

# The World of Digital Entertainment

Annual Report 2011



DIGITAL ENTERTAINMENT NETWORK

# Corporate Information

## Board of Directors

**Mr. Sameer Manchanda**

*Chairman Managing Director*

**Mr. Shahzaad Siraj Dalal**

*Nominee Director*

**Mr. Krishna Kumar P.T. Gangadharan**

*Alternate Director to Mr. Shahzaad Siraj Dalal*

**Mr. Ajaya Chand**

*Non Executive, Independent Director*

**Mr. Robindra Sharma**

*Non Executive, Independent Director*

**Mr. Atul Sharma**

*Non Executive , Independent Director*

## Registrar & Share Transfer Agent

Karvy Computershare Private Limited,  
Karvy House, 46 Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad - 500 034 INDIA  
Phone: + 91 - 40 - 2342 0815  
Fax: + 91 - 40 - 2342 0814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

## Registered Office

236, Okhla Industrial Estate, Phase-III,  
New Delhi-110 020 INDIA  
Phone: + 91 - 11 - 4052 2200  
Fax: + 91 - 11 - 4052 2203  
[www.dennetworks.com](http://www.dennetworks.com)

## Chief Financial Officer

Mr. Rajesh Kaushal

## Company Secretary

Mr. Jatin Mahajan

## Auditors

Deloitte Haskins & Sells  
Chartered Accountants

# Content

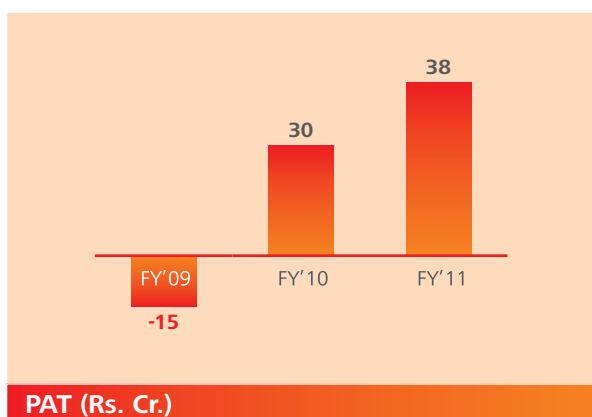
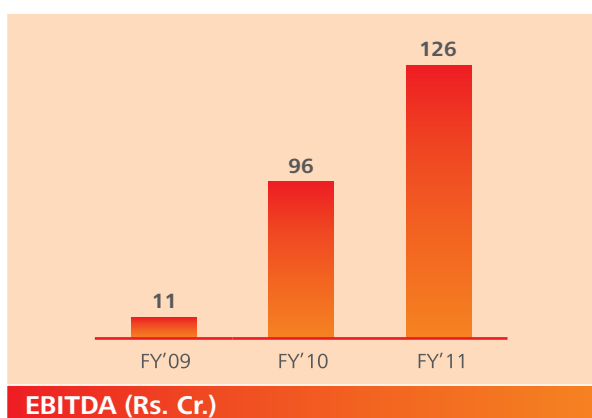
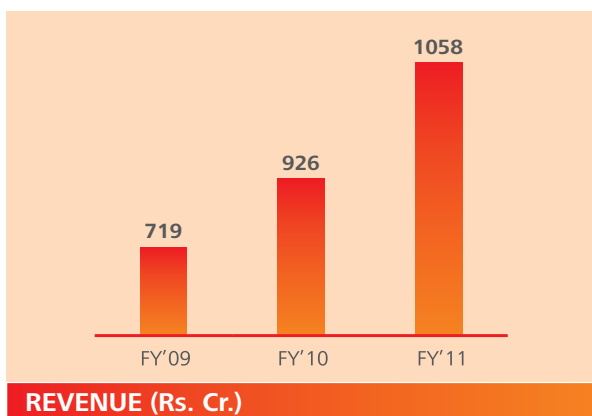
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Company  
Performance

## Company Performance

### The Year at a Glance (Key Financials)

Particulars	Consolidated Business		
	FY 10 - 11	FY 09 - 10	FY 08 - 09
<b>KEY P&amp;L Items</b>			
Revenue (Rs cr)	1,058	926	719
EBITDA (Rs cr)	126	96	11
EBITDA Margin (%)	12%	10%	2%
PAT (Rs cr)	38	30	(15)
PAT Margin (%)	4%	3%	-2%
EPS (Rs)	2.88	2.69	(1.67)
<b>KEY BALANCE SHEET ITEMS</b>			
Net Worth	775	737	220
Equity Share Capital	131	130	18
Preference Share Capital	-	-	4
Preference Share Capital issued by subsidiary company	3	3	3
Reserves & Surplus	641	611	232
Debit balance of Profit and Loss	-	(7)	(37)
Cash and Equivalents	293	335	51
Net Current Assets	383	341	49
<b>RATIOS AND MARGINS</b>			
Debt Equity Ratio (x)	0.20	0.24	0.54
ROE	4.8%	4.1%	-6.9%



## Highlights of the Year

### Media Pro: A 50:50 J-V between STAR-DEN and Zee Turner

In May 2011, STAR DEN Media Services (STAR DEN), a 50:50 joint venture between Star India Private Ltd. and DEN, formed a 50:50 joint venture with Zee Turner Limited, a 74:26 joint venture between Zee Entertainment Enterprises Ltd and Turner International Private Limited for jointly distributing channels of the two entities across India. The joint venture company is called Media Pro Enterprise India Private Limited and commenced operations from July 2011. DEN is a participant in this J-V through its 50 per cent stake in STAR DEN.

The coming together of India's leading content aggregation and distribution companies brings 68 pay TV channels from the erstwhile Star DEN and Zee Turner bouquets under the same roof. Media Pro distributes leading channels including Star Plus, Star Movies, Star World, Zee TV, Zee Cinema and several others. The objective of the JV is to transform content distribution in India by creating efficiencies in the distribution arena, promoting transparency, and spurring digitalisation.

### DEN and BFTV LLC form a 75:25 JV for launching Baby First TV in India

In October 2010, IME Networks Private Limited, a subsidiary of DEN, entered into a joint venture with BFTV LLC to distribute the 'BabyFirst TV' channel in India and select countries in South Asia. Baby First TV is a television channel for babies, toddlers and their parents aired in several countries across the world. The JV is in the process of securing the necessary licenses to broadcast the channel in India.

# Director's Report

**Dear Shareholders,**

Your Directors are delighted to present the Fourth Annual Report on the business and operations of the Company together with the audited accounts for the financial year ended March 31, 2011.

## Financial Performance

The key financial figures on standalone and consolidated basis of your Company for the year ended March 31, 2011 are as follows:

Rs. in (Lakhs)

Particulars	Consolidated		Standalone	
	Financial Year Ended March 31, 2011	Financial Year Ended March 31, 2010	Financial Year Ended March 31, 2011	Financial Year Ended March 31, 2010
Net Revenue	1,05,806.16	92,559.33	35,453.91	33,477.73
Operating Profit/(Loss) before interest and depreciation	12,648.73	9,615.77	5,074.68	6,125.18
Interest	1,918.61	1,944.25	1,863.03	1,930.39
Depreciation	4,558.25	3,288.34	2,611.99	2,186.30
Net Profit/(Loss) before Tax	6,171.87	4,383.18	599.66	2,008.49
Provision for taxes/deferred Tax	1,738.65	740.80	(96.30)	(71.68)
Profit/(Loss) after Tax	3,753.03	3,011.14	695.96	2,080.17

## Result of Operations

During the financial year 2010–11 your Company, on a consolidated basis, has generated over Rs.1058.60 crores of revenues and post tax profit of Rs.37.53 crores. The corresponding figures for financial year 2009-10 were revenue of Rs 925.59 Crores and post tax profit of Rs. 30.11 crores.

## Consolidated Financial Statements

Pursuant to Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS – 23 on the Accounting for Investments in Associates and Accounting Standard AS– 27 on Accounting on Joint Ventures, issued by The Institute of Chartered Accountants of India, the Audited Consolidated Financial Statements are provided in this Annual Report.

## Review of Year Gone by

During the year, the Company consolidated its growth following the rapid scale up of the preceding years. Its core business continued to exhibit robust growth. It continued to invest in its digital cable operations. Along with revenue growth, the company maintained its profitability.

## Media Pro: A 50:50 JV between STAR-DEN and Zee Turner

In May 2011, STAR DEN Media Services (STAR DEN), a 50:50 joint venture between Star India Private Ltd. and DEN, formed a 50:50 joint venture with Zee Turner for jointly distributing channels of the two entities across India. The joint venture company is called Media Pro Enterprise India Private Limited and commenced operations from July 2011. DEN is a participant in this JV through its 50 per cent stake in STAR DEN.



The JV will distribute 68 pay TV channels from the erstwhile Star DEN and Zee Turner bouquets. The objective of the JV is to transform content distribution in India by creating efficiencies in the distribution arena, promoting transparency and curbing piracy.

#### **DEN and BFTV LLC form a 75:25 JV for Launching Baby First TV in India**

In October 2010, IME Networks Private Limited, a subsidiary of DEN, entered into a joint venture with BFTV LLC to distribute the 'BabyFirst TV' channel in India and select countries in South Asia. Baby First TV is a television channel for babies, toddlers and their parents and is aired in several countries across the world.

The JV is in the process of securing the necessary licenses to broadcast the channel in India.

#### **Changes in Capital Structure**

During the year ended March 31, 2011, the Authorized Share Capital of the Company increased from Rs. 1,65,00,00,000 (Rupees One Hundred Sixty Five Crores) to Rs.2,00,00,00,000(Rupees Two Hundred Crores) and paid up Equity Share Capital of the Company remains the same i.e., Rs. 1,30,48,99,750 (Rupees One Hundred Thirty Crores Forty Eight Lacs Ninety Nine Thousand and Seven Hundred Fifty).

#### **Employee Stock Option Scheme (ESOS)**

During the financial year 2010-11, the Company has granted 50,00,000 Equity shares of Rs.10/- each, under Employee Stock Option Scheme (ESOS) to the Employees of the Company and Subsidiary Companies. The details as required to be disclosed under Clause 12 & 19 of ESOP Guidelines of SEBI are detailed in the Annexure 'A' to this Report.

A Certificate from the Statutory Auditor of the Company for implementation of the 'DEN ESOS 2010' in accordance with the SEBI Guidelines and the resolutions passed by the members of the Company, will be made available for inspection by the members at the ensuing Annual General Meeting of the Company.

#### **Manpower**

Company has been growing from strength to strength both in terms of the organization and the activity profile.

#### **Dividend**

Your Directors do not recommend any Dividend for the financial year ended March 31, 2011.

#### **Transfer to Reserves**

Your Company has not made any transfer to the Reserves during the financial year 2010-11.

#### **Public Deposits**

During the year under review your Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

#### **Management's Discussion and Analysis Report**

In terms of requirement of Clause 49 of the Listing Agreement with the Stock Exchange(s) Management's Discussion and Analysis Report disclosing the operations of the Company in detail is provided separately as a part of Director's Report.

#### **Directors**

Mr. Robindra Sharma, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. The relevant details of the directors proposed to be re-appointed are provided in the Corporate Governance Report forming part of this report.

#### **Directors' Responsibility Statement**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended, your Directors confirm:

i) that in the preparation of the annual accounts for the financial year ended March 31, 2011, the applicable Accounting Standards have been followed.

ii) that the Directors 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 at the end of the financial year and of profit or loss of the Company for the year under review.

iii) that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) that the Directors have prepared the accounts for the financial year ended March 31, 2011 on a 'going concern' basis.

### Subsidiary Companies

The Ministry of Corporate Affairs vide its Circular No.02/2011 on 08th February, 2011 given a general exemption to the Companies to attach its subsidiaries Companies' financial statement in the directors' report (Section 212(8) of the Companies Act, 1956) on Compliance of the conditions specified in the said circular. In terms of requirements, a statement pursuant to Section 212 of the Act relating to the subsidiaries of your Company and the details of the subsidiary companies have been annexed and forming part of this report. The annual accounts of the subsidiary Companies and related detailed information will be made available to the holding company and subsidiary companies investors for inspection at the registered office of the holding company and subsidiary companies. These documents will be made available to any investors of the Holding Company and Subsidiary Companies on the receipt of request in this regard.

### Auditors & Auditor's Report

The term of M/s. Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of your Company, expires at the ensuing Annual General Meeting. The Company has received a certificate from them to the effect that their appointment, if made, would be within the prescribed limit as mentioned under Section 224 (1B) of the Companies Act, 1956.

Your Board has duly examined the Report issued by the Statutory Auditor's of the Company on the Accounts for the

financial year ended March 31, 2011. The notes on Accounts, as presented in this Annual Report, are self-explanatory in this regard and hence do not call for any further clarification.

### Corporate Governance & Corporate Social Responsibility

Corporate Governance philosophy of the Company lies in following strong Corporate Governance practices driven by its core values to enhance the interests of all its stakeholders. A report on Corporate Governance along with Certificate from Practicing Company Secretary confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement forms a part of this Annual Report.

With a view to strengthen the Corporate Governance framework, the Ministry of Corporate Affairs has incorporated certain provisions in the Companies Bill 2009. The Ministry of Corporate Affairs has also issued a set of Voluntary Guidelines on Corporate Governance and Corporate Social Responsibility in December 2009 for adoption by Companies.

The Guidelines broadly outline conditions for appointment of director, guiding principles to remunerate directors, responsibilities of the Board, Risk Management, rotation of audit partners, audit firms and conduct of Secretarial audit and other Corporate Governance and Corporate Social Responsibility related disclosures. Your Company has by and large complied with various requirements and is in the process of initiating appropriate action for other applicable requirements.

Corporate Governance is also related to innovation and strategy as the organization's ideas of innovation and strategies are driven to enhance stakeholder satisfaction.

### Postal Ballot

The details of Postal Ballot Process conducted by the company during the year under review are set out in the report on Corporate Governance, annexed to this report.

### Particulars of Employees

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and Companies (Particulars of Employees) Amendment Rules, 2011 the names and other