

ANNUAL REPORT
2002-03



Aakhir Dil Hai Hindustani

ETC NETWORK

U N I Q U E a l u e s

To maintain the Company's pioneering status as a multimedia content and access provider, driven by viewer response and shareholder confidence.

We will continue to aim for greater growth in creativity and productivity by adding value to existing properties, both for our viewers and advertisers.

*Convergence through the flow of group synergies shall make innovation an inevitable part of the **etc** brand.*

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Notice

NOTICE is hereby given that the Twenty First Annual General Meeting of members of ETC NETWORKS LTD. will be held on **Friday**, the **22nd** day of **August 2003** at **4.00 PM** at The Club, 197 D N Nagar, Andheri (W), Mumbai 400 053 to transact following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2003 and Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a director in place of Mr. Vikas Gupta, who is retiring by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Ms. Hema Malini, who is retiring by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, pass the following resolution, with or without modifications, as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Surjit Banga, who was appointed as an Additional Director on 28 October 2002 under Article 136 of Articles of Association of the Company and holds office

up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as Director of the Company liable to retirement by rotation."

7. To consider and if thought fit, pass the following resolution, with or without modifications, as an **Ordinary Resolution**:

"RESOLVED THAT Mr. C R Mehta, who was appointed as an Additional Director on 28 April 2003 under Article 136 of Articles of Association of the Company and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company liable to retirement by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered by insertion/substitution of following new Articles:

- a) Article No. 76A to be inserted after Article No. 76

"Registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever."

- b) Substitute existing Article No. 172(a)(i) as follows:

"The power to make calls on Members in respect of money unpaid on their shares provided that the option or right to call on shares shall not be given to any person except with the sanction of the Company in General Meetings."

- c) Insert Sub-article No. 108(c) to Article No. 108

"Notwithstanding anything containing in any other Articles of this Articles of Association, so long as Zee Telefilms Ltd. (ZTL), its subsidiaries, associates and/or its affiliates hold more than 26% of paid up voting Equity Share Capital of the Company, the Chairman of ZTL, whether a director or not, shall be the Chairman of the Company and shall chair the General Meetings of the Company."

By Order of the Board

Vijay A Shah

Company Secretary

Mumbai

21st July, 2003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND ON A POLL, VOTE INSTEAD OF THE MEMBER. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 19 August 2003 to Friday, 22 August 2003 (both days inclusive) for the purpose of payment of dividend.
4. Securities and Exchange Board of India has notified that the payment of dividend and other corporate benefits will be made through Electronic Clearing System (ECS) and hence payment of dividend, if declared, will be made through ECS. The members are requested to notify changes in their Bank Accounts to their respective Depository Participants (DPs). The Dividend will be paid to those Members, whose names will appear on the Register of Members

maintained by both the Depositories viz. National Securities Depository Limited and Central Depository Services (India) Limited on the close of the business hours on 22 August, 2003.

5. Members desirous of getting any information from the Company are requested to send their queries at least 10 days before the date of the Annual General Meeting to the Company at its Registered Office to enable the Management to keep the required information ready at the meeting.
6. The members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Nos. in the attendance slip for attending the meeting.
7. Pursuant to Section 109A of the Companies Act, 1956 the Members are entitled to make nomination in respect of shares held by them

in physical form. The Members desirous of making nomination are requested to send their request in Form 2-B which will be made available on request.

8. All documents referred to in the accompanying notice and explanatory statement are open for inspection at Registered Office of the Company on all working days between 11.00 AM and 1.00 PM up to the date of the Annual General Meeting.
9. Appointment / Reappointment of Directors: At the ensuing Annual General Meeting, Mr. Vikas Gupta and Ms. Hema Malini retire by rotation and being eligible offer themselves for reappointment. Mr. Surjit Banga and Mr. C R Mehta who were appointed as Additional Directors hold office till the date of the Annual General Meeting and are proposed to be appointed as Directors of the Company. Their brief profiles as required under the Code of Corporate Governance are given in the Annual Report.

Annexure to Notice

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Items 6 & 7

In order to broad base the Board, the Board of Directors has appointed Mr. Surjit Banga and Mr. C R Mehta as Additional Directors of the Company on 28 October 2002 and 28 April 2003 respectively. Mr. Surjit Banga and Mr. C R Mehta are Non-Executive and Independent Directors and hold office till the date of ensuing Annual General Meeting. The Company has received notices in writing from Members proposing their candidature for the office of Director under Section 257 of the Companies Act, 1956.

None of the Directors except Mr. Surjit Banga and Mr. C. R. Mehta is interested in these resolutions.

The Board recommends these resolutions for approval by members of the Company.

Item No. 8

Article 76A and Article 172(a)(i): In terms of the Listing Agreement entered into with the National Stock Exchange of India Ltd., the Articles of Association of the Company need to be amended by inserting and/or substituting new Articles relating to transfer of shares and making calls on shares. Accordingly, the transfer of shares shall not be rejected on the ground of indebtedness of the proposed transferee and power to make calls on shares shall not be given to any person without the sanction of the Company in general meetings.

Article 108(c): Zee Telefilms Ltd. (ZTL) has acquired majority equity stake in your company. In order to have complete control over the management ZTL has proposed that the Chairman of ZTL, whether a director on the Board of your Company or not, shall be the Chairman of your Company.

Your directors believe that it would be in the overall interest of the Company and the members that the above amendments be approved. Your directors commend the resolution for your approval. A copy of the Articles of Association of the Company showing proposed alteration is available for inspection at the Registered Office of the Company on all working days between 11.00 AM and 1.00 PM up to the date of the ensuing Annual General Meeting.

Mr. Rajiv Garg and Mr. Vikas Gupta being representatives of ZTL on the Board of Directors of the Company may be deemed to be concerned or interested in the Resolution pertaining to insertion of Article 108(c). None of the other directors of the Company is in anyway concerned or interested in the said resolution.

By Order of the Board

Vijay A Shah
Company Secretary

Mumbai
21st July, 2003



ETC Networks Limited

Registered Office: 7-B, Shah Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai - 400 053

PROXY FORM

I/We..... of
being a Member/Members of ETC Networks Limited holding shares in Folio No./Demat
A/c No. :hereby appoint
.....
ofor failing him
ofor failing him
ofas my/our Proxy to attend and vote for me/us and on my/
our behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the said Company to be held on Friday,
22nd August, 2003 at 4.00 p.m. at The Club, 197 D N Nagar, Andheri (W), Mumbai - 400 053 and at any adjournment
thereof.

Signed this..... day of.....2003.

Affix 30 P.
Revenue
Stamp

Signature(s) of the Shareholder(s).....

N.B. (i) This form must be deposited at the Registered Office of the Company not later than 48 hours
before the time of the Meeting.

(ii) A PROXY NEED NOT BE A MEMBER.

Tear Here

ETC Networks Limited

Registered Office: 7-B, Shah Industrial Estate, Off Veera Desai Road, Andheri (W), Mumbai - 400 053

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING to be held at The Club,
197 D N Nagar, Andheri (W), Mumbai - 400 053 on Friday, 22nd August, 2003 at 4.00 p.m.

Folio No./Demat A/c No.:

Full Name of the Shareholder
(in block letters)

Signature

*Full Name of Proxy
(in block letters)

Signature

*(To be filled in if the Proxy attends instead of the Member)



CHAIRMAN

Subhash Chandra

BOARD OF DIRECTORS

Surjit Banga	<i>Director</i>
Hema Malini	<i>Director</i>
C R Mehta	<i>Director</i>
Vikas Gupta	<i>Director - Finance</i>
Rajiv Garg	<i>Managing Director</i>

EXECUTIVE DIRECTOR (Not on Board)

Jagjit Singh Kohli

SENIOR MANAGEMENT TEAM

Jagjit Singh Kohli	<i>Chief Executive Officer</i>
Vikas Gupta	<i>Chief Financial Officer</i>
Yogesh Radhakrishnan	<i>Business Head – etc Music</i>
Rabindra Narayan	<i>Business Head – etc Channel Punjabi</i>
Ashutosh Pande	<i>Vice President – Operations</i>
Deepak Bondre	<i>Vice President – Accounts</i>
P R Balasubramanian	<i>Vice President – Corporate</i>
Rajjee M Shinde	<i>Vice President – Programming</i>
Sam Mall	<i>Vice President – Sales</i>

COMPANY SECRETARY

Vijay A Shah

BANKERS

ICICI Bank Ltd.
Global Trust Bank Ltd.
Samata Sahkari Bank Ltd.

SOLICITORS

Thakore Jariwala & Associates
Solicitors and Advocates

AUDITORS

MGB & CO.
Chartered Accountants
Mumbai

REGISTRAR AND TRANSFER AGENTS

R & D Consultants Ltd.
610 Dalamal Towers
211 Nariman Point
Mumbai 400 021
Tel.: + 91-22-22834347
Fax: + 91-22-22855759

REGISTERED OFFICE

7-B, Shah Industrial Estate
Off Veera Desai Road Andheri (W)
Mumbai – 400 053
Tel.: + 91-22-26732033
Fax: + 91-22-26732224
Website: www.entertainmenttv.com

Chairman's Statement

Dear Shareholders

Last year Zee Telefilms Limited acquired majority equity stake and management control of **etc** with the main objective of nurturing its well established Music and Punjabi channels and to build on synergies for enhancing its shareholders value. **etc's** superior content is having large viewership abroad and our task was to take it to them.

I am happy to report that during the first year of operations of **etc**, under new management, **etc** has made significant progress to enhance shareholders value in quantitative and qualitative terms. The synergy between **etc** and ZEE has started yielding fruits as envisaged last year.

etc has made an emphatic beginning in its international foray by taking its content to UK. A separate channel in the name and style of "Alpha **etc** UK" has been launched. The content of which includes live telecast of Gurbani from Golden Temple, Amritsar and music and song compilations made by the Indian team. The channel has received good response from its viewers in UK. **etc** is exploring forays into USA,



Canada and other countries with a sizeable population of Indian origin.

The reach of its programmes is expected to increase considerably in the years to come bringing with it wider exposure for potential advertisers and subscription revenue.

In times of intense competition in the Media industry, your company is **uniquely positioned** to reap benefits of large resources, well distributed channels and worldwide reach.

etc has already adopted the latest technology of digital transmission over the erstwhile analog transmission. State of the art capital equipment has been acquired for shooting, sound recording and other pre and post production processes of programming.

With the growth of the television households and the advent of CAS, advertising revenues for Free To Air (FTA) television channels is expected to grow substantially. Better and more reliable information of viewer preferences across channels is expected



to benefit the company and enable it to improve its realizations. The Government of India has announced implementation of CAS only in four metro cities viz. Mumbai, Calcutta, Chennai and Delhi. **etc** would review its strategy, whether to keep its channels in FTA mode or pay mode, only after smooth roll out of CAS in four metro cities and coverage of additional cities under CAS model.

I am glad to say that both channels of your company viz. **etc** Music and **etc** Channel Punjabi have continued to maintain their leadership position in their respective segments.

Throughout the year 12-18 Programmes of **etc** Music continued to figure amongst top 25 Programmes of the Music genre. The channel share of **etc** Music continued to be around 40% in comparison to other music channels, which is a very creditable achievement.

etc Channel Punjabi continued to be the most popular Punjabi language channel. Recently it created a history in television industry by clocking in 100% viewership of live telecast of its event "Aayee Baisakhi" in April this year. **etc** channel Punjabi has loyal and most dedicated viewership in Punjab and Himachal Pradesh which only matches with that of general entertainment channels.

Your company will ceaselessly continue to strive to provide wholesome entertainment to its viewers and value to its advertisers.

The year 2002 was the beginning of a new era at **etc**. The company put in a stellar performance to convert a loss of Rs 1410 lakhs in 2001-02 to a handsome profit of Rs 1413 lakhs in 2002-03. This was made possible due to conscious introduction of best management practices and substantial cost saving in all areas of the business at **etc**. It is a matter of great pleasure for me to say that the Board of your company has recommended a maiden dividend of 20%.

The future beholds players with great depth in size of resources, skill and expertise. This will inevitably

lead to corporatisation and a further consolidation in the industry. The nature of the entertainment industry is such that companies which are part of a larger group and spread across different segments of the industry will be better placed to realize the opportunities available. **etc** is a part of an extremely dynamic industry with potentially high growth opportunities.

The Indian entertainment sector is poised for rapid growth and **etc** with its leadership position and synergies of operations with its holding company plans to exploit these opportunities to the fullest. We have identified key areas of growth and are working on them. **etc** is well positioned to leverage its superior content and dominant position in the Indian broadcasting market. Through our growth strategies, we will diversify our revenue streams.

Ultimately the aim of **etc** is to be a responsible and socially conscious entity to serve the needs and expectations of all the segments of the society, be it the employees, or community at large, and not to say the least, its shareholders. At **etc**, we are continuously striving to build an organisation which shall meet expectations of all its stakeholders in terms of sustained competitiveness in business, efficient use of capital and high standards of corporate governance.

Our commitment is to strengthen and grow our business with a long-term vision.

At last but not the least I would like to mention that our success would not have been possible but for the untiring efforts and dedication of our employees. I convey my compliments to all of them. I am also grateful for the unflinching support extended by all of you and hope to receive it in future too.

THANK YOU

Subhash Chandra
Chairman