

EDUCATION AND ENTERTAINMENT
GROWTH THROUGH DUALITY



ETC NETWORKS LIMITED
ANNUAL REPORT
2008-09

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Certification on Financial Statements of the Company

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INTRODUCTION

*"A mind needs to be expanded. A soul needs to be ignited.
One without the other, is like bread without butter."*

- Anonymous

With this firmly stamped in our DNA, ETC forges ahead as probably the only company in India that has found success by amalgamating two fields as diverse and significant as Education and Entertainment.

With a strong presence in over 300 cities, Kidzee is the country's top chain of pre-schools. Its success spawned two more initiatives – Zee Schools, a chain of K-12 schools with a CBSE curriculum and Zee Institute of Creative Arts (ZICA) as well as Zee Institute of Media Arts (ZIMA) providing high quality vocational training. Thus, our bouquet of services includes something for everyone – right from toddlers to teens to youths. We take immense pride and satisfaction in the fact that our work gives us the opportunity to Improve Human Capital.

Then of course, there are ETC Networks television channels which cater to another basic human need – Entertainment. ETC Hindi, a perfect blend of Bollywood, music and entertainment, is a pioneering channel in the Indian film entertainment industry. ETC Punjabi, our Punjabi general entertainment channel has been leaving all its competition behind, since its inception 9 years ago.

ETC Networks Limited is committed to Educating Minds and Entertaining Lives.

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

It gives me great pleasure to present before you the annual results of ETC Networks Limited for 2008-09. The year was unprecedented in terms of the challenges it threw for the economy. Global economy being interlinked, the recession and liquidity crisis percolated all segments and sizes of business, even in India. India's GDP growth is expected to be 6.8% in 08-09 vs. 9% in 07-08.

No business has been spared the impact of the Global downturn. Revenue streams that depend on other businesses such as advertising revenues, exposure revenues and franchisee sign up revenues saw a direct impact of the severe belt tightening that businesses and individuals resorted to. On the brighter side though, enrolment revenues that are less impacted by a slowdown remained robust. In the year under review, your company delivered revenue of Rs. 72.66 crores and EBITDA of Rs. 16.92 crores.

You'll be pleased to know that as always, your company was pro-active in combating the crisis through innovation, fiscal prudence and exploring new growth opportunities. The Education division, Zee Learn, led innovation by launching the new Kidzee with a proprietary methodology, new business model and new identity. The new Kidzee improved ROI for the Franchisee and improved our receivable cycle & bad debt situation through removing the inefficiency in the collection process. We also launched Zee Schools,

a revolutionary concept for school education that is centred on the child. The Entertainment division led strict cost management to stay competitive in light of the bleak market situations with fewer big budget movie launches and reduced advertising spends. The company also opened new growth areas in animation and mobile through Cornershop – an animation production company and earning the rights to provide services to an upcoming high-end school in Mumbai.

Industry Outlook

The Indian education sector is on the cusp of exponential growth and revolutionary changes. The new government has expressed its intention of the opening up the sector to increase the availability of quality institutions. Public - private partnerships are set to become a big driver of growth and expansion. Underlying demand from the rising middle class is fuelling the demand for more and more quality schools and pre-schools. India is still underdeveloped in terms of pre-schools with only 18% of Urban India sending their children to a pre-school compared to close to 85% in more developed countries. Further, recent studies show that there is a need for close to 1 lakh good quality schools to meet the rising demand. All this bodes well for our company as we are the market leader in pre-schools and No. 3 in terms of no. of schools.

Entertainment continues to be a staple of Indian lives. The entertainment industry has witnessed an era of Big Corporate Houses now turning producers of Bollywood films. The industry has also witnessed a demand for better filmed entertainment and thus demand for better cinema halls. We have also witnessed Films being made at Rs. 70 crore budgets and thus the pressure to promote these films is even stronger. Bollywood will witness more number of films releasing, growing at a pace of 15%. There will be an increase in requirement for television promotion/advertising. The Punjabi entertainment industry also promises great growth opportunities in the coming years, with more players vying for a place in the Punjabi entertainment market, the competition is bound to get stiffer resulting in the production of better content thus contributing to the overall growth of the Punjabi genre.

The company is continuously striving to build an organization that exceeds expectations of all its stakeholders in terms of sustained competitiveness in business, efficient use of capital and high standard of corporate governance. Our commitment is to strengthen and guard our business with a long term vision.

We are off to a good start in 2009-10 and are confident of sustaining the growth momentum.

With Best Wishes,
Punit Goenka



ZEE LEARN

Our Education Division

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Zee Learn is the Education division of ETC and strives to Improve Human Capital. With interests in Early Childhood Development & Education, School Education and Youth Vocational Institutes & Testing Services, Zee Learn is one of the few integrated education players in the country. We cater to a cross-section of the country's learning population right from toddlers to youths.



KIDZEE

Kidzee is Asia's No. 1 chain of pre-schools. 644 schools in 300 cities and still growing. We're a pioneer in the space of organized pre-schooling in India with the 1st Kidzee coming up as far back as 2003. Over 100,000 children have passed through a Kidzee school and have gone on to being admitted into prestigious schools. In fact 2009 alone, saw our strength grow by a further 30,000.

Keeping with our constant endeavour to innovate, Kidzee introduced a new child centric methodology called iLLUME™ in October, 2008 under Project Dolphin. Project Dolphin is a revolution in the Pre-school segment with a new business model that results in advantage for the Franchisee and Franchisor and the new iLLUME™ methodology. It gives us the edge as the only TM pedagogy in the pre-school segment. During the year, 414 existing Kidzee centres successfully transitioned to the new Dolphin model.

ZEE SCHOOLS

Zee Schools showed impressive growth in expanding across India. As on 31st March, 2009, there were 31 schools who had signed up to be Zee Schools and out of these, 25 schools are already operational. The company even managed to crack the tough south zone market with a remarkable 10 school signups.

Providing much needed innovation in the school segment, the company developed and rolled out a unique methodology- Litera Octave™. This new tool ensures that students properly understand the basics and concepts and not just a string of, what turn out to be, inconsequential words associated with them. The ball has already been set rolling to start up a school in Mumbai.

YOUTH VOCATIONAL INSTITUTES

We also help nurture the dreams of the youth of the nation through our vocational training institutes Zee Institute of Creative Arts (ZICA) and Zee Institute of Media Arts (ZIMA). We've successfully implemented a franchisee model of ZICA institute at Bhuvneshwar and plan to add more such institutes in India. New and contemporary courses such as a 1-year Diploma in Animation, 6-month certificate in VFX, 6-month certificate in Gaming and a 6-month certificate in Animation have been developed keeping students and the industry in mind.

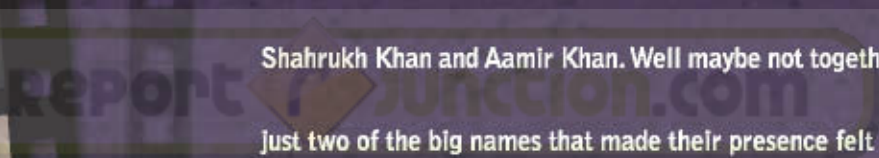


the business of entertainment

ETC HINDI

the business of entertainment

Our Entertainment Division - ETC Networks



Shahrukh Khan and Aamir Khan. Well maybe not together, but those are just two of the big names that made their presence felt on the channel's flagship show Bollywood Business (formerly known as Bbiz). With a wealth of films, 150 to be precise, being launched this past year, it was ETC who dominated & led the space of Bollywood promotion. Every film released in 08-09 was on the ETC platform. It showcased itself to be a perfect amalgamation of Bollywood, Music and Entertainment, thereby winning the confidence of Producers in the film industry.



ETC PUNJABI

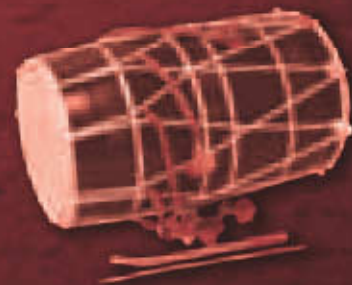
Dil apna Punjabi

Our Entertainment Division - ETC Networks

ETC Punjabi boasts a plethora of unique programs across a range of entertainment genres – religious, food-travel shows, kid shows, shows for women, music shows, film trailers, Punjabi movies, comedy, fiction, youth, lifestyle and interactive shows. A Punjabi GEC that touches the life of every Punjabi, ETC Punjabi continued with dazzling events providing ample opportunities for our advertisers vis-a-vis ground & on-air activities, providing them the value for money; in addition to the diverse bouquet of entertainment & religious programming.



The Entertainment division runs two channels – ETC Music & ETC Punjabi. ETC Music is India's premier Bollywood channel that film producers view as being imperative to their film's success. ETC Punjabi, of course, is a leading Punjabi channel known for its great mix of music, religious and interactive programming.



CORPORATE INFORMATION

Board of Directors

Punit Goenka	Chairman
Surjit Banga	Independent Director
Prof. R.S. Jangid	Independent Director
Dr. Manish Agarwal	Independent Director
Sanjay Jain	Director
Sumeet Mehta	Whole Time Director

Asst. Company Secretary

Sheetal S. Chitlange

Senior Management Team

Entertainment Division

Anurag Bedi	Business Head – ETC Music
Ravinder Kumar	Dy. Business Head – ETC Punjabi

Education Division

Ashish Deb	Sr. Vice President, National Sales
Nitin Pandey	Business Head Kidzee
Navneet Anhal	Business Head Zee School
Nitya Ramaswamy	Head Academics

Auditors

M/s MGB & Co.	Chartered Accountants
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Solicitors

Thakore Jariwala & Associates, Mumbai
Niraj Malhotra & Associates, Delhi

Registered Office

Continental Building,
135, Dr. Annie Besant Road, Worli,
Mumbai – 400 018, India.

Corporate Office

Education Division- 3rd Floor,
Valecha Chambers, Plot No. B-6, Andheri Link Road,
Andheri (W), Mumbai – 400 053.
Tel: +91-22-2674 3900 Fax: +91-22-2674 3422
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Bankers:

ICICI Bank Ltd.
HDFC Bank Ltd.
Axis Bank Ltd.
Standard Chartered Bank
State Bank of India
BNP Paribas
IndusInd Bank
Punjab National Bank Ltd.

Registrars and Transfer agent

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