

West Bengal Film Development
Corporation Limited



PRELIMINARY INFORMATION MEMORANDUM
(PIM)

April 2008

Disclaimer

M/s. PricewaterhouseCoopers Pvt. Limited (“PwC”) has prepared this Preliminary Information Memorandum (PIM) on the basis of information provided by West Bengal Film Development Corporation Limited (WBFDCCL). The sole purpose of this PIM is to assist the recipients interested in being the ‘Strategic Partner’ to participate in the process leading to the proposed acquisition of an equity stake in WBFDCCL of up to 74% through sale of existing shares by the Government of West Bengal (“GoWB”) to the Strategic Partner.

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Accordingly, interested parties are advised to carry out their own due diligence, investigations and analysis of any information contained or referred to herein or made available at any stage in the process of inviting external investment.

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1. Submission of expression of interest (EoI)

1.1. Introduction

West Bengal Colour Film & Sound Laboratory Corporation Limited was incorporated as a wholly owned Government of West Bengal (GoWB) undertaking in 1980 with the object of promoting and encouraging the film industry in the state. The name of the company was changed to West Bengal Film Development Corporation Limited (WBFDCCL) with effect from July 1, 1983.

WBFDCCL is primarily engaged in the business of processing, printing, editing and sound recording of films. The company is under the administrative control of Information and Cultural Affairs Department, Government of West Bengal. As a part of its programme for restructuring WBFDCCL by attracting external investment, the Government of West Bengal (“GoWB”) intends to induct a Strategic Partner with a stake of up to 74% through sale of existing shares.

PricewaterhouseCoopers Private Limited (“PwC”) has been appointed as advisors to the GoWB through the Department of Public Enterprises (DPE) for inviting expressions of interest for the proposed external investment and matters relating thereto.

GoWB has approved in-principle a conditional restructuring package for WBFDCCL consisting of conversion to equity/settlement through government grants in respect of existing financial liabilities which shall be implemented only if the GoWB can successfully conclude the process of induction of a Strategic Partner. The restructuring is expected to significantly improve the financial position of WBFDCCL.

GoWB is also agreeable to implement a manpower restructuring through an Early Retirement Scheme (ERS), based on the Technical Bid to be submitted by the Strategic Partner.

The details of the restructuring package have been provided in Section 3.

1.2. Underlying objective

In consonance with its thrust on industrial development in the State, GoWB’s primary objective behind the proposed joint venture transformation is to ensure maximum utilization of WBFDCCL’s industrial assets and workforce for sustained value creation as part of an industrial undertaking.

1.3. Invitation for EoIs

An advertisement has been issued in the newspapers inviting interested parties to submit their ‘Expression of Interest’ to participate in the external investment process, a copy of which is enclosed as Annexure I.

Expression of Interest may be submitted by interested parties, either individually or as a consortium, for holding up to 74% equity of WBFDCCL. In case of consortium bids, a lead bidder would need to be identified.

1.4. Qualification criteria

Indian companies/partnerships/proprietorship firms, Overseas Corporate Bodies (OCBs), Foreign Companies (subject to such OCBs/foreign companies obtaining all statutory approvals from Government of India, FIPB, RBI etc. by themselves) must seek to achieve the underlying objective of GoWB explained in Clause 1.2 above and meet the following criteria (based on audited results):

- a. At least 3 years of experience in any industry/ experience in the services sector OR at least 2 years experience in the film industry
- b. For entities incorporated anytime during the last 2 years, their promoters must satisfy the criteria outlined in (a) above
- c. Net worth (excluding revaluation reserves) of at least Rs. 16 Crores as on March 31, 2008¹

In case of a consortium (incorporated or unincorporated) bid, at least one of the members of the consortium should meet criteria (a) or (b) and the combined net worth of the constituent entities of the consortium should meet the above mentioned eligibility criteria no. (c). Also, the leader of the consortium should meet at least 51% of the above mentioned eligibility criteria no. (c). Further, in the case of a consortium bid, the net worth of only those members of the consortium shall be counted who propose to take at least 10 % of the equity stake in the company promoted / to be promoted by the consortium members for acquiring stake in Wbfdcl.

Bids by management / employees of Wbfdcl, directly and independently or in consortium or Joint Venture or a Special Purpose Vehicle (SPV), along with a bank, venture capitalist or a financial institution, will be considered if the legal entity so formed is qualified as per the criteria laid down in the PIM and the guidelines issued by Ministry of Disinvestment as per Annexure VII.

Where the financial statement is expressed in a currency other than Indian Rupee, the eligible amount as described above shall be computed by taking the equivalent US Dollars at the exchange rates (as stipulated by Foreign Exchange Dealers Association of India) prevailing on the date(s) of such financial statement.

Definitions

- Net worth = Paid – up Equity share capital (excluding share capital allotted for consideration other than cash) + Free Reserves and Surplus (excluding revaluation reserves) – Deferred Revenue / Miscellaneous Expenditure not written off – Debit Balance in Profit and Loss Account – Cross holding of investments amongst consortium members in case of a consortium.
- “Promoter” refers to the person or persons who own at least 51% of the share capital of the bidding entity/ entities in the event of the entity being a company or whose share is equal to or more than 51% of the total capital in the event of the entity being a partnership firm.

¹ In case the financial accounting year of the interested party follows a separate closing, then net worth criteria will be applicable as per the latest audited accounts available.

1.5. Format and submission of EoIs

The interested parties should submit the Expression of Interest (“**EoI**”), which shall comprise the Expression Letter (Annexure II), Statement of Legal Capacity (the “**SLC**” in Annexure III) and Request for Qualification (the “**RFQ**” in Annexure IV). The EOI, SLC and RFQ should be duly signed by the interested party/designated lead bidder of the consortium. Additionally, the SLC and RFQ will have to be submitted by each member of the consortium duly signed by an authorised official of the member. The RFQ should be duly filled in and accompanied by the following details:

- In case of a sole bidder
 - The Audited Balance Sheet and Profit & Loss Account of the sole bidder (Indian company, partnership or proprietorship firm/ OCB/ Foreign company) for the last 3 financial years
 - Write up on:
 - Profile of the sole bidder
 - Stake (up to 74%) proposed to be acquired
 - A statement of reasons for strategic interest in Wbfdcl and how it fits into GoWB’s objectives detailed in Section 1.2
 - Certificate (on letterhead of the interested party) stating that there has been no indictment by any income tax, sales tax, customs, excise or any other regulatory authorities (please give details of the individual cases of indictment, if any). Kindly refer format given in Appendix V.
 - A certificate from a chartered accountant/auditor certifying the Net Worth as on March 31, 2007 and March 31, 2008.
 - Any other information considered material
- In case of a consortium bid
 - The Audited Balance Sheet and the Profit & Loss Account of the lead bidder and other members associated in the bid for the last 3 financial years.
 - Write up on:
 - Name of the lead bidder and its profile
 - Profiles of other members in the consortium
 - Stake (up to 74%) proposed to be acquired
 - A statement of reasons for strategic interest in Wbfdcl and how it fits into GoWB’s objectives detailed in Section 1.2
 - Certificate (on the respective letterhead of each consortium member submitting the EOI) stating that there has been no indictment by any income tax, sales tax, customs, excise or any other regulatory authorities (please give details of individual cases of indictment, if any). Kindly refer format given in Appendix V.
 - A certificate, in respect of each member of the consortium, from a chartered accountant/auditor certifying their respective Net Worth as on March 31, 2007 and March 31, 2008.
 - Any other information considered material

Any change by way of withdrawal/ substitution of any member of the consortium or any change affecting the composition of the consortium may be permitted up to the stage of submission of the bid. GoWB has the sole discretion to determine the impact of the change in membership on the structure and quality of the consortium and reject a proposal without assigning any reasons whatsoever.

The EoI Package must be submitted in duplicate. It must be in English and each copy shall be bound in a separate volume. **Submission of the aforesaid documents by fax, e-mail or any other electronic means will not be acceptable.** The EoI and RFQ duly completed along with the details should be submitted not later than **17:00 Hours (IST) on June 09, 2008** in a sealed envelope superscribed "Private and Confidential – Expression of Interest for WBFDCCL" at the following address, marked to the attention of the under-mentioned person:

Mr. Hari Sridhar
PricewaterhouseCoopers Pvt. Limited
Plot No. 56 & 57
Block DN, Sector V
Salt lake
Kolkata 700 091
Tel +91 033 2357 9101, 033 2341 3033
Fax +91 033 2357 2754

It is the responsibility of the interested party (ies) alone to ensure that the EoI Package with required documents is delivered at the above mentioned address by the stated time and date. On submission of the EoI package, the bidder(s) will be provided with a receipt marked "Contents Not Verified." WBFDCCL/GoWB/PwC shall not be responsible for non-receipt of any correspondence.

1.6. Disqualifications

GoWB shall not entertain for the purpose of qualification, an EoI that in its considered opinion does not seek to achieve the underlying objective stated at Clause 1.2 above.

An EoI that is found to be incomplete in content or attachments or authenticity shall not be considered for the purpose of qualification.

Without prejudice, an interested party/ consortium may be disqualified and its EoI dropped from further consideration for any of the reasons listed below:

- Material misrepresentation by such party/ member of consortium in the EoI, RFQ, SLC and/ or indictment statement.
- Failure by such party/ member of consortium to provide the information required to be provided in the EoI, RFQ, SLC and indictment statement

- Submission of EoI, RFQ, SLC and indictment statement in respect of any party/ member of consortium, where such party or member had already submitted an EoI or is a member of a consortium, which has already submitted an EoI.

If any information becomes known after the interested party has been qualified to receive the Confidential Information Memorandum which would have entitled Government of West Bengal/ WBFDCCL to reject or disqualify the relevant party/consortium, Government of West Bengal/ WBFDCCL reserves the right to reject the interested party/consortium at the time or at any time after such information becomes known to GoWB or WBFDCCL.

Further, Government of India (GOI) has issued guidelines for disqualification of bidders seeking to acquire any public sector enterprises through the process of disinvestment vide Department of Disinvestment Office Memorandum (OM) No.6/4/2001-DD-II dated 13th July 2001, a copy of which is enclosed as Annexure-VI. Entities interested in participating in the proposed process of inviting external investment should not have been convicted by a Court of Law or indicted/ have any adverse order passed against them by any court of law, or any other regulatory authority in any matter involving a grave offence and / or which casts a doubt on their ability to manage WBFDCCL. Further, such persons or corporate entities and/ or their sister concern(s) should not have any charge sheet against them by any agency of GOI or any court of law, which involves a matter concerning the security and integrity of India. The final decision in this regard will be taken by GoWB.

The interested party (ies) are required to read the guidelines and satisfy themselves that they are qualified to bid for the stake in WBFDCCL through the process of invitation of external investments and give an undertaking to the effect that they are qualified to bid for the stake in WBFDCCL in the Expression of Interest (EoI) to be submitted by them. Further, interested parties would be required to provide the information on the criteria, laid down in the above mentioned guidelines of 13th July, 2001 along with their EoI. The interested parties shall be required to provide with their EoI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also relating to matters concerning the security and integrity of India, a similar undertaking shall be provided along with EoI.

Where the interested party is a consortium, GoWB may disqualify the entire consortium for any of the reasons specified above, even if it applied to only one member of the consortium.

The interested parties/ consortia not satisfying the eligibility and requisite qualification criteria specified in the above sections are not eligible.

1.7. Other terms

This document constitutes no form of commitment on the part of the GoWB or PwC other than to provide further information on Wbfdcl. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed process of inviting external investment.

GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any /all offer(s) at any stage of the process and/or modify the process or any part thereof or to vary any terms without assigning any reasons. No financial obligations will accrue to GoWB or PwC in such an event. Neither GoWB nor PwC shall be responsible for non-receipt of correspondence sent by post / e-mail / courier /fax.

The interested party shall bear all costs associated with the preparation and submission of the EoI. GoWB, PwC or Wbfdcl shall not, under any circumstances, be responsible or liable for any such costs, whether direct, incidental or consequential.

1.8. Further Process

The EoI submitted by interested parties shall be evaluated on the basis of GoWB's underlying objective for the joint venture transformation as detailed in Section 1.2 together with the criteria specified elsewhere in this document. GoWB reserves the right to reject, without assigning any reason whatsoever, any EoI which, in its sole judgement, does not meet the underlying objective detailed in Section 1.2.

If at any time during the evaluation process, GoWB/ PwC require any clarification, they reserve the right to request such information from any or all of the interested parties/ consortia and the interested parties/ consortia will be obliged to provide the same within a reasonable timeframe.

Based on an evaluation of EoIs received, interested parties, which are deemed fit ("qualified interested parties" or "QIP"), will be qualified to participate in the subsequent selection process (without conferring any right or expectation whatsoever to the QIP). All QIPs will be required to execute a Confidentiality Undertaking. Only on execution of the Confidentiality Undertaking, QIPs will be provided with the Confidential Information Memorandum (CIM) and shall be invited to participate further in the process described in detail in the Confidential Information Memorandum (CIM). QIPs will get an opportunity to conduct a due diligence and take up site visits and will also have access to data rooms and hold discussions with the management of Wbfdcl /officials of Department of Public Enterprises/Information and Cultural Affairs Department, Government of West Bengal. The rules regarding access to information in the data rooms will be provided to QIPs later. QIPs will be invited to submit a proposal detailing their technical, financial and commercial capabilities and a binding price bid.

1.9. Enquiries

GoWB/ PwC reserve the right not to respond to questions raised or provide clarifications sought, in their sole discretion, if it is considered that it would be inappropriate to do so. Nothing in this document shall be taken or read as compelling or requiring GoWB/ PwC to respond to any question or to provide any clarification. No extension of any time and date referred to in this PIM shall be granted on the basis or grounds that GoWB/ PwC has not responded to any question/ provided any clarification.

1.10. Governing Laws/ Jurisdiction

The laws of Union of India shall govern all matters relating to the joint venture formation process and the bidding procedure. Only Courts at Kolkata (with exclusion of all other Courts) shall have the jurisdiction to decide or adjudicate on any matter, which may arise out of or in connection with the joint venture participation process and the bidding procedure.

2. Brief Profile of West Bengal Film Development Corporation Limited (WBFDCCL)

2.1. Introduction

West Bengal Colour Film & Sound Laboratory Corporation Limited was incorporated as a wholly owned Government of West Bengal (GoWB) undertaking in 1980 with the object of promoting and encouraging the film industry in the state. The name of the company was changed to West Bengal Film Development Corporation Limited (WBFDCCL) with effect from July 1, 1983.

In 1986 “Rupayan”, the only colour film processing laboratory in West Bengal, was set up for providing post production services for colour feature films and documentaries under the aegis of WBFDCCL. The processing laboratory is equipped with modern machines capable of providing processing, printing, editing, dubbing, scoring and sound recording services for 16 mm and 35 mm colour feature films and documentaries.

While WBFDCCL’s primary business is printing, processing and developing films, it is also involved in film exhibition and distribution business. It currently operates a cinema hall, namely Ahindra Mancha in Kolkata. WBFDCCL was entrusted with the responsibility of managing the cinema hall during the year 1997-98. The enterprise also arranges for films to be exhibited from time to time at Dinabandhu Mancha in Siliguri.

Till recently, WBFDCCL was operating the Chaplin cinema hall in Kolkata. Currently the operations at the cinema hall have been suspended and the assets belonging to WBFDCCL located there have been sold. However, the premises housing the cinema hall is yet to be handed over to Kolkata Municipal Corporation (KMC), the owner.

WBFDCCL is also engaged in the commercial distribution of films of renowned film makers like Satyajit Ray, Ritwick Ghatak etc, produced by GoWB. WBFDCCL has contracted the CD, DVD and Television rights in respect of such films to other firms across territories, yielding royalty revenues.

The company’s registered office and facilities are located at Salt Lake in Kolkata. WBFDCCL does not have any branches. The address of its Registered Office is indicated below:

Registered Office:

“Rupayan”
Sector IV, Salt Lake
Kolkata – 700091
West Bengal

The employee strength of WBFDCCL as on 1st January, 2008 was 132, as per information provided by WBFDCCL. The profile of the employees is presented in the table overleaf:

Category	Manpower
Regular employees of Wbfdcl	64
Regular employees of Chaplin* and Ahindra Mancha	27
Contract employees engaged at Wbfdcl	33
Contract employees engaged at Chaplin and Ahindra Mancha halls	7
Casual employee at Chaplin cinema hall	1
Total	132

*: The staff members at Chaplin cinema hall, the premises of which is in the process of being handed over to KMC, have been deputed to “Chalachitra Shata Barsha Bhavan” though their salaries continue to be disbursed by Wbfdcl.

Wbfdcl and Chowdhury Enterprises Pvt. Ltd (CEPL) had entered into a leave & license agreement as per which CEPL was to install Digital sound recording system, Digital editing system and Telecine transfer facilities in that portion of the Rupayan complex offered to it. According to the management of Wbfdcl, CEPL has failed to fulfill the conditions of the agreement in terms of establishment of above mentioned facilities and has also not paid the license fees for more than a year.

Wbfdcl does not have any subsidiaries.

2.2. Attractiveness of Wbfdcl

Key strengths and opportunities associated with Wbfdcl include:

Infrastructure

- Wbfdcl operates the only colour film processing laboratory in the Government Sector in eastern India. Apart from Adlabs, which has recently set up a post production facility in Kolkata and Prasad Productions, there are no other significant players who provide post production facilities in West Bengal.
- The enterprise’s sound recording unit can accommodate sophisticated digital set up.
- Wbfdcl is expected to be in a position to offer a ‘one-stop solution’ in post production to customers, including facilities for digital sound recording and Digital Non-Linear Editing (AVID), subsequent to the identified strategic partner effecting investments in the required infrastructure.
- Wbfdcl currently owns 2.5 acres of land at a prime location of Sector IV, Salt Lake. Out of this, around 1 acre is occupied by the film processing complex, recording theatre and other support infrastructure. The remaining land is available for possible business diversification in the related areas of

business including telecine, production of animation films and establishment of a film training institute.

- The Rupayan laboratory, being operated by Wbfdcl, is equipped with modern printing and processing machinery. The key items of machinery and equipment currently housed at Rupayan, as indicated by the enterprise management, are presented in the following table.

S.No.	Particulars
	Process Laboratory
1	Negative Printer, Positive Printer
2	Black & White processing machine
3	Ultrasonic Cleaning machine
4	Colour master colour analyser: Hazeltine 200H Model colour analyser
	Printing
5	Liquid gate, Contact & Blow-up Printers
6	Continuous 'C' Printer
7	Modular Continuous Printer
	Recording Theatre - Analogue mode
8	Hi-Speed Magnatech Rock & Roll system with Xenon lamp projector, Multi track reproducer, 4-track master recorder
9	Transfer room with magnetic and optical transfer facilities
10	Audio and Channel mixing consoles
	Others
11	Steenbeck editing machines
12	Negative coating machine
13	Densitometer
14	Silver recovery unit

Brand recognition and customer base

- Wbfdcl enjoys good brand recall among film producers in the eastern region of the country.
- The potential customers of the company include not only makers of Bengali films but also producers of films in other languages like Oriya, Santali, Manipuri, Assamese, Nagpuri, Bhojpuri and Chhattisi apart from producers of dubbed Hindi films and those from neighbouring Bangladesh.

Financial position

- Wbfdcl currently has financial obligations only to GoWB and not to any other agencies/financial institutions. With GoWB agreeing in – principle to consider settlement of outstanding financial liabilities due to it by Wbfdcl, as may be necessary for ensuring its sustainable viability, future prospects of raising funds from the market on competitive terms are likely to improve.

2.3. Financials

1. Wbfdcl's equity base comprises authorised capital of Rs. 6 crores consisting 60,000 equity shares of Rs.1,000 each. The issued and paid up capital of the company as on March 31, 2007 was Rs. 519.7 lakhs comprising 51,970 equity shares of Rs. 1,000 each. The company's shares are not listed on any stock exchange.

As part of the current exercise, GoWB intends to offer a stake of up to 74% to a Strategic Partner, to be inducted through a transparent and objective bidding process.

2. The highlights of the profit and loss statement and balance sheet of the company for the five year period FY2003 to FY2007 are indicated below:

Profit & Loss Statement

Rs in Lakhs

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Income					
Operating Income	171.17	126.57	101.30	77.40	31.51
Other Income	15.69	38.85	8.65	90.27	33.60
Income from Film Exhibition	39.50	34.71	37.31	36.81	25.43
Total Income(A)	226.36	200.13	147.26	204.48	90.54
Expenditure					
(Accretion)/Decretion to Stock	(11.11)	0.00	(7.48)	8.37	(1.82)
Material Costs	38.66	32.80	25.62	9.70	5.12
Processing Overhead Costs	76.36	53.58	50.44	61.68	20.33
Employee Remuneration	108.58	113.25	116.80	112.09	117.30
Film Exhibition Costs	79.03	39.62	26.13	63.66	48.99
Admin and Selling Costs	45.29	66.83	65.07	29.88	23.99
Total (B)	336.81	306.08	276.58	285.38	213.91
PBDIT (A-B)	(110.45)	(105.95)	(129.32)	(80.90)	(123.37)
Interest	151.12	172.42	173.65	170.90	172.01
PBDT	(261.57)	(278.37)	(302.97)	(251.80)	(295.38)
Depreciation	29.53	40.62	33.21	27.41	17.92
PBT	(291.10)	(318.99)	(336.18)	(279.21)	(313.30)
Prior Period Adjustment (Net)	4.78	(20.35)	0.62	(0.43)	(5.86)
Tax for the year	0.00	0.00	0.00	0.00	0.00
Profit/(Loss) after Tax	(286.32)	(339.34)	(335.56)	(279.64)	(319.16)

Balance Sheet*Rs. in Lakhs*

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Sources of Funds					
Share Capital	519.70	519.70	519.70	519.70	519.70
Reserves & Surplus	0.00	0.00	0.00	0.00	0.00
Shareholder's Funds	519.70	519.70	519.70	519.70	519.70
Secured Loans	581.45	523.29	583.58	0.00	0.00
Unsecured Loans	2672.63	2885.86	3109.45	3245.35	3533.57
Loan Funds	3254.08	3409.15	3693.03	3245.35	3533.57
Total Sources of Funds	3773.78	3928.85	4212.73	3765.05	4053.27
Application of Funds					
Gross Block	975.76	977.04	977.97	978.08	978.25
Less: Depreciation	702.22	743.33	776.95	804.70	822.90
Net Fixed Assets	273.54	233.71	201.02	173.38	155.35
Capital work in progress	0.00	0.00	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00	0.00
Current Assets, Loans & advances					
Inventories	103.03	77.63	76.25	67.94	66.03
Sundry Debtors	94.45	96.96	91.56	85.97	84.20
Cash & Bank balances	266.03	220.29	275.51	202.46	255.26
Loans & Advances & Others	497.90	481.95	540.78	628.30	655.68
<i>Total Current assets, loans & advance</i>	<i>961.41</i>	<i>876.83</i>	<i>984.10</i>	<i>984.67</i>	<i>1061.17</i>
<i>Less: Current liabilities & provisions</i>	<i>597.82</i>	<i>656.17</i>	<i>780.81</i>	<i>1478.88</i>	<i>1566.66</i>
Net Current Assets	363.59	220.66	203.29	(494.21)	(505.49)
Miscellaneous expenditure (To the extent not written off or adjusted)	28.93	27.28	25.65	24.01	22.37
Profit & Loss Account	3107.72	3447.20	3782.77	4061.87	4381.04
Total Application of Funds	3773.78	3928.85	4212.73	3765.05	4053.27

Source: Annual Report of WBFDC

3. The income of the company declined from around Rs. 226 lakhs in FY 03 to approximately Rs. 90 lakhs in FY 07, primarily due to the reduction in the number of prints processed, from 401 in FY03 to 49 in FY07.
4. Cost of sales as a percentage of total income has increased from around 149% in FY03 to about 236% in FY07. This was primarily due to the decline in revenues. Additionally, relatively fixed employee costs, which accounted for nearly 130% of revenues during FY07, adversely impacted operating margins.
5. Relatively fixed interest costs of around Rs.1.7 crores per annum during the period FY04 to FY07 and losses at the operating level contributed to recurring net losses.
6. Unsecured loans as on March 31, 2007, included only outstanding GoWB loans of about Rs.14 crores and interest accrued thereon amounting to around Rs. 21 crores. These loans have been used to fund the company's operating losses over the years.
7. The Loans and advances as on March 31, 2007 included loan of around Rs. 6 crores pertaining to Roopkala Kendra. The loan to Roopkala Kendra was financed through funds from GoWB, which have been reflected under current liabilities.
8. The cash and bank balance as on March 31, 2007 included funds of Nandan amounting to approximately Rs. 2 crores, with the corresponding payable included under current liabilities.

3. Proposed Restructuring Package

As part of the overall restructuring exercise, GoWB is open to considering the following measures, which shall be implemented only if the exercise of inducting a Strategic Partner into the company is successfully concluded

1. Settlement of financial liabilities to GoWB including unpaid interest and outstanding principal through provision of grants/ conversion to equity, to the extent necessary for ensuring WBFDC's future viability.
2. Manpower restructuring through an Early Retirement Scheme (ERS), with the outlay on ERS being jointly funded by GoWB and the Department for International Development (DFID), Government of United Kingdom.

While the financial restructuring measures would be finalized by GoWB in consultation with its advisors, measures towards manpower restructuring will be undertaken in consultation with the proposed Strategic Partner and definitive agreements / steps initiated prior to the consummation of the transaction.

However, it should be noted that:

1. Settlement of financial liabilities, in a manner mentioned above, would essentially tantamount to GoWB foregoing future receipts against funds made available to the company in the past.
2. GoWB is committed to ensuring overall economic prosperity in the state through protecting existing employment and creation of additional employment opportunities.

Hence, a final decision on the preferred bidder will, in addition to other technical and commercial parameters, also factor in the level of reduction of past financial liabilities and manpower restructuring agreed to by individual bidders.

4. Annexures

ANNEXURE-I: PUBLIC ADVERTISEMENT



GOVERNMENT OF WEST BENGAL
DEPARTMENT OF PUBLIC ENTERPRISES

**JOINT VENTURE TRANSFORMATION THROUGH INDUCTION OF STRATEGIC PARTNER
NOTIFICATION FOR SUBMISSION OF EXPRESSIONS OF INTEREST (EOIs)
FOR WEST BENGAL FILM DEVELOPMENT CORPORATION LIMITED
(Wbfdcl)**

(This announcement is neither a prospectus nor an offer/invitation to the public for sale of shares, securities, or debentures)

Continuing with its efforts to restructure its loss making Public Sector enterprises, the Government of West Bengal (GoWB) is desirous of inducting a strategic partner in “West Bengal Film Development Corporation Limited (Wbfdcl)”. GoWB will allow transfer of equity stake in Wbfdcl of up to 74% with management control, to the selected Strategic Partner.

GoWB’s primary objective underlying this exercise is to ensure maximum utilization of the industrial assets and workforce of Wbfdcl for sustained value creation as an industrial undertaking. The said equity stake is proposed to be offered through sale of existing equity shares.

As part of the proposed restructuring exercise for Wbfdcl through this joint venture transformation, GoWB is open to consider *settlement of outstanding financial liabilities* as may be necessary for ensuring its sustainable viability.

Highlights of the enterprise have been summarized in the table below:

Products/ Services	Location of facilities	Total revenue* (Rs. Mn)	Net Profit/ (Loss)* (Rs. Mn)	Interest Expenses* (Rs. Mn)
Film processing, printing, editing, sound recording and film exhibition	Sector IV , Salt Lake Kolkata	9.05	(31.92)	17.20

*Financials are based on audited results for the financial year ended March 31, 2007

Expressions of Interest may be submitted by Indian Companies, Partnership / Proprietorship firms, Overseas Corporate Bodies (OCBs), Foreign Companies (subject to such OCBs/foreign companies obtaining all statutory approvals from GoI /FIPB /RBI etc. by themselves), either individually or as a consortium (incorporated or unincorporated), for holding up to 74% equity in the enterprise.

Interested Parties are requested to submit their EOI along with a Request for Qualification (RFQ) and other necessary documents **in duplicate** in the prescribed format specified in the **Preliminary Information Memorandum (PIM)** at the under-mentioned address of our advisors, **not later than 1700 hrs (IST) on June 09, 2008.**

The PIM containing further information about the enterprise, eligibility criteria, formats of EoI, SLC and RFQ, etc can be obtained from the under-mentioned person or downloaded from **www.peir.in**. All queries related to the EOI may be addressed to our advisors: **M/s. PricewaterhouseCoopers Private Limited (PwC), DN-56 & 57, Sector V, Salt Lake, Kolkata – 700091, India; Phone No. +91-33-2357 9101, +91-2341 3033; Fax No. +91-33-2357 2754 with the message marked to the attention of Mr. Hari Sridhar (Email: hari.sridhar@in.pwc.com).**

Only the parties that are found eligible in the sole discretion of GoWB will be informed of the same and provided further information. GoWB is entitled to ask the parties for any further information that they may deem fit in this regard. This advertisement does not constitute and will not be deemed to constitute any commitment on the part of GoWB. Furthermore, this advertisement confers neither any right nor expectation on any party to participate in the process of the joint venture transformation of WBFDCCL.

GoWB reserves the right to withdraw from the process or any part thereof, to accept or reject any or all offers/ expressions of interest/ bids at any stage of the process and/or modify the process or any part thereof or to vary terms at any time without assigning any reason whatsoever, even if GoWB finds a party/parties eligible to bid. No financial or any other obligation will accrue to GoWB or PwC in such an event. Further, GoWB or PwC or WBFDCCL shall not be responsible for non-receipt of correspondence sent by post/courier/e-mail/fax.

This advertisement shall not be deemed to modify or supersede the PIM in any manner and shall be subject to the PIM.

ANNEXURE-II: EXPRESSION OF INTEREST

(To be forwarded on the letterhead of the interested party/lead bidder of the consortium submitting the EoI)

Reference No. _____

Date _____

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57
Block DN, Sector V
Salt lake
Kolkata 700 091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UP TO 74% EQUITY STAKE IN WEST BENGAL FILM DEVELOPMENT CORPORATION LIMITED (WBFDCCL)

Sir,

This is with reference to the advertisement dated May 12, 2008 inviting Expressions of Interest for West Bengal Film Development Corporation Limited (WBFDCCL).

As specified in the advertisement, we have read and understood the contents of the Preliminary Information Memorandum (PIM) and are desirous of participating in the above process for invitation of external investment, and for this purpose:

We propose to submit our EoI in individual capacity as _____ (insert name of interested party)

OR

We have formed/propose to form a consortium comprising _____ members as follows:

1. _____ (Insert name of interested party) (LEAD BIDDER)
2. _____ (Insert name of interested party)
3. _____ (Insert name of interested party)

We believe that we/our consortium/proposed consortium satisfies the eligibility criteria set out in relevant sections of the PIM including the guidelines for qualification of bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment issued by the Government of India, vide Department of Disinvestment OM No.6/4/2001-DD-II dated 13th July 2001 and clarifications issued on 10th January, 2002.

We certify that we have not been convicted by a Court of law or indicted or adverse orders passed by a regulatory authority which would cast a doubt on our ability to manage the public sector unit when it is disinvested or which relates to a grave offence that outrages the moral sense of the community.

We further certify that no investigation by a regulatory authority is pending either against any of us or against our sister concerns or against any of our CEOs or any of our Directors/Managers/ employees.

We undertake that in case due to any change in facts or circumstances during the pendency of the process for invitation of external investment, we are attracted by the provisions of disqualification in terms of the subject guidelines, we would intimate the GoWB of the same immediately.

The Statement of Legal Capacity, Request for Qualification and Statement as regards to any indictment by any regulatory authorities, as per formats indicated hereinafter, duly signed by us/respective members, who jointly satisfy the eligibility criteria, are enclosed.

We shall be glad to receive further communication on the subject.

Yours faithfully,

Authorised Signatory
For and on behalf of the party/lead bidder of consortium

Enclosure:

1. Statement of Legal Capacity
2. Request for Qualification
3. Statement as regards to any indictment by any regulatory authorities.

ANNEXURE–III: STATEMENT OF LEGAL CAPACITY

(To be forwarded on the letterhead of the interested party / each member of the consortium submitting the EoI)

Reference No. _____

Date _____

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57
Block DN, Sector V
Salt Lake, Kolkata 700 091

Sub: EXPRESSION OF INTEREST FOR INDUCTION OF STRATEGIC PARTNER WITH UP TO 74 % EQUITY STAKE IN WEST BENGAL FILM DEVELOPMENT CORPORATION LIMITED (WBFDCI)

Sir,

This is with reference to the advertisement dated May 12, 2008 inviting Expressions of Interest for West Bengal Film Development Corporation Limited (WBFDCI).

We have read and understood the contents of the PIM and the advertisement and pursuant to this hereby confirm that:

- We satisfy the eligibility criteria laid out in the PIM.
- We are a member of the consortium (constitution of which has been described in the Expression of Interest) which jointly satisfies the eligibility criteria as detailed in the PIM.*
- We have agreed that _____ (insert member's name) will act as the lead member of our consortium.*
- We have agreed that _____ (insert individual's name) will act as our representative on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit this letter. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.*
- We have agreed that _____ (insert individual's name) has been chosen as representative of our consortium on our behalf and has been duly authorized (vide Board Resolution dated _____**) to submit the EOI. Further, the authorized signatory is vested with requisite powers to furnish such letter and Request for Qualification and authenticate the same.

Yours faithfully,

Authorised Signatory
For and on behalf of (party/member of consortium)

**Strike off whichever clause is not applicable*

*** Please attach a certified true copy of the extract of the relevant Board Resolution or equivalent in case interested party is not a company*

ANNEXURE-IV: REQUEST FOR QUALIFICATION

(To be submitted in respect of interested party/each member of the consortium)

Name of the interested Party /Member _____

1. Constitution (Tick, wherever applicable)

- i) Public Limited Company
- ii) Private Limited Company
- iii) Others, if any (Please specify)

- If the interested party is an OCB/foreign company, specify list of statutory approvals from GoI/ RBI/ FIPB applied for/ obtained/ awaiting.

2. Sector (Tick, wherever applicable)

- i) Public Sector
- ii) Joint Sector
- iii) Private Sector
- iv) Others, If any (Please specify)

3. Details of Shareholding :

4. Role/ Interest of each Member in the Consortium (if applicable) :

5. Nature of business/products dealt with :

6. Date & Place of incorporation :

7. Date of commencement of business :

8. Full address including phone number./fax number :

i) Registered Office :

ii) Head Office :

9. Address for correspondence

10. Basis of eligibility for participation in the process (Please mention details of your eligibility) as under (whichever is applicable):

- a. Percentage stake proposed to be acquired, up to 74%
- b. Reason for wanting to acquire a strategic stake in Wbfdcl and how this meets the GoWB objective for joint venture transformation as outlined in Section 1.2
- c. Brief description of manufacturing operations in any sector / operations in the services sector engaged in by the interested party / its promoters

(Please furnish necessary details of self/ member of consortium with manufacturing experience / experience in services sector of 3 years or more/experience in film industry of 2 years or more)

11. Please attach most recent Audited Statement of Accounts/Annual Report. Please provide a chartered accountant/auditor certificate certifying the Net Worth as on March 31, 2007 and March 31, 2008.

12. Please provide details of all contingent liabilities that, if materialized, have or would reasonably be expected to have a material adverse effect on the business, operations (or results of operations), assets, liabilities and/or financial condition of the interested party/member of consortium

13. Contact Person(s):

- i) Name:
- ii) Designation:
- iii) Phone No.:
- iv) Mobile No.:
- v) Fax No.:
- vi) Email:

Yours faithfully,

Authorised Signatory
For and on behalf of the (party/member of consortium)

Authorised Signatory
For and on behalf of the consortium

Place:

Date:

Note: Please follow the order adopted in the Format provided. If the interested party is unable to respond to a particular question/ request, the relevant number must be nonetheless be set out with the words "No response given" against it.

**ANNEXURE - V: STATEMENT AS REGARDS ANY
INDICTMENT BY ANY REGULATORY AUTHORITIES**

(To be forwarded on the letterhead of the interested party/ each member of the consortium
submitting the EoI)

Date:

Mr. Hari Sridhar
PricewaterhouseCoopers Private Limited
Plot No. 56 & 57
Block DN, Sector V
Salt Lake, Kolkata 700 091

We certify that there has been no indictment by any income tax, sales tax, customs, excise
or any other regulatory authorities {except as stated below:}¹

Yours faithfully,

Authorized Signatory
For and on behalf of (party/member of the consortium)

Name:
Designation:

¹ Delete, if not applicable.

ANNEXURE-VI: GOVERNMENT OF INDIA'S DISQUALIFICATION GUIDELINES

No. 6/4/2001-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 13th July, 2001

OFFICE MEMORANDUM

Sub: Guidelines for qualification of Bidders seeking to acquire stakes in Public Sector Enterprises through the process of disinvestment

Government has examined the issue of framing comprehensive and transparent guidelines defining the criteria for bidders interested in PSE-disinvestment so that the parties selected through competitive bidding could inspire public confidence. Earlier, criteria like net worth, experience etc. used to be prescribed. Based on experience and in consultation with concerned departments, Government has decided to prescribe the following additional criteria for the qualification/ disqualification of the parties seeking to acquire stakes in public sector enterprises through disinvestment:

- (a) In regard to matters other than the security and integrity of the country, any conviction by a Court of Law or indictment / adverse order by a regulatory authority that casts a doubt on the ability of the bidder to manage the public sector unit when it is disinvested, or which relates to a grave offence would constitute disqualification. Grave offence is defined to be of such a nature that it outrages the moral sense of the community. The decision in regard to the nature of the offence would be taken on case to case basis after considering the facts of the case and relevant legal principles, by the Government.
- (b) In regard to matters relating to the security and integrity of the country, any charge-sheet by an agency of the Government / conviction by a Court of Law for an offence committed by the bidding party or by any sister concern of the bidding party would result in disqualification. The decision in regard to the relationship between the sister concerns would be taken based on the relevant facts and after examining whether the two concerns are substantially controlled by the same person/persons.
- (c) In both (a) and (b), disqualification shall continue for a period that Government deems appropriate.
- (d) Any entity, which is disqualified from participating in the disinvestment process, would not be allowed to remain associated with it or get associated merely because it has preferred an appeal against the order based on which it has been disqualified. The mere pendency of appeal will have no effect on the disqualification.
- (e) The disqualification criteria would come into effect immediately and would apply to all bidders for various disinvestment transactions, which have not been completed as yet.

- (f) Before disqualifying a concern, a Show Cause Notice why it should not be disqualified would be issued to it and it would be given an opportunity to explain its position.
- (g) Henceforth, these criteria will be prescribed in the advertisements seeking Expression of Interest (EoI) from the interested parties. The interested parties would be required to provide the information on the above criteria, along with their Expressions of Interest (EoI). The bidders shall be required to provide with their EoI an undertaking to the effect that no investigation by a regulatory authority is pending against them. In case any investigation is pending against the concern or its sister concern or against its CEO or any of its Directors/Managers/employees, full details of such investigation including the name of the investigating agency, the charge/offence for which the investigation has been launched, name and designation of persons against whom the investigation has been launched and other relevant information should be disclosed, to the satisfaction of the Government. For other criteria also, a similar undertaking shall be obtained along with EoI.

-sd/-

(A.K. Tewari)

Under Secretary to the Government of India

CLARIFICATION

Note: Vide clarification dated 10/1/2002 to the above guidelines it has been provided that the following offences be treated as grave offences:

- (1) Orders of Securities and Exchange Board of India which directly relates to “fraud” as defined in the Securities and Exchange Board of India Act, 1992 and / or regulations made thereunder;
- (2) Orders of Securities and Exchange Board of India which cast a doubt on the ability of the Strategic Partner to manage the Company after the sale of the Transaction Shares by the Government to the Strategic Partner;
- (3) Any conviction by a Court of Law;
- (4) In cases in which Securities and Exchange Board of India also passes a prosecution order, disqualification of the Strategic Partner should arise only on conviction by the Court of Law.

ANNEXURE-VII: GUIDELINES FOR MANAGEMENT-EMPLOYEE BIDS

No. 4/38/2002-DD-II
Government of India
Ministry of Disinvestment

Block 14, CGO Complex
New Delhi
Dated 25th April, 2003

OFFICE MEMORANDUM

Sub: Guidelines for management-employee bids in a strategic sale

1. Employee participation and protection of employee interests is a key concern of the disinvestment process. The practice of reserving a portion of the equity to be disinvested for allocation to employees, at concessional prices, has been adopted in a number of cases. It is necessary and expedient to evolve and lay down guidelines to encourage and facilitate management-employee participation in the strategic sales and thus to acquire controlling stakes and manage disinvested public sector undertakings. The undersigned is directed to state that the Government has, therefore, decided to lay down the following guidelines for evaluating employee / management bids :
 - (i) The term 'employee' will include all permanent employees of a PSU and the whole time directors on the board of the PSU. A bid submitted by employees or a body of employees will be called an "employee bid".
 - (ii) At least 15% of the total number of the employees in a PSU or 200 employees, whichever is lower, should participate in the bid.
 - (iii) An employee bid would be exempted from any minimum turnover criterion but will be required to qualify in terms of the prescribed networth criterion. They will be required to follow the procedures prescribed for participation by Interested Parties in the process of strategic sale including, but not limited to, filing the expression of interest along with all details, as applicable to other investors, furnishing of bank guarantee for payment of the purchase price etc.
 - (iv) Employees can either bid directly and independently or, for the purpose of meeting the financial criteria like networth, can form a consortium or bid through a joint venture (JV) or a special purpose vehicle (SPV), along with a bank, venture capitalist or a financial institution. However employees will not be permitted to form consortia with other companies.
 - (v) If the bidding entity of the employees is a consortium, JV or SPV, employees must have a controlling stake and be in control of the bidding entity.
 - (vi) If the bid is submitted through a consortium, JV or SPV, employees must contribute at least 10% of the financial bid.

- (vii) If the employees form a consortium, the consortium partners would be prohibited from submitting individual bids independently.
 - (viii) If it is not the highest bid, the employee bid shall be considered only if the said bid is within 10% of the highest bid.
 - (ix) The employee bid shall, subject to fulfilling the conditions above, have the first option for acquiring the shares under offer provided they match the highest bid and the highest bid being equal to or more than the reserve price.
 - (x) If the employee bid is not the highest bid and there are more than one employee bids within the 10% band, the highest of the employee bids will have precedence for purchase at the highest bid. If such employee bidder is unwilling or unable to match the highest bid, the option will pass on to the next highest employee bid and so on till all the employee bids, within the 10% band, are exhausted.
 - (xi) In the event of no employee bidder, within the 10% band, being willing or able to match the highest bid, the shares under offer will be sold to the highest bidding entity.
 - (xii) There will be a lock in period of three years for the shares disinvested by the Government.
2. All the bidders for the management-employee buy-outs will also have to satisfy the provisions of the 'Guidelines for qualification of bidders seeking to acquire stakes in Public sector Enterprise through the process of disinvestment' issued vide the then Department of Disinvestment's Office Memorandum No.6/4/2001-DD-II dated 13th July 2001, or as amended subsequently along with other qualification criterion as generally applicable and not specifically excluded herein.

-sd-

(T.S. Krishnamachari)
Deputy Secretary to the Government of India

Glossary – List of abbreviations used

AVID	-	Digital Non-Linear Editing
CD	-	Compact Disk
CEPL	-	Chowdhury Enterprises Pvt. Ltd
CIM	-	Confidential Information Memorandum
DFID	-	Department for International Development, UK
DPE	-	Department of Public Enterprises, GoWB
DVD	-	Digital Video Disk
EoI	-	Expression of interest
ERS	-	Early Retirement Scheme
FIPB	-	Foreign Investment Promotion Board
FY	-	Financial Year
GOI	-	Government of India
GoWB	-	Government of West Bengal
JV	-	Joint Venture
OCBs	-	Overseas Corporate Bodies
OM	-	Office Memorandum
PIM	-	Preliminary Information Memorandum
PSU	-	Public Sector Undertaking
PSE	-	Public Sector Enterprise
PwC	-	M/s. PricewaterhouseCoopers Pvt. Limited
QIPs	-	Qualified Interested Parties
RBI	-	Reserve Bank of India
RFQ	-	Request for Qualification
SLC	-	Statement of Legal Capacity
SPV	-	Special Purpose Vehicle
WBFDCCL	-	West Bengal Film Development Corporation Limited