



DEN Networks Limited
236, Okhla Industrial Estate, Phase III
New Delhi – 110020

www.dennetworks.com



DEN NETWORKS LIMITED

Annual Report 2015-16



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CORPORATE INFORMATION

Mr. Sameer Manchanda

DIN: 00015459
Chairman Managing Director

Mr. Ankur Ambika Sahu

DIN: 03623120
Non-Executive Nominee Director

Mr. Krishnakumar P.T. Gangadharan

DIN: 00090715
Non-Executive Nominee Director

Mr. Ajaya Chand

DIN: 02334456
Non-Executive Independent Director

Mr. Atul Sharma

DIN: 00308698
Non-Executive Independent Director

Mr. Robindra Sharma

DIN: 00375141
Non-Executive Independent Director

Mr. S. N. Sharma

Chief Executive Officer

Mr. Manish Dawar

Group Chief Financial Officer

Mr. Jatin Mahajan

Company Secretary & Compliance Officer

Registered office

236, Okhla Industrial Estates, Phase-III
New Delhi – 110 020

Landline: +91- 011- 40522200

Fax: +91- 011- 40522203

Email: investorrelations@denonline.in

M/s. Deloitte Haskins & Sells

Statutory Auditors

M/s. Ajay Kumar Singh & Co.

Cost Auditors

Registrar & Transfer Agent

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

Landline: + 91 - 40- 2342 0815

Fax: +91 -40- 2342 0814

Email: einward.ris@karvy.com

DIRECTORS' REPORT



Dear Members,

Your Directors have the pleasure in presenting the Ninth Annual Report on the business & operations of your Company along with the Consolidated & Standalone Audited Financial Statements for the year ended March 31, 2016.

Financial Results

(Rs. in million)

Particulars	Consolidated		Standalone	
	Financial year ended March 31, 2016	Financial year ended March 31, 2015	Financial year ended March 31, 2016	Financial year ended March 31, 2015
Net Revenue	13,252.32	12,174.52	11,443.99	9,434.71
Operating profit/(loss) before interest, depreciation and taxes	1,930.27	1,802.24	693.91	714.76
Interest	848.87	823.04	762.61	765.51
Depreciation	2,306.45	1,859.48	1,479.49	1,086.79
Net Profit/(loss) before Tax and exceptional items	(1,225.05)	(880.28)	(1,548.19)	(1,137.54)
Exceptional items	649.60	-	493.30	-
Net Profit/(loss) before Tax after exceptional items	(1,874.65)	(880.28)	(2,041.49)	(1,137.54)
Provision for taxes/deferred tax	425.93	336.20	7.92	(29.47)
Minority interest	308.63	223.73	-	-
Profit/(loss) after tax	(2,609.21)	(1,440.21)	(2,049.41)	(1,108.07)

During the year under review, the total revenue of your Company was Rs. 11,443.99 million on standalone basis and Rs. 13,252.32 million on consolidated basis as compared to the last year's revenue of Rs. 9,434.71 million on standalone basis and Rs. 12,174.52 million on consolidated basis respectively. The Post Tax Loss of your Company was Rs. (2,049.41) million on standalone basis and Rs. (2,609.21) million on consolidated basis as compared to the last year's Post Tax Loss was Rs. (1,108.07) million on standalone basis and Rs. (1,440.21) million on Consolidated basis respectively.

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 in Consolidated Financial Statements and Accounting Standard AS-27 on Financial Reporting of Interests in Joint Ventures, specified under section 133 of the Companies Act, 2013, the Audited Consolidated Financial Statements are provided in this Annual Report.

DIVIDEND

Your Directors do not recommend any Dividend for the financial year ended March 31, 2016.

TRANSFER TO RESERVES

Your Company has not made any transfer to the Reserves during the financial year 2015-16.

OPERATIONAL OVERVIEW

DEN Networks Limited ("DEN") is one of the largest cable television companies in India engaged in the distribution of analogue and digital cable television services. DEN offers analogue cable services in over 300 cities and digital cable services over 250 cities across India, with an aggregate subscriber base of around 13 million and market share of 13% in the cable TV segment. Since inception, DEN has successfully acquired and integrated more than 140 Multi-System Cable Operators (MSOs) and has built a strong presence in 13 states, viz., Delhi, Uttar Pradesh, Karnataka, Maharashtra, Gujarat, Rajasthan, Haryana, Kerala, West Bengal, Jharkhand, Bihar, Madhya Pradesh and Uttarakhand. DEN gains strength from its considerable market share across the economically important Hindi Speaking Markets (HSM) belt. DEN Networks and its subsidiaries and associate companies are engaged in the following businesses:

Cable TV Distribution: DEN is one of the largest MSOs in terms of subscriber base and is engaged in the distribution of television channels through analogue (~ 3.0 million subscribers) and digital cable distribution network (~ 10.0 million subscribers). At the end of FY 2016, DEN converted about 4.4 million subscribers in DAS III and IV.

High - Speed Broadband business: The Company forayed into the high speed broadband services business in 2014. Presently, the Company has 95,000 broadband subscribers and provides high speed broadband services of up to 100 mbps speed through optic fibre network.

Soccer: In 2014, DEN acquired the 'Delhi Dynamos FC' team of the Indian Super League, a new soccer league in India. The football venture was originally entered into as an advertising platform for the group. The Company has divested controlling stake of 55% in the business.

TV Commerce: In 2014, the Company entered into a Joint Venture with e-commerce giant Snapdeal and launched a TV channel for the sale of products. The channel is a 24-hour home shopping channel with a subscriber base of ~30.0 million. In July' 2016, the company entered into an agreement for increasing equity stake of the Company to 82.87%.

Star Den: Star Den was a Joint Venture Company between Star India Pvt. Ltd. and Den, wherein both parties were holding equal shareholding. In March' 2016, the Company sold off its entire 50% equity stake to Star India Pvt. Ltd. for a consideration of Rs 40.35 Crores (Rupees Forty Crore Thirty Five Lacs Only).

From inception till FY 2011, the Company grew aggressively through the acquisition of ~140 smaller MSOs and increased its subscriber universe to 13 million. Post implementation of DAS policy framework in 2011, the Company has focused on steady increase in ARPUs from its existing subscriber base through digitization. Presently, the Company has about 10 million digital subscribers from DAS Phases I, II and III. The balance 3 mn analogue customers are expected to be digitized in FY 2017 (Phase IV).

SUBSIDIARY COMPANIES

A report on the performance and financial position of each of the subsidiaries, associates and joint venture companies as per the Companies Act, 2013 and its rules are provided as annexure to the consolidated financial statement and hence not repeated here for the sake of brevity. The Policy for determining material subsidiaries as approved may be accessed on the Company's website at the link: http://www.dennetworks.com/corporate_gov.htm

Details of Companies/entities which have become or ceased as subsidiary company, associates and joint ventures, during the year under review, are as under:

Name of Company	Relationship	Details of Changes	Date of Change
Star Den Media Services Pvt. Ltd.	Joint Venture	Ceased to be Joint Venture	30-03-2016
DEN Sports & Entertainment Pvt. Ltd.	Wholly Owned Subsidiary Company	Became Associate Company pursuant to selling of proportionate stake	30-03-2016

The financial statements of the subsidiary companies and related information are available for inspection by the members at the Registered Office of your Company during business hours on all days except Saturdays, Sundays and public holidays up to the date of the Annual General Meeting as required under Section 136 of the Companies Act, 2013. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at the Registered Office of your Company.

PUBLIC DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. The Company's internal controls are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance of corporate policies. It has continued its efforts to align all its processes and controls with global best practices.

MEETINGS OF THE BOARD AND COMMITTEES

Five meetings of the Board of Directors were held during the year. For further details regarding meeting of board and committees, please refer report on Corporate Governance of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- 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 as at March 31, 2016 and of the loss of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis;

- the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

KEY MANAGERIAL PERSONNEL & DIRECTORS

In terms of the Articles of Association of the Company Mr. Ankur Ambika Sahu, Director of the Company, is liable to retire by rotation and being eligible, has offered himself for re-appointment. The Company has received requisite notice in writing from a member for appointment as Director.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under Companies Act, 2013 and under applicable regulation(s) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, if any. The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive directors. The details of programmes for familiarization of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: http://www.dennetworks.com/corporate_gov.htm

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements), Regulations 2015, the Board has carried out an evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit, Nomination & Remuneration Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report. The Schedule IV of the Companies Act, 2013 states that the performance evaluation of the Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated.

AUDITORS & AUDITORS' REPORT

At the Annual General Meeting held on September 29, 2015, M/s. Deloitte Haskins & Sells, Chartered Accountants, were appointed as Statutory Auditors of the Company, to hold office till the conclusion of 11th Annual General Meeting to be held in the calendar year 2018. In terms of Section 139 of the Companies Act, 2013, the appointment of auditors shall be placed for the ratification at every Annual General Meeting, accordingly, the appointment of M/s. Deloitte Haskins & Sells as Statutory Auditors of the Company, is placed for the ratification by the shareholders of the Company.

The Board has duly examined the Report issued by the Statutory Auditors' of the Company on the Accounts for the financial year ended March 31, 2016. The notes to the financial statements, as presented in this Annual Report, are self explanatory in this regard and hence do not call for any further clarification. The Auditors' Report does not contain any qualification, adverse remark.

EXTRACTS OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure A".

SECRETARIAL AUDIT

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Neelesh Jain, Company Secretaries in practice of M/s NKJ & Associates to undertake the Secretarial Audit of the Company. The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark. The Secretarial Audit report is annexed herewith as "Annexure B"

CERTIFICATE ON CORPORATE GOVERNANCE FROM PRACTICING COMPANY SECRETARIES

In terms of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Practicing Company Secretaries' certificate on corporate governance is forming part of Corporate Governance Report. The certificate for the financial year ended on March, 2016 does not contain any qualification, reservation or adverse remark.

COST AUDITORS'

M/s Ajay Kumar Singh & Company, Cost Accountants, have been re-appointed as Cost Auditors for the financial year 2015-16, to conduct cost audit of the accounts maintained by the Company. However, necessary approvals, if any, shall be taken as may be required by the applicable provisions. Full particulars of the Cost Auditor are as under:

M/s Ajay Kumar Singh & Company
1/26, 2nd Floor, Lalita Park, Laxmi Nagar, Delhi-110092
Tel. No. : 011-45595822; Email ID – info@cmaadvisors.in
(Firm's Membership No. 30778)

Your Board has duly examined the Report issued by the Cost Auditors' of the Company on the Accounts for the financial year ended March 31, 2016. The Cost Auditors' Report does not contain any qualification, reservation or adverse remark. Your Company has re-appointed M/s Ajay Kumar Singh & Company, Cost Accountants as Cost Auditor under Section 148 of the Companies Act, 2013 for Cost Audit for the financial year 2016-17.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The details of the loans, guarantees given and investments made by company are given in the notes to the financial statements.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: http://www.dennetworks.com/corporate_gov.htm

Your Directors draw attention of the members to Notes to the financial statement which sets out related party disclosures.

CREDIT RATING

The details of credit rating of company are as followed:

Instrument	Rating Agency	Rating	Outlook
Long Term Debt	ICRA	A-	Stable
Short Term – Non Fund based limit	ICRA	A2+	Stable
Long Term/Short Term unallocated limit	ICRA	A-	Stable

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015. It is presented in a separate section forming part of the Annual Report.

EMPLOYEES' STOCK OPTION SCHEME

The Nomination and Remuneration Committee of the Board of Directors of the Company, *inter alia*, administers and monitors the Employees' Stock Option Scheme of the Company in accordance with the applicable SEBI Guidelines. The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2016 with regard to the Employees' Stock Option Scheme (ESOS) are provided in "Annexure C" to this Report.

The Company has received a certificate from the Auditors of the Company that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the members. The certificate would be placed at the Annual General Meeting for inspection by members.

Voting rights on the shares issued to employees under the ESOS are either exercised by them directly or through their appointed proxy.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility and Governance Committee (CSR&G Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be

accessed on the Company's website at the link: http://www.dennetworks.com/corporate_gov.htm

The key philosophy of all CSR initiatives of the Company is guided by three core commitments of Scale, Impact and Sustainability.

The Company has identified following focus areas of engagement which are as under:

Rural Transformation	Creating sustainable livelihood solutions, addressing poverty, hunger and malnutrition
Health	Affordable solutions for healthcare through improved access , awareness and health seeking behavior
Education	Environmental sustainability, ecological balance, conservation of natural resources
Arts, Heritage and Culture	Protection and promotion of India's art, culture and heritage
Environment	Environmental sustainability, ecological balance, conservation of natural resources
Disaster Response	Managing and responding to disaster
Promotion of Sports	Training to promote rural sports, nationally recognized sports, Paralympics sports, Olympic sports and promote sports at grass root level
Community Development	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes etc.,
Other Initiatives	To undertake other need based initiatives in compliance with Schedule VII of the Companies Act, 2013

The Company has spent Rs. 5(five) lakhs on CSR activities. The Annual Report on CSR activities is annexed herewith marked as "Annexure D".

RISK MANAGEMENT

The Board of Directors have constituted a Risk Management Committee consisting three Directors, has been entrusted with the responsibility to assist the Board in (a) Overseeing and approving the Company's enterprise wide risk management framework; and (b) Overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. A Group Risk Management Policy was reviewed and approved by the Committee. The Company's management systems, organizational structures, processes, standards, code of conduct and behaviors together form the DEN Management System that governs how the Group conducts the business of the Company and manages associated risks.

CODE OF CONDUCT:

The Board of Directors has approved a Code of Conduct which is applicable to the Members of the Board and all employees in the course of day to day business operations of the company. The Company believes in "Zero Tolerance" against bribery, corruption and unethical dealings / behaviors of any form and the Board has laid down the directives to counter such acts. The code laid down by the Board is known as "code of business conduct" which forms an Appendix to the Code. The Code has been posted on the Company's website www.dennetworks.com. The Code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The Code gives guidance through examples on the expected behaviour from an employee in a given situation and the reporting structure. All the Board Members and the Senior Management personnel have confirmed compliance with the Code. All Management Staff were given appropriate training in this regard.

AUDIT COMMITTEE

The composition of the Audit Committee is in conformity with the provisions of Section 177 of the Companies Act, 2013. The Audit Committee comprises of :-

S.No.	Name of the Member	Designation
1.	Mr. Ajaya Chand	Chairman
2.	Mr. Robindra Sharma	Member
3.	Mr. Krishna Kumar P.T. Gangadharan	Member

All the recommendations made by the Audit Committee were accepted by the Board.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism Policy to deal with instance of fraud and mismanagement, if any. In staying true to our values of Strength, Performance and Passion and in line with our vision of being one of the most respected companies in India, the Company is committed to the high standards of Corporate Governance and stakeholder responsibility.

PREVENTION OF INSIDER TRADING:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and Designated Employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code. All Board Directors and the Designated Employees have confirmed compliance with the Code.