## Subsidiary Companies

As on March 31, 2014, PVP Cinema Private Limited & PVP Capital Limited are the wholly owned Indian subsidiary companies of the Company. During the financial year 2013-14, the Company has incorporated a wholly owned subsidiary company in Singapore, i.e., Picturehouse Media Private Limited, Singapore, with a paid up capital of 5,000 Singapore Dollars. The Consolidated Financial Statements of your Company for the financial year 2013-14 are prepared in compliance with applicable Accounting Standards and applicable clauses of the Listing Agreement as prescribed by the Securities and Exchange Board of India. The consolidated accounts have been prepared on the basis of audited financial statements received from subsidiaries and joint venture companies, as approved by the irrelative Boards.

A separate statement containing the salient features of all subsidiaries of your Company which includes capital, reserves, total assets, total liabilities, details of investment, turnover, etc., forms part of this report in compliance with the General Circular No. 2/ 2011 dated 8th February, 2011 issued by Ministry of Corporate Affairs granting a general exemption from the provisions of Section 212(8) of the Companies Act, 1956. The annual accounts and financial statements of the subsidiary companies and related detailed information shall be made available to members on request and are open for inspection at the Registered Office of your Company.

Consequent to PVP Capital Limited becoming a Material Non Listed Indian Subsidiary of the Company during the year under report, the Company had appointed its Independent Director, Mr. R. Nagarajan, on the Board of PVP Capital Limited and this is in compliance of Clause 49 of the Listing Agreement.

## Public Deposits

The Company has not accepted/renewed any fixed deposits during the year under review.

## Insurance

All the properties of your Company have been adequately insured.

## Management Discussion and Analysis Report

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

## Auditors' report

The Auditors' Report for the financial year 2013-14 is an "Un-qualified" report and the said Report together with the Audited Accounts for the financial year ended March 31, 2014 read with the Notes on Accounts are self-explanatory and therefore do not call for any further comments.

## Statutory Auditors

M/s. CNGSN & Associates (FRN: 004915S), the statutory auditors, holds office up to the conclusion of this Annual General Meeting (AGM). The Company has received letters from M/s. CNGSN & Associates, Chartered Accountants, to the effect that their reappointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and stated that they are not disqualified from being appointed as the Statutory Auditors of the Company.

The Board of Directors recommends reappointment of M/s. CNGSN & Associates as the statutory auditors of the Company for the year 2014-15. Necessary resolution for their reappointment is incorporated in the Notice calling the AGM.

## Directors

As on the date of this Report, the Board of Directors comprises of Mr. Prasad V. Potluri, Mr. R. Nagarajan and Mr. N.S. Kumar.

In terms of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Independent Directors can hold office for a term of up to five (5) consecutive years on the Board of Directors of your Company and are not liable to retire by rotation and the tenure of the Independent Directors on the date of commencement of the Companies Act, 2013 (ie., 01.04.2014) shall not be counted as term for aforesaid period of 5 years. Accordingly, it is proposed to appoint Mr. R. Nagarajan and Mr. N S Kumar as Independent Directors of your Company for a period of 5 years effective from September 26, 2014 to September 25, 2019.

Appropriate resolutions for the appointment of Directors are being placed before you for your approval at the ensuing Annual General Meeting. The brief resume of the aforesaid Directors and other information have been detailed in the Notice. Your Directors recommend their appointment as Directors of your Company.

## Stock Exchange Listing

Presently, the Equity Shares of the Company are listed on The BSE Limited (BSE). The Company confirms that it has paid Annual Listing Fees due to the Stock Exchange for the year 2014-15.

## Directors' Responsibility Statement

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company, in respect of the financial year ended March 31, 2014, confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same;
- (ii) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended March 31, 2014 and of the profit of the Company for the year ended on that date;

- (iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) They have prepared the annual accounts on a going concern basis.

## Corporate Governance

The Company is committed to maintain the prescribed standards of Corporate Governance. The Directors adhere to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices and have implemented all the mandatory stipulations prescribed. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report. The requisite Certificate from a firm of Practicing Company Secretaries confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is forming part of the Report on Corporate Governance.

## Managing Director and Chief Financial Officer Certification

As required under the SEBI Guidelines, the Managing Director and the Head of the Finance Function Certification is attached to this Report.

## Internal Control Systems

The Company has a proper and adequate system of internal controls. This ensures that all the transactions are authorized, recorded and reported correctly and assets are safeguarded and protected against loss from unauthorized use or disposition. An extensive programme of internal audits and management reviews supplements the process of internal control. The internal control system has been designed to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The Company also has an Audit Committee, comprising 3 (three) professionally qualified Directors, who interact with the Statutory Auditors, Internal Auditors and Management in dealing with matters within its terms of reference. This Committee mainly deals with accounting matters, financial reporting and internal controls.

## Employees

During the year, Mr. S.M. Sundaram has resigned from the position of Chief Financial Officer of the Company and pursuant to the provisions of Section 203 of the Companies Act, 2013, the Company has appointed Mr. A. Praveen Kumar, General Manager - Finance & Accounts as the Chief Financial Officer of the Company with effect from May 28, 2014.

## Particulars of employees

The provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company for the year under review.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/ Outgo

Particulars regarding technology absorption, conservation of energy and foreign exchange earnings and outgo required under section 217 (1)(e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 to the extent applicable are as under:

A.	<b>CONSERVATION OF ENERGY:</b> The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.		
B.	<b>TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:</b> The Company continues to use the latest technologies for improving the quality of its operations.		
C.	<b>FOREIGN EXCHANGE EARNINGS AND OUTGO:</b>		
	(₹ in Lakhs)		
	Particulars	Current year	Previous year
	Foreign exchange earnings	NIL	NIL
	Foreign exchange outgo:		
	- Travel related Expenses	Nil	Nil
	- Other Expenses (Film Production)	69.90	555.68
	<b>Total</b>	<b>69.90</b>	<b>555.68</b>

## Acknowledgements

Your Directors acknowledge with gratitude the co-operation and assistance received from the bankers, producers, actors, technicians, directors, production houses, shareholders, government agencies and other business associates. Your Directors wish to place on record their deep sense of appreciation for the committed services by the employees of the Company.

For and on behalf of the Board of Directors

Sd/-  
R. Nagarajan  
Director

Sd/-  
Prasad V. Potluri  
Managing Director

Date: August 8, 2014  
Place: Chennai



A black and white photograph of a man in a suit, shown from the chest up in profile. His hands are clasped together in front of him. The background is dark and out of focus, showing the blurred face of another person. The text 'MANAGEMENT'S DISCUSSION & ANALYSIS' is overlaid on the left side of the image.

# MANAGEMENT'S DISCUSSION & ANALYSIS

## Industry Structure & Development:

In the recent past, the Indian economy has had to overcome varied challenges in its resolve to sustain its economic success. The major challenges included: unsupportive external environment, domestic structural constraints, growth slowdown and inflationary pressures. The Central Statistics Office (CSO's) estimates indicate a 4.9 percent growth in real GDP in 2013-14, as compared to a growth of 4.5 percent posted in 2012-13, marking a second straight year of below 5 per cent growth. The country witnessed a landmark election verdict and expectations are huge from the newly elected government to revive the economy.

As per the FICCI-KPMG Report on Media & Entertainment (M&E) industry, 2014, this industry had witnessed a growth of 11.8% during the year 2013, from INR 821 billion during the FY 2012 to INR 918 billion in the FY 2013. In the same period the film industry grew at 11.5% from INR 112.4 billion to INR 125.3 billion. Further, it is also estimated that due to the factors like digitization, growth of regional media, fast increasing new media business, M&E industry is estimated to achieve a growth rate of 13.18% in 2014 to touch INR 1039 billions. Going forward, this sector is projected to grow at a healthy CAGR of 14.2% to reach INR 1786 billion by 2018. It is expected that during the same period film industry will reach INR 219.8 billion at a CAGR of 11.9%.

The Indian Film Industry has been one of the oldest segments of the Indian entertainment industry. The Lumiere Brothers brought motion pictures to India in 1896, and since then there has been no looking back. The year 2013 was a landmark year for Indian cinema as it completed its 100 years. Today, India has the world's biggest movie industry that churns out around one thousand movies each year. The Indian Film Industry is witnessing remarkable improvements on all spheres - from the technology used in making and distributing films to the themes of the movies, exhibition, finance and marketing and even in its business environment. There is no doubt that the Indian Film Industry is finally getting corporatized in that sense. Indian Film Producers are also looking overseas for co-production. The future looks immensely bright with a number of theatres poised to go digital. Professionally-run production houses are competing with the family-run banners to bring in greater sophistication and efficiency across the value chain. In some cases they are even learning to operate cohesively and leveraging on each other's strength. The approach has shifted from producing pure star driven films to experimenting with content and providing a platform to newer talent. Although production and print and advertising costs have escalated by 15-20 percent in 2013, corporatisation is leading the industry to become more prudent in producing movies. The pre- production phase of movies has become more structured with greater emphasis given to acquisition of script, planning, budgeting and financing activities. While the cost structure varies based on the budget and star cast, artist fees continue to form a major component of film's budget for most large productions. Further, the growing middle class with higher disposable income has become the strength of the Media and Entertainment (M&E) industry.

On the other side, the M&E industry in India is highly fragmented and lack of cohesive production & distribution infrastructure and lack of efforts for media penetration in lower socio-economic classes are some of the bottlenecks that the Industry is facing. While the capital poured in through organised and unorganised channels, the industry still faced challenges in delivering robust bottom line results. Films had slower growth in 2013, than in 2012 and returned to the mean as far as growth rates go. Multiplex expansion, ticket prices growth and the expansion of digital screens are all likely to slow down in the near term – challenging the industry to find new avenues to maintain momentum. However, India is a heavily under-screened country and the macro story for the film industry remains strong.

## Opportunities & Threats:

Concept of crossover movies, emergence of new distribution channels, improved internet access at affordable prices, rapid de-regulation, rise in ancillary revenue streams, rise in viewership and technological innovations like animations, etc. are some of the opportunities that the Industry may foresee in the times to come. Once the Industry is able to tap the opportunities, there will not be any looking back for the Indian M&E Industry.

Sourcing of film financing has been largely unorganized due to high risk nature of the business. However, with scaling up of revenues, Indian films are increasingly attracting private equity / venture capital funding from institutions directly. This indicates the growth of organized film financing for the film industry, and is expected to sustain and grow in the years ahead.

On the other hand, this Industry is facing threats like Piracy, lack of quality content, muted GDP growth and insufficient number of big corporate houses in Production, Distribution and Financing for the Movies and lack of transparent data. India is one of the top countries witnessing peer-to-peer file sharing infringement worldwide. Large foreign studios or investors indicate that they are reluctant to invest in the Indian film industry because there is no way of verifying or validating the data made available in the public domain about the amount a film has grossed and its profitability.

## Financial Performance:

- A. **Capital Structure:** There is no change in the capital structure during the period under report
- B. **Reserves & Surplus:** The increase in Reserves & Surplus has been contributed by the profit for the year under report.
- C. **Borrowings:** The Long term and short term Borrowings as at the end of the financial year 2014 stood at Rs.108.65 crore as against Rs.109.16 crore in 2013.
- D. **Fixed Assets:** There is no significant increase in the fixed assets of the company.
- E. **Non-current Investment:** It is the amount invested by the Company in its wholly owned subsidiaries PVP Capital Limited, PVP Cinema Ltd and Picturehouse Media Private Limited(overseas subsidiary based in Singapore incorporated during the 2013-14).
- F. **Long Term and Short Term loans & advances:** This indicates various loans and advances made by the company towards film production and film financing as part of its business operations.
- G. **Inventories:** Inventory at the year end consists of film production work in progress (WIP).
- H. **Revenue from Operations:** The consolidated revenue increased to Rs.101.24 crore from Rs.50.24 crore during the previous year, the increase is predominantly supported by production of Films by the company.
- I. **Movie production expenses:** The movie production expenses for the year 2014 stood at Rs.59.38 Cr, which represents the expenses incurred on production of movies by the company and released during the year.
- J. **Employee cost:** The increase in employee cost was due to recruitment of talented executives in the senior cadre of the Company.
- K. **Net Profit:** The consolidated net profit for the year was Rs.10.79 crore and has registered a marginal growth when compared to the consolidated net profit generated during the previous year.

## Outlook:

There is a steady rise in the dynamism and confidence in India's film sector. Increasing consumption in tier II & III cities, growing importance of regional markets, greater focus on market research, innovation in content and evolution of marketing and delivery platforms to serve different niches – all point towards a very positive future for the Indian film industry.

## Risks & Concerns:

In the talent driven M&E Industry, the ability to attract and retain right people has always been a concern for most of the Companies operating in this Industry.

The issue of piracy remains a critical issue for the Indian film industry. However, there are some changes that have helped the industry battle this issue aggressively. A few years ago, a film reached television and home video only after six months of its theatrical release. Pirates could take advantage of this delay, and would flood the market with pirated DVDs/VCDs. Currently the theatre-to-television window has been reduced to less than 3 months. Further steps being taken are- proposed new Cinematograph Act, 2013 tough stance by certain producers to release the movie only on digital screens and various initiatives to raise consumer awareness. According to Motion Pictures Distributors Association (MPDA) India is the fourth largest downloader of films after the US, Great Britain and Canada. It estimates the loss due to piracy in 2012 was USD 1.1 billion, an increase of 15.79 percent from that in 2008. In this context, it is important that industries collaborate and create efficient mechanisms for content protection. With cooperation from the government and internet service providers, site-blocking measures can combat online piracy.

While India leads world averages in terms of the number of films produced each year and attendance, the under penetration of theatre screens in India remains the biggest challenge for the industry. There are just 8 screens per million people, unlike in the United States, where there are 117 per million. Besides, unlike other countries such as US, U.K. and China, India's merchandizing market is still very premature.

High entertainment tax acts as a major impediment to the growth of M&E industry, as the overall tax implication is as high as 40-50 percent in states like Maharashtra, Uttar Pradesh, Bihar and Karnataka. Such high rates of entertainment tax on box office admissions seem irrational considering that films are available on other platforms like television and Internet platforms for free or very little cost. Such regulations have also led to many corrupt trade practices. Separately, it will be useful to provide tax holiday benefits for infrastructural development on setting up Cineplexes in tier II and tier III cities to incentivize the sector and boost growth and development of such cities.

Ticket pricing in many states is regulated by state governments. The industry expects the governments to relax regulations on fixed number of shows and cap on ticket pricing and let the exhibitors decide on the admission rates according to demand. Flexible pricing will also help to reduce black-marketing of tickets since theatre owners will have freedom to revise the rates according to the audience inflow.

## Internal Control System and their adequacy:

The internal audit and other internal checks implemented in the Company are adequate and commensurate with the size and nature of operations providing sufficient assurance and safe guarding all assets, authorizing transactions and its recording and timely reporting.

## Human Resources & Industrial Relations:

Industrial relations are harmonious. The company recognizes the importance and contribution of the human resources for its growth and development.

## Cautionary Statements

*Statements in this Management Discussion and Analysis may contain forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. These statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Important developments that could affect the company's operations include a downtrend in media and entertainment sector, significant changes in political and economic environment in India or key financial markets abroad, tax laws, litigations, exchange rate fluctuations, interest and other costs.*





# REPORT ON CORPORATE GOVERNANCE

Picturehouse Media Limited (the Company) believes in the system of accountability, transparency and business ethics as prescribed in Clause 49 of the Listing Agreement with the stock exchanges.

Picturehouse Media Limited believes in the following three tier Corporate Governance Structure:

1. Members appoint the Board of Directors ('Board') and authorize to conduct business with objectivity and ensure accountability;
2. Board leads the strategic management of the Company on behalf of the Shareholders and in the best interests of all the Stakeholders, exercises supervision through direction and control and constitutes various Committees to handle specific areas of responsibilities; and
3. The Committees of the Board and Executive Management appointed by the Board take up specific responsibilities and day-to-day tasks to ensure that the activities of the Company are bring managed according to the strategies and targets set by the Board.

The above principles have been the guiding force for whatever your Company does and shall continue to be so in the years to come. The Company is committed to adopting to the best practices in Corporate Governance and Disclosure.

### The Board of Directors (The Board):

The Board consists of three Directors comprising one Executive Director and two Non-Executive and Independent Directors, as on March 31, 2014. The composition of the Board represents the finest blend of professionals from various backgrounds which enables the Board to discharge its responsibilities more efficiently and provide effective leadership by taking the Company's business to achieve greater heights.

#### (a) Composition and Category of Directors

The details of each Member of the Board along with number of Directorship(s)/Committee Membership(s) held by Directors in companies other than the Company, along with age of the Director, date of appointment on the Board of the Company and Director Identification Number (DIN) are provided below for the period ended March 31, 2014:

Name of the Director	Age (Yrs)	Designation/ Position	Dt. Of Appointment	DIN	Directorships in other Indian Public Companies	Position on Committees of the Board of Indian Companies	
						As Chairman	As Member
Mr. N S Kumar	67	Non Executive & Independent Director	27/04/2006	00552519	3	Nil	4
Mr. R. Nagarajan	76	Non Executive & Independent Director	27/04/2006	00443963	3	5	Nil
Mr. Prasad V. Potluri	43	Promoter & Managing Director	04/12/2007	00179175	1	Nil	2

#### Notes:

1. None of the Directors are related to each other;
2. Number of Directorship held in other companies includes all public limited companies, whether listed or unlisted and excludes private limited companies, foreign companies, companies established under Section 25 of the Companies Act, 1956 and alternate Directorships, Membership of Managing Committees of Chambers of Commerce / Professional Bodies;

3. Membership/Chairmanship in Committees include only Audit Committee and Stakeholders Relationship Committee; and
4. The necessary disclosures regarding Committee positions have been made by all the Directors. None of the Directors is a Member of more than 10 Committees or Chairman of more than 5 Committees across all Indian public limited companies in which he is a Director. Number of Chairmanships/Memberships of Committees covers Chairmanships/Memberships of Audit Committee and Stakeholders Relationship Committee.

### **(b) Attendance of the Directors at the Board Meetings and the 14<sup>th</sup> AGM**

The calendar of Board Meetings is decided in consultation with the Board and the schedule of such meetings is communicated to all Directors well in advance. Generally, the Board Meetings are held in Chennai where the Registered Office of your Company is situated. The agenda for the Board Meeting includes applicable matters as per Annexure IA of Clause 49 of the Listing Agreement and is generally circulated few days prior to the date of the Meeting and includes detailed notes on the items to be discussed at the meeting to enable the Directors to take informed decisions on behalf of the esteemed Shareholders.

In case of special and urgent business needs, the Board's approval is taken by passing resolutions by circulation, as permitted by law.

Your Board met four times during the financial year 2013 -14 on May 27, 2013, August 09, 2013, November 13, 2013 and February 07, 2014.

The necessary quorum was present for all the Board Meetings and the 14<sup>th</sup> Annual General Meeting. The maximum interval between any two Board Meetings was well within the maximum allowed gap of four months. After each Board Meeting, your Company has a well-articulated system of follow up, review and reporting on actions taken by the Management on the decisions of the Board and sub-Committees of the Board.

All the Directors have attended all the four Board Meetings and also the 14<sup>th</sup> Annual General Meeting held on September 26, 2013. None of your Directors holds any shares in the Company.

A code of conduct as applicable to the Directors and the designated senior management of the Company had been approved by the Board and adhered to by them. A declaration to this effect from the Managing Director of the Company forms part of this Annual Report.

## **Committees of the Board:**

### **(A) Audit Committee**

The Audit Committee was constituted in accordance with the requirements of the Listing Agreement and Companies Act.

The Audit Committee reports to the Board and is primarily responsible for:

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending to the Board, the appointment, re-appointment, replacement or removal of the Statutory Auditor and the fixation of audit fees.
- c. Recommending of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.

- d. Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - i. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report as required under the Companies Act, 1956 and / or the Companies Act, 2013.
  - ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by Management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions and review and approval of any transactions with related parties;
  - vii. Dealing with qualifications in the draft audit report;
  - viii. Review of any concerns raised by the Employees of the Company or others about possible improprieties in financial reporting, including Management override of internal controls and financial irregularities involving Management team members;
  - ix. Review of Management Discussion and Analysis of financial condition and results of operations; and
  - x. Review of Management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- e. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- f. Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- g. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- h. Discussion with Internal Auditors on any significant findings and follow up there on.
- i. Reviewing the findings of any internal investigations by the Internal Auditors in matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- j. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- k. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, Shareholders (in case of non-payment of declared dividends) and creditors.
- l. Review of the functioning of the Whistle Blower Mechanism, in case the same is existing.
- m. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate.
- n. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee has three Directors, as per the details given below. All Members are financially literate and have the required accounting and financial management expertise.

The Chairman of the Audit Committee, Mr. R. Nagarajan, is an Independent Director and he was present at the last Annual General Meeting to answer the Shareholders' queries. The Company Secretary of the Company acts as the Secretary to the Audit Committee.

The Audit Committee met four times during the financial year 2013-14 on May 27, 2013, August 09, 2013, November 13, 2013 and February 07, 2014 and not more than four months had elapsed between two Audit Committee Meetings. The necessary quorum was present for all the Audit Committee Meetings

#### Details of Composition and Attendance of the Audit Committee Meetings:

Name of the Director	Category	Position	Number of Audit Committee Meeting	
			Held	Attended
Mr. R Nagarajan	Non-Executive & Independent Director	Chairman	4	4
Mr. N S Kumar	Non-Executive & Independent Director	Member	4	4
Mr. Prasad V. Potluri	Managing Director	Member	4	4

#### (B) Stakeholders Relationship Committee

The Board of Directors at their Meeting held on May 28, 2014 have rechristened the name of the Committee as 'Stakeholders' Relationship Committee' pursuant to the relevant provisions of the Companies Act, 2013. The Stakeholder' Relationship Committee is responsible for:

- Redressal of Shareholders' grievances in general and relating to non-receipt of dividends, interest, non-receipt of balance sheet, for approval of the share transfers, transmissions and transpositions, etc.; and
- Such other matters as may, from time to time, be required by any statutory, contractual or other regulatory requirements to be attended to by such Committee.

#### Details of Composition and Attendance of the Stakeholders' Relationship Committee are as follows:

Name of the Director	Category	Position
Mr. R Nagarajan	Non-Executive & Independent Director	Chairman
Mr. N S Kumar	Non-Executive & Independent Director	Member
Mr. Prasad V. Potluri	Managing Director	Member

Mr. Adalat Srikanth, Company Secretary acts as Secretary to the Stakeholders' Relationship Committee.

The Stakeholders' Relationship Committee met three times on August 09, 2013, November 13, 2013 and February 07, 2014 during the financial year 2013-14. All the Members of the Committee were present at all the Meetings.

The Compliance Officer monitors the share transfer process and reports to the Company's Board in each meeting and the Compliance Officer also directly liaises with the authorities such as SEBI, Stock Exchanges, RoC etc., and investors with respect to implementation of various Clauses, rules, regulations and other directives of such authorities and investor service and complaints related matters. There is no share transfer pending for more than 15 days.

Your Company has a designated e-mail ID, **ir.telephoto@pvpglobal.com** for the redressal of any Shareholders' related grievances exclusively for the purpose of registering complaints by Members/Shareholders. Your Company has also displayed the said email ID under the investors section at its website, **www.pvpcinema.com** and other relevant details prominently for creating investor awareness.

Your Company maintains a functional website containing necessary information about the Company e.g. details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, details of agreements entered into with the media companies and/or their associates, etc., at [www.pvpcinema.com](http://www.pvpcinema.com) and the contents of the said website are updated regularly as per Clause 54 of the Listing Agreement.

During the year, the Company has not received any complaint from any shareholder.

### (C) Remuneration Committee

Though it is not mandatory to constitute the Remuneration Committee as per the Listing Agreement, the Company has voluntarily constituted this Remuneration Committee. The brief description of terms of reference to the remuneration committee is, inter alia, to recommend compensation terms for Executive Directors. As on March 31, 2014, this Committee comprised of Mr. R. Nagarajan (Chairman), Mr. N. S. Kumar and Mr. Prasad V. Potluri. The Company Secretary of the Company acts as the Secretary of this Committee. However, during the year, no meeting of the Remuneration Committee was held.

### Remuneration paid to the Directors during the year 2013-14

The Company has not paid any remuneration to its non-executive directors, except the sitting fees paid for attending the meetings of the Board and Audit Committee. The Company does not have any employee stock option scheme in force.

The details of sitting fees paid to the Directors are as follows:

Mr. Prasad V. Potluri	NIL
Mr. R. Nagarajan	Rs. 78,652
Mr. N. S. Kumar	Rs. 78,652
<b>Details of equity shares of the Company held by Directors as on March 31, 2014</b>	
<b>Director</b>	<b>No. of shares @ Rs. 10 each</b>
Mr. Prasad V. Potluri	NIL
Mr. R. Nagarajan	NIL
Mr. N.S. Kumar	NIL

### General Body Meetings

#### A. Annual General Meetings

Location, date and time of the Annual General Meetings held during the preceding 3 years and the Special Resolutions passed thereat are as follows:

Year	Venue	Date & Time	Special resolutions passed
2010 -11	Rani Seethai Hall, No. 603, Anna Salai, Chennai-600 006	September 28, 2011 11:30 A.M	NIL
2011-12	Kamaraj Arangam, No.492, (Old No.574-A), Anna Salai, Teynampet, Chennai-600006	September 26, 2012 11.30 A.M.	Alteration of Capital Clause of Articles of Association
2012-13	Kamaraj Arangam, No.492, (Old No.574-A), Anna Salai, Teynampet, Chennai-600006	September 26, 2013 11.30 A.M.	NIL



## B. Extraordinary General Meetings

No Extraordinary General Meeting held during the year.

## C. Postal Ballot

During the year, there were no resolutions passed through Postal Ballot for obtaining approval of the shareholders through postal ballot and no special resolution is proposed to be conducted through postal ballot.

## Disclosures

- (i) There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, Directors or the management, their subsidiaries or relatives etc. during the year, that may have potential conflict with the interests of the Company at large. The Company's related party transactions are generally with its subsidiaries and associate companies. The related party transactions are entered into based on considerations of various business exigencies such as synergy in operations, legal requirements and capital requirements of these subsidiaries and associate companies. All related party transactions are intended to further the business interests of the Company.

- (ii) There were no instances of non-compliance by the Company, no penalties were imposed or strictures passed against the Company by the Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years, except as stated below:

**During August, 2010, the Company had filed a Consent Application with Securities & Exchange Board of India (SEBI) for voluntary settlement of delayed compliance of Clause 41 of the Listing Agreement with regard to delay in filing of Audited Financial Results for the financial year ended March 31, 2010.**

**SEBI, vide its Order dated March 10, 2014 has accepted the Company's Voluntary Settlement Proposal against payment of Rs.1,00,000 and the Company has paid the said amount to SEBI.**

- (iii) The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The Company has also fulfilled the following non mandatory requirements as prescribed in Annexure ID to the Clause 49 of the Listing Agreement:
  - a. The Company has set up a Remuneration Committee, details of which have been given earlier in this Report,
  - b. The Statutory financial statements of the Company are unqualified, and
  - c. **Whistle Blower Policy:** The Board had at its meeting held on May 28, 2014, adopted a Whistle Blower Policy to enable reporting of actual or suspected fraud or violation of the Company's code of conduct or ethics policy, to the management. The Whistle Blower Policy also provided adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit committee in exceptional cases.
- (iv) The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and there are no statutory audit qualifications in this regard.
- (v) At every Board Meeting, a statement of compliance with all laws and regulations as certified by the Managing Director is placed before the Board for its review. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.
- (vi) In terms of Clause 49(V) of the Listing Agreement, the Managing Director and the General Manager - Finance & Accounts submitted a certificate to the Board of Directors in the prescribed format for the year under review, which has been reviewed by the Audit Committee and taken on record by the Board.

- (vii) The Company has adopted an Insider Trading Code as per the model code prescribed under the SEBI (Insider Trading) Regulations as amended upto date. All Directors/designated employees are required to disclose related information periodically as defined in the Code. The Company Secretary has been designated as the Compliance Officer under the Code. The code is available on the Company's website: **www.pvpcinema.com**.
- (viii) The Board regularly discusses the significant business risks identified by the Management and the mitigation process being taken up.
- (ix) The Company did not raise any funds during the year under preferential issue mode/rights issue/public issue.

### Means of Communication

The Company announced the quarterly/half-yearly/annual results within the prescribed period and published the same in Business Standard (in English) and in Makkal Kural (in Tamil).

Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Management Discussion & Analysis Report and Corporate Governance Report including information for the Shareholders and other important information is circulated to the members and others entitled thereto.

### General Shareholders Information

i)	<b>Annual General Meeting</b> will be held on Friday, the September 26, 2014 at 11.30 A.M. at The Kings Hall, The Pleasant Days Resort, Chennai – Bangalore Highway, Palanjur, Sembarambakkam, Chennai – 600 123, Tamilnadu		
ii)	<b>Financial Year</b> of the Company is 1st April to 31st March.		
iii)	<b>Financial Reporting</b> for the quarter ending 30th September, 2014, 31st December, 2014, 31st March, 2015 and 30th June, 2015 will be within forty five days from the closure of the quarter.		
iv)	<b>Dates of Book Closure</b> will be from September 22, 2014 to September 26, 2014 (both days inclusive).		
v)	<b>Company's shares are listed</b> on the Bombay Stock Exchange		
vi)	<b>Stock Code</b> of the Company's scrip is 532355		
vii)	<b>ISIN Code</b> is INE448B01029		
viii)	<b>High &amp; Low Market Price</b> during each month in the accounting year was as follows:		
	<b>Month</b>	<b>High Price</b>	<b>Low Price</b>
	January-13	37.4	23.1
	February-13	25.45	21.6
	March-13	42	21.8
	April-13	40.25	21.4
	May-13	29.3	18.5
	June-13	29.55	24.9
	July-13	25.8	19.4
	August-13	24.25	21.8
	September-13	30.85	22.7
	October-13	35	30.8
	November-13	34.25	22.2
	December-13	27.75	20.5
	January-14	21.5	15.8
	February-14	21.55	17
	March-14	24	17.75

ix)	<b>Registrar &amp; Share Transfer Agents</b> of the Company is Cameo Corporate Services Limited, “Subramanyam Building”, 1, Club House Road, Chennai-600 002; Phone: 91-44-28460390; Fax: 91-44-28460129 E-mail: investor@cameoindia.com		
x)	<b>Share Transfer System:</b> The Registrar and Share Transfer Agents, Cameo Corporate Services Limited, handle share transfers under the overall supervision of the Stakeholders Relationship Committee.		
xi)	<b>Distribution of Shareholding as of 31st March, 2014</b> was as follows:		
	Category	No. of shares	% to share capital
	Promoters	3,86,46,654	73.96
	FIs & Financial Institutions/Banks	25,50,028	4.88
	Private Corporate Bodies	82,55,221	15.80
	Indian Public	27,41,757	5.25
	NRIs / HUFs/Clearing Members	56,340	0.11
	<b>Grand Total</b>	<b>5,22,50,000</b>	<b>100.00</b>
xii)	<b>Dematerialization of Shares &amp; Liquidity:</b> To facilitate trading in dematerialized form, the Company has entered into agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shares of the Company are actively traded on the Bombay Stock Exchange Limited. As on 31st March, 2014, 99.93% shares were held in dematerialized form.		
xiii)	<b>Compliance Officer:</b> Mr. Adalat Srikanth, Company Secretary Phone: +91-44-30285570, Fax:+91-44-30285571 Email: ir.telephoto@pvpglobal.com		
xiv)	<b>Address for correspondence:</b> Picturehouse Media Limited, 4th Floor, Punnaiah Plaza, Plot No.83 & 84, Road No.2, Banjara Hills, Hyderabad – 34, Telangana Telephone: +91-40-67309999; Fax: +91-40-67309988.		
xv)	<b>Investor Relations:</b> The Company generally replies to all the queries of the investors within a week of its receipt.		
xvi)	<b>Nomination Facility:</b> Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to contact the Company’s Share Transfer Agents, Cameo Corporate Services Limited, “Subramanyam Building”, 1, Club House Road, Chennai-600 002; Phone: 91-44-28460390; Fax: 91-44-28460129 E-mail: investor@cameoindia.com.		

### Distribution of Shareholding as at March 31, 2014

The distribution of shareholding as at March 31, 2014 was as follows:

Shareholding in Rs.	No. of shareholders	% of shareholders	No. of shares	% of shareholdings
10 - 5000	4506	92.43	2743040	0.52
5001 - 10000	147	3.01	1148660	0.22
10001 - 20000	79	1.62	1226020	0.23
20001 - 30000	33	0.68	846440	0.17
30001 - 40000	23	0.47	821660	0.16
40001 - 50000	20	0.41	930560	0.18
50001 - 100000	23	0.47	1668300	0.31
100001 and above	43	0.91	513115320	98.21
Total	4,874	100.00	5,22,50,000	100.00

### Corporate Governance Certificate

A Certificate obtained from a firm of Practicing Company Secretaries confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 is attached to the Directors' Report.

### Reconciliation of Share Capital Audit Report

The Audit Report, confirming that the total issued capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with National Securities Depository Limited and Central Depository Services (India) Limited, is placed before the Board on a quarterly basis. A copy of the Share Capital Audit Report is submitted to the Bombay Stock Exchange Limited every quarter.

## CERTIFICATION IN TERMS OF CLAUSE 49(V) OF THE LISTING AGREEMENT

We, Prasad V. Potluri, Managing Director and A. Praveen Kumar, General Manager - Finance & Accounts of Picturehouse Media Limited, responsible for the finance function, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2014 and that to the best of our knowledge and belief, we state that:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
  - (ii) these statements give a true and fair view of the Company's affairs and of the results of operations and cash flow. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have not noticed any deficiency that need to be rectified or disclosed to the Auditors and the Audit Committee.
- (d) During the year under reference -
  - (i) there were no significant changes in the internal controls or overall financial reporting;
  - (ii) no significant changes in accounting policies were made that require disclosure in the notes to the financial statements; and
  - (iii) no instance of significant fraud and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting, has come to our notice.

Date: May 28, 2014  
Place: Hyderabad

Sd/-  
**Prasad V. Potluri**  
Managing Director

Sd/-  
**A. Praveen Kumar**  
GM - Finance & Accounts

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### Code of Conduct for Directors & Senior Management

As the Managing Director of Picturehouse Media Limited and as required by Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby declare that all the Board members and senior management personnel of the Company have affirmed compliance with the Company's Code of Conduct for the Financial Year 2013-14.

Date: August 8, 2014  
Place: Chennai

Sd/-  
**Prasad V. Potluri**  
Managing Director

## CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of M/s. Picturehouse Media Limited

We have examined the compliance of conditions of corporate governance by Picturehouse Media Limited ("the Company") for the year ended March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Clause of the Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted affairs of the Company.

Date: August 8, 2014  
Place: Hyderabad

Sd/-  
Shaik Razia  
CP.7824

Partner  
D. Hanumanta Raju & Co  
Company Secretaries



**Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in Subsidiary Companies for the financial year 2013-14**

(Amount in ₹)

S. No.	Particulars	Name of the Subsidiary Company		
		PVP Cinema Pvt. Ltd.	PVP Capital Ltd.	Picturehouse Media Pvt Ltd
1	The financial year for the subsidiary company ended on	31.03.2014	31.03.2014	31.03.2014
2	Shares of the subsidiary company held by holding company as on the above date			
	(i) Number	30,000	25,000,000	5000
	(ii) Extent of holding	100%	100%	100%
3	Date from which it became a subsidiary	4.03.2006	27.04.2012	
4	The net aggregate amount of Profits / (Losses) of the Subsidiary so far as they concern the member of the Holding Company.			
	a) Dealt within the Holding Company's accounts			
	i) for the financial year of the subsidiary	(100,506.00)	67,123,988	359,109
	ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	(88,493)	29,377,715	N A
	b) Not dealt within the Holding Company's accounts			
	i) for the financial year of the subsidiary	N A	N A	N A
	ii) for the previous financial years of the subsidiary since it became the Holding Company's subsidiary	N A	N A	N A
5	Issued, Subscribed & Paid-up Capital	300,000	250,000,000	234330
6	Reserves & Surplus	(47,818,950)	98,741,641	343420
7	Liabilities	47,695,318	957,320,701	3221196
8	<b>Total Liabilities</b>	176,368	1,306,062,342	3,798,946
9	<b>Total Assets</b>	176,368	1,306,062,342	3,798,946
10	Investments	Nil	Nil	Nil
11	Turnover	Nil	195,309,049	25,566,165
12	Profit before Tax	(100,506)	112,767,329	370,155
13	Provision for Taxation	Nil	45,643,341	11,046
14	Profit after Tax	(100,506)	67,123,988	359,109
15	Proposed Dividend	Nil	Nil	Nil

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# **STANDALONE FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To  
The Members  
Picturehouse Media Limited  
Chennai

### Report on the Financial Statements

We have audited the accompanying financial statements of Picturehouse Media Limited (the Company), which comprises the Balance Sheet as at March, 31 2014 and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 (the Act). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the State of Affairs of the Company as at March, 31, 2014;
- b) In the case of Statement of Profit and Loss, of the PROFIT for the year ended on that date; and
- c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ( the Order), as amended, issued by the Central Government of India, in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow statement comply with the accounting standards referred to sub-section (3C) of Section 211 of the Act;
  - e. on the basis of written representation received from the Directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director, in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - f. since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Act, nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

for M/s CNGSN & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Registration No: 004915S

Date : May 28, 2014  
Place : Hyderabad

Sd/-  
R.THIRUMALMARUGAN  
Partner  
Membership No: 200102

## ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements in our Independent Auditors' Report of even date)

1.
  - a. In our opinion and according to the information and explanations given to us, the company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. As per the information and explanations provided to us, the company has physically verified the fixed assets during this year and there is no material discrepancies noticed on such verification.
  - c. As per the information and explanation provided to us, substantial part of fixed assets have not been disposed off during the year, which affects the going concern.
2.
  - a. According to the information and explanations given to us, the management has conducted physical verification of inventory (Film Production in Progress - WIP) at reasonable intervals.
  - b. According to the information and explanations given to us the procedures of physical verification of inventory (Film Production in Progress - WIP) followed by the management is reasonable and adequate in relation to the size of the company and nature of its business.
  - c. According to the information and explanation given to us the company is maintaining proper records of inventory (Film Production in Progress - WIP) and there are no material discrepancies were noticed on physical verification.
3.
  - a. According to the information and explanations given to us, the Company has granted, unsecured loans to subsidiary company- PVP Cinema Pvt Ltd a during earlier years, a party covered in the register maintained under section 301 of the Companies Act, 1956. It is informed that these advances are recoverable on demand however the entire amount of Rs.4,76,07,548/-has been provided for. During the year the company has advanced a sum of Rs.42,17,762/- to the other Subsidiary company, Picturehouse Media Private Limited, Singapore, which is repayable on demand. The rate of interest, terms and conditions of loans, receipt of principal and overdue amounts are not applicable.
  - b. According to the information and explanations given to us, the Company has not taken unsecured loans from the parties covered in the register maintained under section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for purchases of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls systems.

5.
  - a. According to the information and explanations given to us, the particulars of contracts or arrangements entered into during this year which are required to be entered in the register maintained under section 301 of the Companies Act have been entered in the said register.
  - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanation given to us the Company has not accepted deposits from public during this year. Therefore the provisions of section 58A, 58AA of the Act and any contravention of these provisions for the year under audit are not applicable.
7. The Company has an internal audit system to commensurate with its size and nature of its business.
8. As per the information and explanations given to us, we are of the opinion that the Company has made and maintained the cost records pursuant to the Rules made by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
9.
  - a. According to the information and explanation given to us, the Company is depositing undisputed statutory dues with appropriate authorities, like Provident Fund, Investor Education and Protection Fund, Employee's State insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, Customs Duty, Excise Duty, Cess, wherever applicable, except few delays in depositing, Income Tax TDS and Service Tax on reverse charge remittances. There are no undisputed Statutory outstanding dues as at the 31st March, 2014 for a period of more than six months from the date they become payable.
  - b. According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute.
10. There are no accumulated loss of the Company as at the year end. The company has not incurred cash losses during the financial year covered by our audit and during immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment money borrowed from banks.
12. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanation given to us the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provision of clause 4 (xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
14. In our opinion and according to the information and explanation given to us the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.



15. In our opinion and according to the information and explanation given to us, the Company has given corporate guarantee for loans taken by subsidiary company from banks and the terms and conditions whereof are not prejudicial to the interest of the company.
16. In our opinion and according to the information and explanation given to us, the term from the Banks were applied for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanation given to us the Company has not made any preferential allotment of shares during the year.
19. According to the information and explanation given to us, the Company has not issued any secured debentures during the year and creation of security for issue of debenture does not arise.
20. According to the information and explanation given to us, the Company has not raised money by public issue during the year and disclosure of end use of public issue does not arise.
21. According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for M/s CNGSN & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Registration No: 004915S

Date : May 28, 2014  
Place : Hyderabad

Sd/-  
R. THIRUMALMARUGAN  
Partner  
Membership No: 200102

## BALANCE SHEET AS AT MARCH 31, 2014

Amount (₹)

	Note No.	As at 31-03-2014		As at 31-03-2013	
<b>I. EQUITY AND LIABILITIES</b>					
(1) Shareholders' Funds:					
(a) Share Capital	2	522,500,000		522,500,000	
(b) Reserves and Surplus	3	160,873,692		120,333,896	
(c) Money Received against Share warrants		-	683,373,692	-	642,833,896
(2) Share application money pending allotment			-		-
(3) Non-current liabilities:					
(a) Long-term borrowings	4	92,536,300		786,954,769	
(b) Deferred tax liabilities (Net)		-		-	
(c) Other Long-term liabilities	5	1,560,097		5,326,624	
(d) Long-term provisions	6	3,541,148	97,637,545	1,959,310	794,240,703
(4) Current liabilities:					
(a) Short-term borrowings	7	83,708,802		-	
(b) Trade payables	8	2,725,706		4,687,674	
(c) Other current liabilities	9	7,446,866		9,654,786	
(d) Short-term provisions	10	21,974,718	115,856,092	38,720,872	53,063,332
<b>Total</b>			<b>896,867,329</b>		<b>1,490,137,931</b>
<b>II. ASSETS:</b>					
(1) Non-current assets					
(a) Fixed Assets					
(i) Tangible assets	11	27,835,642		21,984,881	
(ii) Intangible assets		-		-	
(iii) Capital work-in-progress		-		-	
(iv) Intangible assets under developemnt		-		-	
(b) Non-current investments	12	252,718,500		252,173,500	
(c) Deferred tax assets (Net)		-		-	
(d) Long-term loans and advances	13	52,239,238		277,475,196	
(e) Other non-current assets		-	332,793,380	-	551,633,577
(2) Current assets					
(a) Current investments		-		-	
(b) Inventories	14	251,560,045		477,853,302	
(c) Trade receivables	15	-		25,000,000	
(d) Cash and cash equivalents	16	3,121,965		16,278,305	
(e) Short-term loans and advances	17	292,053,163		373,812,065	
(f) Other current assets	18	17,338,776	564,073,949	45,560,682	938,504,353
<b>Total</b>			<b>896,867,329</b>		<b>1,490,137,931</b>
See accompanying notes to the financial statements					

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**R. NAGARAJAN**  
Director

Sd/-  
**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

		Amount (₹)		
		Note No	For the Year ended 31-03-2014	For the Year ended 31-03-2013
I	Revenue from operations	19	791,495,676	434,018,157
II	Other income	20	1,828,361	1,468,942
III	Total Revenue (I + II)		793,324,037	435,487,099
IV	Expenses:			
	(a) Cost of film production expenses	21	568,985,151	143,745,051
	(b) Purchases of Stock-in-Trade		-	-
	(c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade		-	-
	(d) Employee benefit expenses	22	32,142,680	23,595,160
	(e) Finance costs		87,159,544	120,631,036
	(f) Depreciation and amortization expenses	11	2,942,996	1,707,945
	(g) Other expenses	23	38,834,691	32,326,856
	Total expenses		730,065,062	322,006,048
V	Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)		63,258,975	113,481,051
VI	Exceptional items	24	-	(1,268,862)
VII	Profit/(Loss) before extraordinary items and tax (V - VI)		63,258,974	114,749,913
VIII	Extraordinary items		-	-
IX	Profit/(Loss) before tax (VII - VIII)		63,258,974	114,749,913
X	Tax expenses			
	(1) Current tax		21,834,401	38,687,556
	(2) Deferred Tax Liability		-	-
	(3) Earlier Year Income Tax Paid		884,777	
	Provision no longer required		-	(840,905)
XI	Profit / (loss) for the year from continuing operations (IX - X)		40,539,794	76,903,262
XII	Profit / (loss) from discontinuing operations		-	-
XIII	Tax expenses of discontinuing operations		-	-
XIV	Profit / (loss) from discontinuing operations (after tax) (XII - XIII)		-	-
XV	Profit / (loss) for the year (XI + XIV)		40,539,794	76,903,262
XVI	Earnings per share:			
	(1) Basic		0.78	1.47
	(2) Diluted		0.78	1.47
See accompanying notes to the financial statements				

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
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Director

Sd/-  
**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Amount (₹)

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	63,258,974	114,749,913
Adjustments for:		
Depreciation	2,942,996	1,707,945
Interest Received	-	(1,707)
Interest paid	87,159,544	120,631,036
Interest on Staff Advances	(1,828,361)	(1,156,937)
Provision for doubtful advances	-	2,383,812
Provision for employee benefit	1,688,839	1,035,814
Excess Provision Written Back	-	(310,298)
Operating Profit Before Working Capital changes	153,221,992	239,039,578
Adjustments for:		
Increase/(Decrease) in Long Term Liabilities	(3,766,527)	8,327,176
Increase/(Decrease) in Trade payable	(1,961,968)	2,007,014
Increase/(Decrease) in Current Liabilities	(2,207,920)	1,779,880
(Increase)/Decrease in Inventories	226,293,257	(477,853,302)
(Increase)/Decrease in Trade Receivable	25,000,000	(25,000,000)
(Increase)/Decrease in Long Term Loans & Advances	225,235,958	(257,351,756)
(Increase)/Decrease in Short Term Loans & Advances	81,758,902	1,127,789,105
(Increase)/Decrease in Other Current Assets	28,221,905	(17,129,263)
Cash Generated from Operations	731,795,599	601,608,432
Direct Taxes paid	(39,572,333)	(40,300,125)
Net Cash from Operating Activities	692,223,266	561,308,307
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Interest Received	-	1,707
Interest from Staff advances	1,828,361	1,156,937
Addition to Fixed Assets including WIP	(8,793,758)	(18,354,307)
Investment made during the year	(545,000)	(252,173,500)
Net Cash used in Investing Activities	(7,510,397)	(269,369,163)
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Interest paid	(87,159,544)	(120,631,036)
Issue of Equity Share Capital	-	-
Proceeds from Long Term Borrowing (Net)	(694,418,469)	(161,549,680)
Proceeds from Short Term borrowing (Net)	83,708,802	-
Net Cash from Financing Activities	(697,869,211)	(282,180,716)
Net increase in cash and cash equivalents	(13,156,340)	9,758,429
Cash and cash equivalents at the beginning of the year	16,278,305	6,519,876
Cash and Cash Equivalents at the end of the year	3,121,965	16,278,305

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**R. NAGARAJAN**  
Director

Sd/-  
**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## NOTES TO THE ACCOUNTS AS AT MARCH 31, 2014

### Note 2 : Share Capital

Amount (₹)

	As at 31-03-2014	As at 31-03-2013		
(A) Authorised, Issued, Subscribed and Paid-up share capital and par value per share				
Authorised Share Capital 8,00,00,000 Equity Shares of Rs. 10/- each	800,000,000	800,000,000		
	800,000,000	800,000,000		
Issued, Subscribed and Paid Up 5,22,50,000 Equity Shares of Rs. 10/- each	522,500,000	522,500,000		
(B) Reconciliation of number of paid up shares outstanding				
EQUITY SHARES				
Number of shares outstanding as at the beginning of the year	52,250,000	52,250,000		
Add: Number of Shares allotted during the year	-	-		
Less: Number of Shares bought back	-	-		
Number of equity shares outstanding as at the end of the year	52,250,000	52,250,000		
(C) Equity Shares in the company held by each shareholder holding more than 5%:				
Name of shareholder	No of shares at year end 2014	% as at year end	No of shares at year end 2013	% as at year end
PVP Ventures Limited	3,353,114	6.42	3,353,114	6.42
Jhansi Sureddi	19,857,249	38.00	32,156,899	61.54
Rayudu Media Projects Pvt Ltd	4,506,490	8.62	4,506,490	8.62
Sparrow Asia Diversified Opportunity Fund	NIL	NIL	4,750,000	9.09
PVP Global Ventures Pvt Ltd	3,136,641	6.00	NIL	NIL
South Field energy Projects Pvt Ltd	12,299,650	23.54	NIL	NIL

### Note 3 : Reserves and Surplus

Amount (₹)

	As at 31/03/2013	Additions during the year	Deductions during the year	As at 31/03 /2014
Capital Reserve	2,287,500	-	-	2,287,500
Securities Premium Reserve	18,250,000	-	-	18,250,000
Surplus ( P&L a/c ) as under:	99,796,396	40,539,796	-	140,336,192
	120,333,896	40,539,796	-	160,873,692
Opening Balance	22,893,134			99,796,396
Profit / (Loss) for the year - From P & L	76,903,262	40,539,796	-	40,539,796
Less: Proposed dividends	-	-	-	-
Tax on distributed profits	-	-	-	-
Balance of Profit / Loss)	99,796,396	40,539,796	-	140,336,192
	99,796,396	40,539,796	-	140,336,192

**Note 4 : Long Term Borrowings**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From other parties - Secured	92,536,300	786,954,769
(Refer Note No. 25.5)		
	92,536,300	786,954,769

**Note 5 : Other Long Term Liabilities**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From Banks - Vehicle Loan	6,097,568	9,298,492
The loans are secured by vehicle purchased on Hire Purchase.		
Current Maturity of Long Term Debt (Note: 9)	(4,537,471)	(3,971,868)
	1,560,097	5,326,624

**Note 6 : Long Term Provisions**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Employee Benefits	3,541,148	1,959,310
(Refer Note No. 25.2)		
	3,541,148	1,959,310

**Note 7 : Short Term Borrowings**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From Banks - Secured	35,000,000	-
From other parties - Secured	48,708,802	-
(Refer Note No. 25.5)		
	83,708,802	-

**Note 8 : Trade Payable**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Sundry Creditors for services	2,725,706	4,687,674
	2,725,706	4,687,674

**Note 9 : Other Current Liabilities**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Income received in advance	707,390	817,390
Statutory Payable	2,202,005	4,865,528
Current Maturity of Long Term Debt ( Note No. 5)	4,537,471	3,971,868
	7,446,866	9,654,786

**Note 10 : Short Term Provisions**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Provision for income tax	21,834,401	38,687,556
Provision for employee benefits	140,317	33,316
(Refer Note No. 25.2)		
	21,974,718	38,720,872



**Note 11 : Fixed Assets - Tangible**

Amount (₹)

Description	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at April 1, 2013	Addition	Deletion	As at Mar 31, 2014	As at April 1, 2013	Addition	Deletion	As at Mar 31, 2014	As at Mar 31, 2014	As at Mar 31, 2013
Plant & Machinery	-	172,101		172,101	-	12,168		12,168	159,933	-
Computers & Related Assets	2,896,494	15,707,577	14,872,918	3,731,153	340,620	565,399		906,019	2,825,134	2,555,874
Furniture & Fixtures	2,198,539	19,236		2,217,775	149,467	136,766		286,233	1,931,542	2,049,072
Vehicles	16,613,193	1,801,576		18,414,769	1,287,095	1,722,643		3,009,738	15,405,031	15,326,098
Office Equipments	2,203,150	5,966,185		8,169,335	149,313	506,020		655,333	7,514,002	2,053,837
	23,911,376	23,666,675	14,872,918	32,705,133	1,926,495	2,942,996	-	4,869,491	27,835,642	21,984,881
Previous year	4,925,254	18,986,122		23,911,376	218,550	1,707,945		1,926,495	21,984,881	4,706,704

**Note 12 : Non Current Investments**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Investment in equity instruments - Unquoted		
PVP Cinema Private Limited - 30,000 equity shares of ₹10/- each.	300,000	300,000
PVP Capital Limited - 2,50,00,000 equity shares of ₹10/- each.	252,173,500	252,173,500
Picturehouse Media Private Limited in Singapore, 5,000 ordinary shares paid 1 share @ 1\$ each	245,000	-
Current Investment in Mutual Fund Investment in Canara Robeco - (unites 15,176.503 NAV 3,03,000)	300,000	
Less: Provision for diminution in value of investment	(300,000)	(300,000)
	252,718,500	252,173,500

**Note 13 : Long Term Loans And Advances**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Security Deposits - Considered Good	2,761,620	2,940,620
Loans and advances for Film Finance - Considered Good (Refer Note No. 25.6)	49,477,618	274,534,576
Considered doubtful (PVP Cinema Private Limited)	47,607,548	47,594,812
	99,846,786	325,070,008
Less: Provision for doubtful advances	47,607,548	47,594,812
	52,239,238	277,475,196

**Note 14 : Inventories**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
(Valued at cost or net realizable value which ever is less)		
Under Film Production Expenses - WIP	251,560,045	477,853,302
	251,560,045	477,853,302

**Note 15 : Trade Receivable**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Secured - Considered Good		
Sundry Debtors - Others	-	25,000,000
	-	25,000,000

**Note 16 : Cash and Cash Equivalents**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Balance with banks	3,088,260	15,805,797
Cash on hand	33,705	472,508
	3,121,965	16,278,305

**Note 17 : Short term Loans and Advances**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Secured - Considered Good		
Loans and advances to related parties - subsidiary company	4,217,762	104,392
Advances for Film Finance - (Refer Note No. 25.6)	256,410,186	354,525,883
Unsecured - Considered Good		
Advances for Staff	17,160,298	12,439,441
Advances for Capital Works	-	5,558,353
Advances for Others	14,264,917	1,183,996
	292,053,163	373,812,065

**Note 18 : Other Current Assets**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Advance Income Tax	17,030,833	45,403,082
Prepaid Expenses	307,943	157,600
	17,338,776	45,560,682

## NOTES TO THE STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2014

### Note 19 : Income

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Income from Movie and Related activities	791,495,676	434,018,157
	791,495,676	434,018,157

### Note 20 : Other Income

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Interest income	-	1,707
Interest income on Staff Advances	1,828,361	1,156,937
Liabilities Writtenback	-	310,298
	1,828,361	1,468,942

### Note 21 : Cost Of Film Production Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Opening Film Production Expenses	477,853,302	-
Add: Current year Film Production Expenses	342,691,894	621,598,353
	820,545,196	621,598,353
Less: Closing Film Production Expenses - WIP	251,560,045	477,853,302
	568,985,151	143,745,051

### Note 22 : Employee Benefit Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Salaries and wages	30,789,762	22,347,416
Contribution to PF and other funds	186,661	146,003
Staff welfare expenses	1,166,257	1,101,741
	32,142,680	23,595,160

### Note 23 : Other Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Rent	8,238,397	5,653,361
Insurance	323,050	120,422
Power and Fuel	1,217,429	701,148
Printing & Stationery	561,422	692,949
Communication Expenses	1,293,418	917,687
Repairs to machinery	677,401	248,976
Registration Charges	62,957	39,556
Security Charges	402,688	225,611
Rates & taxes	78,380	202,513
Payment to statutory auditors		
as auditors	1,123,600	1,123,600
for tax audit	224,720	224,720
for certification	252,810	252,810
Directors Sitting Fees	157,304	92,974
Legal, Professional and consultancy	3,943,609	6,399,771
Office Maintenance	4,018,804	1,951,523
Advertisement, publicity and sales promotion	450,913	1,954,425
Investor related expenses including Listing Fees	480,486	551,226
Travelling Expenses including Conveyance	11,075,863	8,372,155
TDS Receivable Written Off	4,210,208	-
Provision for Doubtful Advances	12,736	2,383,812
Miscellaneous expenses	28,496	217,617
	38,834,691	32,326,856

### Note 24 : Exceptional Items

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Insurance Claim	-	(1,268,862)
	-	(1,268,862)

## NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### Note 1: Significant Accounting Policies

#### 1.1 Basis of preparation of financial statements

- A. The financial statements of the Company have been prepared under the historical cost convention in accordance with the Accounting Standards specified by Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956, to the extent applicable.
- B. All financial transactions have been recognized on accrual basis. The preparation of financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from those estimates.

#### 1.2 Revenue Recognition

Income from movie and related rights are recognised in accordance with the terms of the agreements on accrual basis. Interest income is recognized on time proportionate basis. Income earned on licensing the copyrights is recognized on time proportionate basis.

#### 1.3 Use of Estimates

In preparation of financial statements conforming to GAAP requirements certain estimates and assumptions are essentially required to be made with respect to items such as provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful life period of Fixed Assets. Due care and diligence have been exercised by the Management in arriving at such estimates and assumptions since they may directly affect the reported amounts of income and expenses during the year as well as the balances of Assets and Liabilities including those which are contingent in nature as at the date of reporting of the financial statements.

To comply with GAAP requirements relating to impairment of assets, if any, the Management periodically determines such impairment using external and internal resources for such assessment. Loss, if any, arising out of such impairment is expensed as stipulated under the GAAP requirements. Contingencies are recorded when a liability is likely to be incurred and the amount can be reasonably estimated. To this extent the results may differ from such estimates

#### 1.4 Fixed Assets and Depreciation

Fixed Assets are stated at acquisition cost. Depreciation is charged on a pro-rata basis on a straight-line method as per the rates and in the manner prescribed under the schedule XIV to the Companies Act, 1956, as amended.

#### 1.5 Benefits to employees

##### Gratuity

The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with Accounting Standard 15 (Revised 2005) on "Employee Benefits" as at the end of the period. Actuarial Gains/Losses are recognized immediately in Statement of Profit & Loss.

### **Leave Encashment**

Leave encashment is paid for in accordance with the rules of the Company and provided based on an actuarial valuation as at the balance sheet date. Actuarial Gains/Losses are recognized immediately in Statement of Profit & Loss.

### **Other Benefit Plans**

Contributions paid under defined contribution plans are recognized in the Statement of Profit and Loss in each year. Contribution plans primarily consist of Provident Fund administered and managed by the Government of India. The company makes monthly contributions and has no further obligations under the plan beyond its contributions.

## **1.6 Investments**

Long-term investments are stated at cost, less diminution other than temporary in the value of such investments, if any. Current investments are valued at cost or market value whichever is lower.

## **1.7 Inventory**

Inventory at the yearend consists of film production Work in progress (WIP). The inventory WIP are valued at cost or net realizable value whichever is less. Cost includes direct and indirect cost relating to film production activity.

## **1.8 Foreign Currency Transactions**

All foreign currency transactions are accounted for at the rates prevailing on the dates of the transaction. Foreign currency assets and liabilities are converted at the yearend rates as applicable. The exchange difference on settlement / conversion is adjusted to Statement of Profit and Loss.

## **1.9 Taxes on Income**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax laws. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

## **1.10 Leases**

The assets purchased under hire purchase agreements are included in the Fixed Assets block. The value of the asset purchased is capitalized in the books. A liability for the same amount is created at the time of entering into the agreement. The payments are made to the HP vendors as per the EMI's given in the hire purchase agreements. The finance charges are debited to the statement of profit and loss and the principal amount is adjusted against the liability created for the vendor.

Lease rentals in respect of operating lease arrangements are charged to expense on a straight-line basis over the term of the related lease agreement.

### **1.11 Borrowing Cost**

Expenditure on borrowing cost on the loans obtained specifically for acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. Other borrowing costs are charged to revenue over the tenure of the loan.

### **1.12 Impairment of Assets**

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each Balance Sheet date. Impairment loss, if any, is recognized in the year in which the impairment takes place.

### **1.13 Cash Flow Statement**

Cash flow statement is prepared under the indirect method as per Accounting Standard 3 “Cash Flow Statements”.

### **1.14 Segment Reporting**

The Company operates in only one segment viz. movie and related activities. Hence segment reporting is not applicable.

### **1.15 Earnings per Share**

The earnings considered for ascertaining the Company’s Earnings Per Share comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises the weighted average shares considered for deriving basic EPS, and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares.

### **1.16 Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

## NOTE 25: OTHER ITEMS

### 25.1 Provision for Taxation and deferred tax

The provision for deferred tax asset/liability has been made in accordance with AS-22 on Accounting for Taxes on Income.

Amount (₹)

Particulars	For the year ending	
	31st March 2013	31st March 2014
Opening balance of deferred tax assets	1,284,711	931,137
Add: Timing difference on account of gratuity and leave encashment	314,963	1,147,690
Total deferred tax assets	1,599,674	2,078,827
Less: Timing difference on account of depreciation	668,537	1,410,552
Net Deferred tax assets as at the year end	931,137	668,275

Considering the principles of prudence, the above deferred tax asset has not been recognised as at 31.03.2014.

The provision for income tax has been made as per the Income Tax Act, 1961.

### 25.2 Employee Benefits

The following table sets forth the status of the Gratuity Plan of the Company and the amounts recognized in the financial statements

#### Principal Actuarial assumptions used

	As at 31-03- 2013	As at 31-03- 2014
Discount rates	8.20%	9.10%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	-	-
Expected Average remaining working lives of employees years)	26 years	25 years

#### Reconciliation of opening and closing balances of the present value of the obligations

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Present Value of Obligation at the beginning of the period	305,095	640,697
Current service cost	184,174	281,594
Interest cost	26,391	52,537
Actuarial loss/(gain)	125,037	91,976
Benefits paid	Nil	Nil
Present Value of obligation at the end of the period	640,697	1,066,804



**Actuarial gain/loss recognised**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Actuarial (gain)/loss for the year		
Obligations	(125,037)	(91,976)
Assets	Nil	Nil
Total (gain)/loss for the year	125,037	91,976

**Amounts recognized in the balance sheet**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Present value of funded obligation	640,697	1,066,804
Less: Fair value of assets*	Nil	Nil
Net Liability / (Asset)	640,697	1,066,804

\*The Company has not created any Trust for meeting the liability and not funded so far and hence no assets are available for valuation and hence there are no disclosures pertaining to plan assets.

**Expenses recognised in the profit & loss statement**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Current service cost	184,174	281,594
Interest cost	26,391	52,537
Actuarial (gain)/loss	125,037	91,976
Cost recognized	335,602	426,107

The following table sets forth the status of the Leave Encashment Plan of the Company and the amounts recognized in the financial statements

**Principal Actuarial assumptions used**

	As at 31-03- 2013	As at 31-03- 2014
Discount rates	8.20%	9.10%
Expected salary increase rates	7.50%	7.50%
Expected rate of return on plan assets	-	-
Expected Average remaining working lives of employees (years)	26 years	25 years

**Reconciliation of opening and closing balances of the present value of the obligations**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Present Value of Obligation at the beginning of the year	716,771	1,351,929
Current service cost	634,158	1,118,609
Interest cost	62,001	110,858
Actuarial loss/(gain)	3,053	212,264
Benefits paid	(65,054)	(323,122)
Projected benefit obligation at the end of the period	1,351,929	2,470,538

**Actuarial gain/loss recognised**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Actuarial (gain)/loss for the year		
Obligations	(3,053)	(212,264)
Assets	Nil	Nil
Total (gain)/loss for the year	3,053	212,264

**Amounts recognized in the balance sheet**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Present value of funded obligation	1,351,929	2,470,538
Less: Fair value of assets	-	-
Net Liability / (Asset)	1,351,929	2,470,538

**Expenses recognised in the profit & loss statement**

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
Current service cost	635,158	1,118,609
Interest cost	62,001	110,858
Actuarial (gain)/loss	3,053	212,264
Cost recognized	700,212	1,441,731

**Defined contribution plans**

In respect of the defined contribution plans, an amount of Rs. 1,86,661/- (2013: Rs. 1,46,003) has been recognized in the Statement of Profit and Loss during the year.

- 25.3** The Company has entered into operating lease agreements for its office premises which can be cancelled at any point of time by giving necessary notice period. During the year, the Company also entered into a Hire purchase Agreement for purchase of Vehicles.

The lease rentals paid during the year and the future lease obligations including HP & EMI repayment for the agreement in vogue as at March 31, 2014 are as follows:

Amount (₹)

	As at 31-03- 2013	As at 31-03- 2014
a) Future lease obligations		
Due within 1 year from the Balance Sheet date	4,401,528	5,022,698
Due between 1 and 5 years	5,484,163	1,560,985
Due after 5 years	Nil	Nil
b) Lease rent paid during the year	5,653,361	8,238,397

**Details of assets under Hire purchase**

Amount (₹)

Particulars	Gross Block	Depreciation	Net block
Vehicles	13,930,306	2,309,658	11,620,648

- 25.4** On a conservative basis, the Company has, provided for the entire amount of investments and advances to its subsidiary company M/s PVP Cinema (P) Ltd and the management does not expect any further provision on these investments and advances.

**25.5** Long Term and Short Term Secured Loans are borrowed for the purpose of advancing film production/ film finance. Bank loans are secured by charge on the film production undertaken by the company and collateral security of land given by group companies. Borrowings from others are secured by way of charge on some of the advance to film production/finance and also personally guaranteed by Mr. Prasad V Potluri, Managing Director.

**25.6** Advance made for film finance are on the security of hypothecation of assets , mortgage of property, personal guarantee, assignment of rights, lien on film negative , undertaking to create security, etc.

**25.7 Related party disclosures**

List of related parties where control exists and related parties with whom transactions have taken place and relationships are as follows:

Names of the Related party	Relationship
PVP Cinema Private Limited (PCPL)	100% Subsidiary company
PVP Capital Ltd	100% Subsidiary company
Picturehouse media private limited (PHMPL Singapore)	100% Subsidiary company
Mr. Prasad V. Potluri	Key Managerial Personnel
PVP Ventures Ltd (PVP)	KMP and relatives are interested

**Summary of transactions and outstanding balances with the above related parties:**

Amount (₹)

Nature of transactions	Transactions for the year ended		Balance as at	
	31-03-2013	31-03-2014	31-03-2013	31-03-2014
Loan Given(repaid) to PCPL	(1,500,000)	12,736	47,594,812	47,607,548
Provision for advances given to PCPL	2,383,812	12,736	47,594,812	47,607,548
Investment in PVP Capital Ltd	252,173,500	Nil	252,173,500	252,173,500
Loan paid /(received) to PVP Capital Ltd	104,392	(104,392)	1,04,392	Nil
Investment in PHMPL Singapore	Nil	245,000	Nil	245,000
Loan to PHMPL Singapore	Nil	4,217,762	Nil	4,217,762
Purchase from PHMPL Singapore	Nil	14,872,918	Nil	Nil
Corporate guarantee and security from PVP Ventures Ltd	Nil	227,500,000	Nil	227,500,000
Corporate guarantee given to PVP Capital Ltd	Nil	1,000,000,000	Nil	1,000,000,000

## 25.8 Earning per Share

Particulars		As at 31-03-2013	As at 31-03-2014
Profit after Tax (in Rs.)	A	76,903,262	40,539,796
Number of Equity shares outstanding	B	52,250,000	52,250,000
Weighted average number of equity shares outstanding	C	52,250,000	52,250,000
Number of weighted average shares outstanding including diluted potential equity shares	D	52,250,000	52,250,000
Earnings per share – Basic (in Rs.)	A/C	1.47	0.78
Earnings per share – Diluted (in Rs.)	A/D	1.47	0.78

## 25.9 Expenditure in Foreign Exchange

During the year the Company has incurred expenditure in foreign exchange of Rs.6,990,298/- towards Film Production Expenses and Travel expenditure. (2013- Rs.55,568,139)

25.10 The Company has not received any intimation from Suppliers, regarding their status under the Micro, Small Enterprises Development Act, 2006 and hence required disclosures such as amounts unpaid as at the year-end together with interest paid/payable have not been given.

25.11 The Company has not entered into any Derivative transactions during the year. There are no outstanding foreign currency exposures.

## 25.12 Contingent liabilities :

1. Claims against the company not acknowledged as debts :- One of the Vendor of the company has filed a case in High court of Bombay for an amount of Rs.7.82 Crs and the same has been disputed for deficiency of service and failure to adhere to time lines and a counter claim by the company has been filed for a sum of Rs.16.82 Crs. Pending hearing of the case , the court has ordered to deposit a sum of Rs.1 Cr to be deposited with the high court which was shown under other advances.
2. Company has given a corporate guarantee of Rs.100 Cr for its subsidiary company ie PVP Capital Limited as security for availing working capital limits from the Bank. The subsidiary company has outstanding loan with bank of Rs. 61.67 Crs as of 31st March 2014.

- 25.13 The previous year's figures have been regrouped/rearranged wherever necessary to make it comparable with the current year figures.
- 25.14 The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated February 08, 2011 and February 21, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

As per our Report of even date  
For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Date : May 28, 2014  
Place : Hyderabad

For and on behalf of the Board of Directors

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Date : May 28, 2014  
Place : Hyderabad

Sd/-  
**R. NAGARAJAN**  
Director

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Sd/-  
**N.S. KUMAR**  
Director

# CONSOLIDATED FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Picturehouse Media Limited, Chennai

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Picturehouse Media Limited (the Company), and its subsidiaries, which comprises the Balance Sheet as at March, 31 2014 and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. These procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:



- a) In the case of the consolidated Balance Sheet, of the State of Affairs of Picturehouse Media Limited and its subsidiaries as on March 31, 2014;
- b) In the case of consolidated Statement of Profit and Loss, of the PROFIT for the year ended on that date; and
- c) In the case of consolidated Cash Flow Statement, of the Cash Flows for the year ended on that date

### **Emphasis of Matter**

We draw attention to (a) Note 1.1.E with regard to preparation of financials of the subsidiary company on going concern, and (b) Note 24.10 with regard to the demands of Income Tax, which describes the uncertainty related to the outcome of the Appeals filed against the Orders of the Authorities. Our opinion is not qualified in respect of these matters.

### **Other Matter**

We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets (net) of Rs.13096.31 lakhs as at March 31, 2014, total revenues of Rs.2208.75 lakhs and net cash inflows amounting to Rs.6.71 lakhs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

Date : May 28, 2014  
Place : Hyderabad

for M/s CNGSN & ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Registration No: 004915S

Sd/-  
R.THIRUMALMARUGAN  
Partner  
Membership No: 200102

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

Amount (₹)

	Note No.	As at 31-03-2014		As at 31-03-2013	
<b>I. EQUITY AND LIABILITIES</b>					
(1) Shareholders' Funds:					
(a) Share Capital	2	522,500,000		522,500,000	
(b) Reserves and Surplus	3	256,928,186		150,347,063	
(c) Money Received against Share warrants		-	779,428,186	-	672,847,063
(2) Share application money pending allotment			-		-
(3) Non-current liabilities:					
(a) Long-term borrowings	4	386,169,893		786,954,769	
(b) Deferred tax liabilities (Net)		-		-	
(c) Other Long-term liabilities	5	1,560,097		5,326,624	
(d) Long-term provisions	6	3,738,817	391,468,807	1,959,310	794,240,703
(4) Current liabilities:					
(a) Short-term borrowings	7	700,373,425		304,733,528	
(b) Trade payables	8	3,313,271		5,109,594	
(c) Other current liabilities	9	8,056,358		10,360,066	
(d) Short-term provisions	10	68,021,323	779,764,377	54,304,574	374,507,762
Total			1,950,661,370		1,841,595,528
<b>II. ASSETS:</b>					
(1) Non-current assets					
(a) Fixed Assets					
(i) Tangible assets	11	27,889,389		21,984,881	
(ii) Intangible assets		-		-	
(iii) Capital work-in-progress		39,924,140		39,896,050	
(iv) Intangible assets under developemnt		-		-	
(b) Non-current investments	12	300,000		-	
(c) Deferred tax assets (Net)		-		-	
(d) Long-term loans and advances	13	52,239,238		277,475,196	
(e) Other non-current assets		-	120,352,767	-	339,356,127
Good Will on Consolidation			392,646		392,646
(2) Current assets					
(a) Current investments		-		-	
(b) Inventories	14	251,560,045		477,853,302	
(c) Trade receivables	15	-		25,000,000	
(d) Cash and cash equivalents	16	8,124,542		20,670,808	
(e) Short-term loans and advances	17	1,548,859,211		931,188,655	
(f) Other current assets	18	21,372,159	1,829,915,957	47,133,990	1,501,846,755
Total			1,950,661,370		1,841,595,528
See accompanying notes to the financial statements					

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
R.THIRUMALMARUGAN  
Partner  
Membership No. 200102

Sd/-  
PRASAD V. POTLURI  
Managing Director

Sd/-  
R. NAGARAJAN  
Director

Sd/-  
N.S. KUMAR  
Director

Sd/-  
SRIKANTH ADALATH  
Company Secretary

Sd/-  
A. PRAVEEN KUMAR  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

Amount (₹)

	Note No	For the Year ended 31-03-2014	For the Year ended 31-03-2013
I Revenue from operations	19	1,012,370,890	502,370,140
II Other income	20	1,828,361	1,468,942
III Total Revenue (I + II)		1,014,199,251	503,839,082
IV Expenses:			
(a) Cost of film production expenses	21	593,571,381	143,745,051
(b) Purchases of Stock-in-Trade		-	-
(c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade		-	-
(d) Employee benefit expenses	22	35,016,598	26,783,180
(e) Finance costs		141,035,062	134,166,305
(f) Depreciation and amortization expenses	11	2,947,188	1,707,945
(g) Other expenses	23	63,574,214	39,082,633
(h) Contingent Provision on Standard Assets		1,758,857	1,393,702
Total expenses		837,903,300	346,878,816
V Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)		176,295,951	156,960,266
VI Exceptional items	24	-	(1,268,862)
VII Profit/(Loss) before extraordinary items and tax (V - VI)		176,295,951	158,229,128
VIII Extraordinary items		-	-
IX Profit/(Loss) before tax (VII - VIII)		176,295,951	158,229,128
X Tax expenses			
(1) Current tax		64,728,447	52,877,556
(2) Deferred Tax Liability		-	-
(3) Earlier Year Income Tax Paid		3,645,118	-
Provision no longer required		-	(840,912)
XI Profit / (loss) for the year from continuing operations (IX - X)		107,922,386	106,192,484
XII Profit / (loss) from discontinuing operations		-	-
XIII Tax expenses of discontinuing operations		-	-
XIV Profit / (loss) from discontinuing operations (after tax) (XII - XIII)		-	-
XV Profit / (loss) for the year (XI + XIV)		107,922,386	106,192,484
XVI Earnings per share:			
(1) Basic		2.07	2.03
(2) Diluted		2.07	2.03
See accompanying notes to the financial statements			

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**R. NAGARAJAN**  
Director

Sd/-  
**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Amount in (₹)

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	176,295,951	158,229,128
Adjustments for:		
Depreciation	2,947,188	1,707,945
Interest Received	-	(1,707)
Interest paid on Financing Activity	87,159,544	120,631,036
Interest on Staff Advances	(1,828,361)	(1,156,937)
Provision for doubtful advances	-	2,383,812
Provision for employee benefit	1,886,508	1,035,814
Contingent Provision against standard assets	1,758,857	1,393,702
Excess Provision Written Back	-	(310,298)
Operating Profit Before Working Capital changes	268,219,687	283,912,495
Adjustments for:		
Increase/(Decrease) in Long Term Liabilities	(3,766,527)	(65,054)
Increase/(Decrease) in Trade payable	(1,796,323)	2,007,014
Increase/(Decrease) in Current Liabilities	(1,395,375)	2,851,217
(Increase)/Decrease in Inventories	226,293,257	(477,853,302)
(Increase)/Decrease in Trade Receivable	25,000,000	(25,000,000)
(Increase)/Decrease in Long Term Loans & Advances	225,235,958	313,159,552
(Increase)/Decrease in Short Term Loans & Advances	(617,670,556)	-
(Increase)/Decrease in Other Current Assets	25,761,830	(17,129,263)
Cash Generated from Operations	145,881,951	81,882,659
Direct Taxes paid	(58,748,370)	(41,893,848)
Net Cash from Operating Activities	87,133,581	39,988,811
<b>B. CASH FROM INVESTING ACTIVITIES</b>		
Interest Received	-	1,707
Interest from Staff advances	1,828,361	1,156,937
Purchase/addition to Fixed Assets	(8,903,685)	(58,250,357)
Investment made during the year	(300,000)	(4,273,497)
Net Cash used in Investing Activities	(7,375,324)	(61,365,210)
<b>C. CASH FROM FINANCING ACTIVITIES</b>		
Interest paid	(87,159,544)	(120,631,036)
Proceeds from Long Term Borrowing	(400,784,876)	-
Proceeds from Short Term Borrowing	395,639,897	141,683,848
Proceeds from Other Long Term Liabilities	-	8,392,230
Net Cash from Financing Activities	(92,304,523)	29,445,042
Net increase in cash and cash equivalents	(12,546,266)	8,068,643
Cash and Cash Equivalents at the beginning of the year	20,670,808	12,602,165
Cash and Cash Equivalents at the end of the year	8,124,542	20,670,808

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**R. NAGARAJAN**  
Director

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**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad

## NOTES TO THE ACCOUNTS AS AT MARCH 31, 2014

### Note 2 : Share Capital

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
(A) Authorised, Issued, Subscribed and Paid-up share capital and par value per share		
Authorised Share Capital 80,000,000 Equity Shares of Rs. 10/- each	800,000,000	800,000,000
	800,000,000	800,000,000
Issued, Subscribed and Paid Up 5,22,50,000 Equity Shares of Rs. 10/- each	522,500,000	522,500,000
	522,500,000	522,500,000

(B) Reconciliation of number of paid up shares outstanding		
EQUITY SHARES		
Number of shares outstanding as at the beginning of the year	52,250,000	52,250,000
Add: Number of Shares allotted during the year	-	-
Less: Number of Shares bought back	-	-
Number of equity shares outstanding as at the end of the year	52,250,000	52,250,000

(C) Equity Shares in the company held by each shareholder holding more than 5%:				
Name of shareholder	No of shares at year end 2014	% as at year end	No of shares at year end 2013	% as at year end
PVP Ventures Limited	3,353,114	6.42	3,353,114	6.42
Jhansi Sureddi	19,857,249	38.00	32,156,899	61.54
Rayudu Media Projects Pvt Ltd	4,506,490	8.62	4,506,490	8.62
Sparrow Asia Diversified Opportunity Fund	NIL	NIL	4,750,000	9.09
PVP Global Ventures Pvt Ltd	3,136,641	6.00	NIL	NIL
South Field energy Projects Pvt Ltd	12,299,650	23.54	NIL	NIL

### Note 3 : Reserves and Surplus

Amount (₹)

	As at 31/03/2013	Additions during the year	Deductions during the year	As at 31/03/2014
Capital Reserve	2,287,500	-	-	2,287,500
General Reserve	86,000	-	-	86,000
Statutory Reserve	6,248,627	13,424,798	-	19,673,425
Securities Premium Reserve	18,250,000	-	-	18,250,000
Exchange Fluctuation Reserve	-	(1,341,263)	-	(1,341,263)
Surplus ( P&L a/c ) as under: (Includes PVP Capital Limited)	123,474,936	94,497,588	-	217,972,524
	150,347,063	106,581,123	-	256,928,186

**Note 4 : Long Term Borrowings**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From other parties - Secured	386,169,893	786,954,769
(Refer Note No. 25.7)		
	386,169,893	786,954,769

**Note 5 : Other Long Term Liabilities**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From Banks - Vehicle Loan	6,097,568	9,298,492
The loans are secured by vehicle purchased on Hire Purchase.		
Current Maturity of Long Term Debt (Note: 9)	(4,537,471)	(3,971,868)
	1,560,097	5,326,624

**Note 6 : Long Term Provisions**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Employee Benefits	3,738,817	1,959,310
	3,738,817	1,959,310

**Note 7 : Short Term Borrowings**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
From Banks - Secured	651,664,623	-
From other parties - Secured (Refer Note No. 25.7)	48,708,802	304,733,528
	700,373,425	304,733,528

**Note 8 : Trade Payable**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Sundry Creditors for services	3,313,271	5,109,594
	3,313,271	5,109,594

**Note 9 : Other Current Liabilities**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Income received in advance	707,390	823,008
TDS Payable	2,811,497	5,565,190
Current Maturity of Long Term Debt ( Note No. 5)	4,537,471	3,971,868
	8,056,358	10,360,066

**Note 10 : Short Term Provisions**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Provision for income tax	64,728,447	52,877,556
Contingent Provision against Standard Assets (Made at @ 0.25% of the outstanding loans)	3,152,559	1,393,702
Provision for employee benefits	140,317	33,316
	68,021,323	54,304,574

**Note 11 : Fixed Assets - Tangible**

Amount (₹)

Description	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at April 1, 2013	Addition	Deletion	As at Mar 31, 2014	As at April 1, 2013	Addition	Deletion	As at Mar 31, 2014	As at Mar 31, 2014	As at Mar 31, 2013
Plant & Machinery	-	172,101		172,101	-	12,168		12,168	159,933	-
Computers & Related Assets	2,896,494	15,744,567	14,872,918	3,768,143	340,620	568,836		909,456	2,858,687	2,555,874
Furniture & Fixtures	2,198,539	19,236		2,217,775	149,467	136,766		286,233	1,931,542	2,049,072
Vehicles	16,613,193	1,801,576		18,414,769	1,287,095	1,722,643		3,009,738	15,405,031	15,326,098
Office Equipments	2,203,150	5,987,134		8,190,284	149,313	506,775		656,088	7,534,196	2,053,837
	23,911,376	23,724,614	14,872,918	32,763,072	1,926,495	2,947,188	-	4,873,682	27,889,389	21,984,881
CWIP (PVP Capital)				-	-			-	39,924,140	39,896,050
Previous year	4,925,254	18,986,122		23,911,376	218,550	1,707,945		1,926,495	21,984,881	4,706,704

**Note 12 : Non Current Investments**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Current Investment in Mutual Fund	-	
Investment in Canara Robeco - (unites 15,176.503 NAV 3,03,000)	300,000	
	(300,000)	

**Note 13 : Long Term Loans And Advances**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Security Deposits - Considered Good	2,761,620	2,940,620
Loans and advances for Film Finance - Considered Good (Refer Note No. 25.8)	49,477,618	274,534,576
	52,239,238	277,475,196

**Note 14 : Inventories**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
(Valued at cost or net realizable value which ever is less)		
Under Film Production Expenses	251,560,045	477,853,302
	251,560,045	477,853,302



**Note 15 : Trade Receivable**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Secured - Considered Good		
Sundry Debtors - Others	-	25,000,000
	-	25,000,000

**Note 16 : Cash and Cash Equivalents**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Balance with banks	8,084,798	20,192,000
Deposit - CTO	2,500	2,500
Cash on hand	37,244	476,308
	8,124,542	20,670,808

**Note 17 : Short term Loans and Advances**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Secured - Considered Good		
Advances for Film Finance - (Refer Note No. 25.8)	1,517,433,996	912,006,865
Unsecured - Considered Good		
Advances for Staff	17,160,298	12,439,441
Advances for Capital Works	-	5,558,353
Advances for Others	14,264,917	1,183,996
	1,548,859,211	931,188,655

**Note 18 : Other Current Assets**

Amount (₹)

	As at 31-03-2014	As at 31-03-2013
Advance Income Tax	20,829,837	46,976,390
Prepaid Expenses	542,322	157,600
	21,372,159	47,133,990

## NOTES TO THE STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2014

### Note 19 : Income

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Income from Movie and Related activities	1,012,370,890	502,370,140
	1,012,370,890	502,370,140

### Note 20 : Other Income

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Interest income	-	1,707
Interest income on Staff Advances	1,828,361	1,156,937
Liabilities Writtenback	-	310,298
	1,828,361	1,468,942

### Note 21 : Cost of Film Production Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Opening Film Production Expenses	477,853,302	-
Add: Current year Expenses	367,278,124	621,598,353
	845,131,426	621,598,353
Less: Closing Film Production Expenses - WIP	251,560,045	477,853,302
	593,571,381	143,745,051

### Note 22 : Employee Benefit Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Salaries and wages	33,653,489	25,525,371
Contribution to PF and other funds	186,661	146,003
Staff welfare expenses	1,176,448	1,111,806
	35,016,598	26,783,180

### Note 23 : Other Expenses

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Rent	8,238,397	5,653,361
Insurance	323,050	120,422
Power and Fuel	1,217,429	701,148
Printing & Stationery	561,422	692,949
Communication Expenses	1,293,418	949,101
Repairs to machinery	677,401	248,976
Registration Charges	62,957	39,556
Security Charges	402,688	225,611
Rates & taxes	84,904	311,277
Payment to statutory auditors		
as auditors	1,494,328	1,236,990
for tax audit	224,720	258,428
for certification	252,810	252,810
Directors Sitting Fees	157,304	92,974
Legal, Professional and consultancy	27,473,428	10,174,345
Office Maintenance	4,018,804	1,951,523
Advertisement, publicity and sales promotion	450,913	1,954,425
Investor related expenses including Listing Fees	480,486	3,082,926
Travelling Expenses including Conveyance	11,175,272	8,428,273
TDS Receivable Written Off	4,210,208	-
Provision for Doubtful Advances	12,736	2,383,812
Miscellaneous expenses	761,539	323,726
	63,574,214	39,082,633

### Note 24 : Exceptional Items

Amount (₹)

	Year ended 31-03-2014	Year ended 31-03-2013
Insurance Claim	-	(1,268,862)
	-	(1,268,862)

## NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

### Note 1: Significant Accounting Policies

#### 1.1 Basis of preparation of financial statements

- (A) The financial statements of the Group have been prepared under the historical cost convention in accordance with the Accounting standards specified by Companies (Accounting Standards) Rules, 2006 issued by the Central Government and the relevant provisions of the Companies Act, 1956, to the extent applicable.
- (B) All financial transactions have been recognized on accrual basis. The preparation of financial statements in conformity with the GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The actual results could differ from those estimates. Examples of such estimates include future obligations under employee retirement benefit plans and the useful life of the fixed assets.
- (C) Principles of Consolidation: The Group's consolidated financial statements include those of Picturehouse Media Limited (formerly Telephoto Entertainments Limited), PVP Cinema Private Limited (Formerly PVP Screens Private Limited), PVP Capital Ltd (Formerly Nahar Finance Ltd), Picturehouse Media Private Limited, Singapore its 100% Subsidiary. All significant inter-company transactions and balances have been eliminated in the consolidated statements.
- (D) List of subsidiaries and proportion of voting power held:

Name of Subsidiary	Country of incorporation/ Residence	Proportion of Ownership interest / Proportion of Voting power held
PVP Cinema Private Limited (Formerly PVP Screens Private Limited)	India	100 % (Wholly owned Subsidiary)
PVP Capital Ltd (Formerly Nahar Finance Ltd)	India	100 % (Wholly owned Subsidiary)
Picturehouse Media Private Limited	Singapore	100% ( Wholly owned Subsidiary)

- (E) Going Concern: During the previous year, PVP Cinema Private Limited is fully dependent upon the financial and administrative support of its holding company Picturehouse Media Limited (formerly Telephoto Entertainments Limited). Hence, the financial statements are prepared on going concern basis.

#### 1.2 Revenue Recognition

Income from Movie and related rights are recognized in accordance with the terms of the agreement on accrual basis. Sale of Intangibles are recognized when asset are sold to customers which generally coincides with the delivery and acceptance. Income earned on licensing the copyrights is recognized on time proportionate basis. Interest income is recognized on time proportionate basis. Where loans have been classified as non-performing assets the interest is recognized on collection basis as per RBI guidelines.

#### 1.3 Use of Estimates

In preparation of financial statements conforming to GAAP requirements certain estimates and assumptions are essentially required to be made with respect to items such as provision for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful life period of fixed

assets. Due care and diligence have been exercised by the Management in arriving at such estimates and assumptions since they may directly affect the reported amounts of income and expenses during the year as well as the balances of Assets and Liabilities including those which are contingent in nature as at the date of reporting of the financial statements.

To comply with GAAP requirements relating to impairment of assets, if any, the Management periodically determines such impairment using external and internal resources for such assessment. Loss, if any, arising out of such impairment is expensed as stipulated under the GAAP requirements. Contingencies are recorded when a liability is likely to be incurred and the amount can be reasonably estimated. To this extent the results may differ from such estimates.

#### **1.4 Fixed Assets and Depreciation**

Fixed Assets are stated at acquisition cost. Depreciation is charged on a pro-rata basis on a straight-line method as per the rates and in the manner prescribed under the Schedule XIV to the Companies Act, 1956, as amended. Expenditure on maintenance, repairs and renewals of minor items are generally charged to revenue as incurred. Upon sale or write off of assets, the cost of the assets and the accumulated depreciation on such assets are eliminated from the Fixed Assets block. The profit / loss on sale of assets are included in the Statement of Profit and Loss.

#### **1.5 Inventory**

Inventory at the yearend consists of film production Work in progress (WIP). The inventory WIP are valued at cost or net realizable value whichever is less. Cost includes direct and indirect cost relating to film production activity.

#### **1.6 Benefits to employees**

##### **Gratuity**

The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 (Revised 2005) on "Employee Benefits" as at the end of the period. Actuarial Gains/Losses are recognized immediately in Profit & Loss Account.

##### **Leave Encashment**

Leave encashment is paid for in accordance with the rules of the Group and provided based on an actuarial valuation as at the balance sheet date. Actuarial Gains/Losses are recognized immediately in Profit & Loss Account.

##### **Other Benefit Plans**

Contributions paid/ payable under defined contribution plans are recognized in the Profit and Loss Account in each year. Contribution plans primarily consist of Provident Fund administered and managed by the Government of India. The Group makes monthly contributions and has no further obligations under the plan beyond its contributions.

#### **1.7 Foreign Currency Transactions**

All foreign currency transactions are accounted for at the rates prevailing on the dates of the transaction. Foreign currency assets and liabilities are converted at the yearend rates as applicable. The exchange difference on settlement / conversion is adjusted to statement of Profit and Loss.

#### **1.8 Taxes**

Tax expense comprises current and deferred. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax laws. Deferred income taxes reflect the

impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

## **1.9 Leases**

The assets purchased under hire purchase agreements are included in the Fixed Assets block. The value of the asset purchased is capitalized in the books. A liability for the same amount is created at the time of entering into the agreement. The payments are made to the HP vendors as per the EMI's given in the hire purchase agreements. The finance charges are debited to the profit & loss statement and the principal amount is adjusted against the liability created for the vendor.

Lease rental in respect of operating lease arrangements are charged to expense on a straight-line basis over the term of the related lease agreement.

## **1.10 Borrowing Cost**

Expenditure on borrowing cost on the loans obtained specifically for acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. Other borrowing costs are charged to revenue over the tenure of the loan.

## **1.11 Segment Reporting**

The Holding Company, Picturehouse Media Limited (formerly Telephoto Entertainments Limited) operates only in entertainment segment, whereas PVP Cinema Private Limited (formerly PVP Screens Private Limited), the subsidiary, did not have any commercial activity during the year and PVP Capital Ltd is in the media financing business and Picturehouse Media Private Limited, Singapore operates only in entertainment segment. Hence the group operations are under one segment i.e. movie and related activities.

## **1.12 Impairment of Assets**

The Group reviews the carrying values of tangible and intangible assets for any possible impairment at each Balance Sheet date. Impairment loss, if any, is recognized in the year in which the impairment takes place.

## **1.13 Cash Flow Statement**

The Cash Flow statement is prepared under the indirect method as per Accounting Standard 3 "Cash Flow Statements".

## **1.14 Earnings per Share**

The earnings considered for ascertaining the Group's Earnings Per Share comprises the net profit after tax. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted EPS comprises of the weighted average number of shares considered for deriving Basic EPS and also the weighted average number of equity shares that would be issued on the conversion of all dilutive potential equity shares.

### 1.15 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has an obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Obligations are assessed on an ongoing basis and only those having a largely probable outflow of resources are provided for.

Contingent Liabilities are recognized only when there is a possible obligation arising from past events due to occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made.

## NOTE 25. OTHER ITEMS

### 25.1 Provision for taxation

The provision for deferred tax asset/liability for the year ended March 31, 2014 has been made in accordance with AS-22 on Accounting for Taxes on Income.

Particulars	For the year ending (₹)	
	31 <sup>st</sup> March 2013	31 <sup>st</sup> March 2014
Opening balance of deferred tax assets	1,284,711	931,137
Add: Timing difference on account of gratuity and leave encashment	314,963	1,147,690
Total deferred tax assets	1,599,674	2,078,827
Less: Timing difference on account of depreciation	668,537	1,410,552
Net Deferred tax assets as at the year end	931,137	668,275

Deferred tax assets are not recognised on the consideration of prudence.

The Provision for taxes has been made as per applicable laws.

- 25.2** The Group has entered into operating lease agreements for its office premises which can be cancelled at any point of time by giving necessary notice period. During the year, the Company has also entered into a Hire purchase Agreement for purchase of Vehicles.

The lease rentals paid during the year and the future lease obligations including HP & EMI repayment for the agreement in vogue as at March 31, 2014 are as follows:

	Amount (₹)	
	As at 31-03- 2013	As at 31-03- 2014
(a) Future lease obligations		
Due within 1 year from the Balance Sheet date	4,401,528	5,022,698
Due between 1 and 5 years	5,484,163	1,560,985
Due after 5 years	Nil	Nil
(b) Lease rent paid during the year	5,653,361	8,238,397

#### Details of assets under Hire purchase

Particulars	Gross Block (₹)	Depreciation (₹)	Net Block (₹)
Vehicles	13,930,306	2,309,658	11,620,648

### 25.3 Expenditure in Foreign Exchange

During the year the Company has incurred expenditure in foreign exchange of ₹69,90,298 /- towards Film Production Expenses. (2013- 5,55,68,139).

### 25.4 Earnings per Share

Particulars	Ref	Year ended March 31, 2013	Year ended March 31, 2014
Profit after Tax (in Rs.)	A	106,192,485	107,922,386
Number of shares outstanding of face value of Rs.10 each	B	52,250,000	52,250,000
Weighted average number of Equity Shares outstanding	C	52,250,000	52,250,000
Weighted average number of shares outstanding including diluted potential equity shares	D	52,250,000	52,250,000
Earnings per share – Basic	A/C	2.03	2.07
Earnings per share – Diluted	A/D	2.03	2.07

**25.5** The Group has not entered into any derivative contracts during the year under review and also does not have any foreign currency exposure as at March 31, 2014.

**25.6** The Company has not received any intimation from Suppliers, regarding their status under the Micro, Small Enterprises Development Act, 2006 and hence required disclosures such as amounts unpaid as at the year-end together with interest paid/payable have not been given.

**25.7** Long Term and Short Term Secured Loans are borrowed for the purpose of advancing film production/ film finance. Bank loans are secured by charge on the film production undertaken by the company and collateral security of land given by group companies. Borrowings from others are secured by way of charge on some of the advance to film production/finance and also personally guaranteed by Mr.Prasad V Potluri, Managing Director.

**25.8** Advance made for film finance are on the security of hypothecation of assets , mortgage of property, personal guarantee, assignment of rights, lien on film negative , undertaking to create security, etc.

### 25.9 Contingent Liabilities

(a) The Income tax assessment for the AY 2009-10 for the subsidiary company, PVP Cinema Limited is completed with a demand of Rs. 146.69 lakhs, which was disputed before ITAT, Chennai. Pending disposal of appeal no provision has been made in the accounts.

- (b) Claims against the company not acknowledged as debts :- One of the Vendor of the company has filed a case in High court of Bombay for an amount of Rs.7.82 Crs and the same has been disputed for deficiency of service and failure to adhere to time lines and a counter claim by the company has been filed for a sum of Rs.16.82 Crs. Pending hearing of the case , the court has ordered to deposit a sum of Rs.1 Cr to be deposited with the high court which was shown under other advances.

**25.10** Related Party transactions : KMP & Relatives are interested :- PVP Ventures Ltd has given Corporate guarantees to (i) Picturehouse Media Ltd Rs.22,75,00,000/- and (ii) PVP Capital Ltd Rs.100,00,00,000/- .

**25.11** Estimated amounts of contracts remaining to be executed on capital account and not provided for Rs 10,31,23,950/- (P.Y. 10,31,23,950).

**25.12** The previous year's figures have been regrouped/rearranged wherever necessary to make it comparable with the current year figures.

As per our Report of even date

For and on behalf of the Board of Directors

For M/s CNGSN & ASSOCIATES  
Chartered Accountants  
Firm. Reg. No. 0049155

Sd/-  
**R.THIRUMALMARUGAN**  
Partner  
Membership No. 200102

Sd/-  
**PRASAD V. POTLURI**  
Managing Director

Sd/-  
**R. NAGARAJAN**  
Director

Sd/-  
**N.S. KUMAR**  
Director

Sd/-  
**SRIKANTH ADALATH**  
Company Secretary

Sd/-  
**A. PRAVEEN KUMAR**  
GM - Finance & Accounts

Date : May 28, 2014  
Place : Hyderabad

Date : May 28, 2014  
Place : Hyderabad





## NOTES



**Picturehouse Media Limited**

CIN: L92191TN2000PLC044077

Regd. Office: KRM Centre, 9<sup>th</sup> Floor, Door No.2, Harrington Road, Chetpet, Chennai – 600 031

**Form No. MGT – 11**

**PROXY FORM**

Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014

<b>Name of the Company</b>	<b>Picturehouse Media Limited</b>
Registered Office	KRM Centre, 9th Floor, Door No.2, Harrington Road, Chetpet, Chennai – 600 031
<b>Name of the Member(s)</b>	
Registered Address	
E-mail id	
Folio No./Client ID	
DP ID	

I/We, being the member(s) of .....shares of the above named Company, hereby appoint:

1.....of.....having e-mail id.....or failing him

2.....of.....having e-mail id.....or failing him

3.....of.....having e-mail id.....

And whose signature(s) are appended below as may/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 15<sup>th</sup> Annual General Meeting of the Company, to be held on Friday, the September 26, 2014 at 11.30 A.M. at The Kings Hall, The Pleasant Days Resort, Chennai - Bangalore Highway, Palanjur, Sembarambakkam, Chennai – 600 123, Tamilnadu and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution	Vote**	
		for	Against
Ordinary Business:			
1	Consider and adopt audited Financial Statements, Reports of the Board of Directors' and Auditors' thereon.		
2	Reappointment of Auditors and fixing their remuneration.		
Special Business:			
3	Appointment of Mr. R. Nagarajan as an Independent Director		
4	Appointment of Mr. N S Kumar as an Independent Director		
5	Amendment to the Articles of Association		

Signed this.....day of.....2014

Signature of Share holder

Affix  
Revenue  
Stamp

Signature of the 1<sup>st</sup> Proxy holder

Signature of the 2<sup>nd</sup> Proxy holder

Signature of the 3<sup>rd</sup> Proxy holder

**Notes:**

1. **The proxy duly completed should be deposited at the Registered Office of the Company not less than 48 hours (forty eight hours) before the time fixed for holding the meeting.**
2. **A proxy need not be a member of the Company.**
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
4. \*\* This is only optional. Please put '✓' in the appropriate column against the resolution indicated in the box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
5. Appointing a proxy does not prevent a member from attending in person if he so wishes.
6. In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.



**Picturehouse Media Limited**

CIN: L92191TN2000PLC044077

Regd. Office: KRM Centre, 9<sup>th</sup> Floor, Door No.2, Harrington Road, Chetpet, Chennai – 600 031

**ATTENDANCE SLIP**

Folio No.: DP ID Client ID No.*:	No. of Shares :
Name of Member(s)/Proxy: Address:	Email Id:

I hereby record my presence at the 15<sup>th</sup> Annual General Meeting of the Company being held on Friday, the September 26, 2014 at 11.30 A.M. at The Kings Hall, The Pleasant Days Resort, Chennai - Bangalore Highway, Palanjur, Sembarambakkam, Chennai – 600 123, Tamilnadu.



\_\_\_\_\_  
Signature of share holder/Proxy

Note (s) :

1. Please sign this attendance slip and hand it over at the Attendance Verification Counter at the MEETING VENUE.
2. \*Applicable for Investors holding shares in electronic form.
3. Joint shareholders may obtain additional slip at the venue of the meeting.







**Registered Office:** KRM Centre, 9th Floor, Door No.2, Harrington Road, Chetpet, Chennai-600031.  
Telephone: +91-44-3028 5570, email: [ir.telphoto@pvpglobal.com](mailto:ir.telphoto@pvpglobal.com)