

Zee Annual Report 2001-2002



Big ideas in entertainment

Report  Junction.com



We started with the small screen.



And big resources behind it.

With its technology worth millions, thousands of  
many years of experience, a failure-proof vision  
and a unique viewer insight. As India's largest



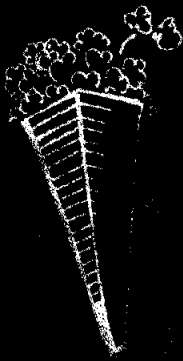
multimedia fully integrated media and

entertainment company, Zee has proven its

**REPORT JUNCTION.COM**



It is this spirit that keeps over 225 million



viewers across a globe informed and  
entertained. Zee is now set to consolidate this  
momentum on the small screen and target the

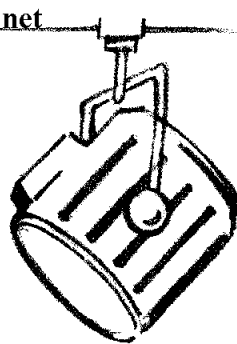
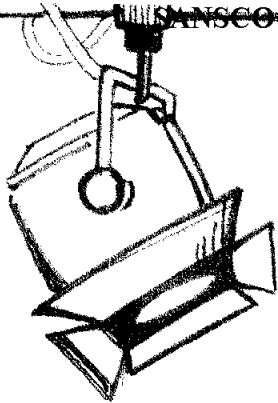
big screen. With big ideas.





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## value statement

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.

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

## Chairman's statement



Dear Shareholder,

In the financial year 2002, world politics and economics went through difficult times. The year witnessed a steep fall in marketing and advertising spends and global advertising market reportedly declined by 5% after a decade of solid year-on-year growth. Various sectors including TMT witnessed a recession, especially in the post September-11 period. Through the series of events too well known to document here, the Indian market was also seriously affected. Even

your company was not immune to this pervasive downturn in the world media & advertising markets.

In the year gone by, your company experienced competitive and challenging times in the domestic markets. However, being India's only fully integrated media company provides us a unique combination of business opportunities. The company took many new initiatives to overcome economic slack and difficult competitive environment and recorded turnover growth of more than 11% while stringent cost control measures resulted in net profit growth of more than 11.5% on a consolidated basis.

As I noted earlier, the domestic advertising market did not post an encouraging trend in the financial year 2002. Despite the acknowledged strength of our sales and marketing team, the advertising revenues registered a drop of approximately 4.5% as compared to the previous year. Advertising revenues nevertheless contributed around 57% to the total revenues.

This contraction was counterbalanced however by a strong growth in pay revenues. We believe that pay revenues, as one of the revenue streams of your company, would be the future area of growth. With an objective to strengthen and broad-base the revenue stream, your company decided to turn its flagship channels, Zee TV and Zee News, pay from June 2001. As a result pay revenues from domestic market increased by more than 230% in FY2002. Total subscription revenues increased by a very encouraging 50% during the year.

Filmed entertainment has been a large growth segment in Indian entertainment industry. In financial year 2002 your company, in its new initiative of producing and distributing big budget movies, released 'Gadar – Ek Prem Katha', which proved to be a scintillating success recording highest collections in the history of Indian cinema.

*The Zee-Turner alliance makes us the largest pay offering network in the country reaching over 35 million households with some of the strongest television brands such as Zee TV, Zee Cinema, Zee News, HBO, Cartoon Network and CNN in a single bouquet.*

The weak international economic climate in 2001 gives added significance to our approximate 20% growth in international revenues. During the financial year 2002, more than 16% of our revenues came from markets other than Asia. Taking a long-term view of the potential of new international businesses, we have increased our investments abroad and will continue putting the right people and infrastructure in place. The new markets added include Canada, Middle East, Bangladesh, Pakistan and Hong Kong. We shall continue to grow the Zee brand around the world and drive further growth through newer subscribers and markets.

During the year our receivables position worsened due to the tough business environment surrounding media companies. Efforts are on to bring down the receivables to normal levels and to this end we are making progress despite the trying times.

In order to cross-leverage strength of content on the pay revenue front, your company entered into a joint venture with Turner International (India) Ltd, an AOL Time Warner company, to market and distribute pay offerings from both the networks together. This alliance makes us the largest pay offering network in the country reaching over 35 million households with some of the strongest television brands such as Zee TV,

Zee Cinema, Zee News, HBO, Cartoon Network and CNN in a single bouquet.

During the year, we decided to consolidate a few operations and cut down some investments. Subsequent to a global reality-check on convergence, the investment plan in HFC network across several cities was curtailed to 3 cities. Cost reduction through restructuring and selective staff reductions has been implemented across the network. Operating and expansion plans in the Portal and Education businesses were reduced considerably in view of the slow development of opportunity there.

This restructuring has been matched by a series of strategic acquisitions and tie-ups aimed to equip Zee to compete in the future. Your company recently acquired a 51% stake in ETC Networks Limited and a 64% stake in Padmalaya Enterprises Pvt. Ltd., which holds a 49.9% stake in Padmalaya Telefilms Ltd. ETC is the industry leader in Music and Punjabi television segments while Padmalaya has acknowledged expertise in production and distribution of movies, animation and television content in the South Indian languages. These acquisitions would strengthen your company's position in Music, Punjabi & South Indian channel segments and create a firm foothold in film production, animation and distribution. We are pleased with the performance of both these companies and do believe that we shall derive tremendous value once the integration process is completed.

Despite the tough environmental conditions, there were a few macro developments that I would like to mention specifically, which are path breaking and will change the structure of the industry. The permission by the Government to uplink channels locally was one such move. It will result in increasing the advertising base for the entire industry. We have immediately taken initiatives to develop new customer segments in the

*The ETC & Padmalaya acquisitions would strengthen your company's position in Music, Punjabi & South Indian channel segments and create a firm foothold in film production, animation and distribution.*

market that would now be enabled to add television advertising to their marketing armoury.

Secondly, with the objective to address leakage of pay revenues from the Indian cable system, I&B ministry has proposed introduction of Conditional Access System (CAS) as a priority for the year 2002. This move will enable consumers to pay for what they actually watch and should largely address the problem of under-declaration from various levels of cable distribution system in the country. Your company will benefit from CAS both as a broadcaster and as a Multi System Operator (MSO). Zee is fully equipped to make required investments in technology to effectively install the prerequisites of the system.

Talent and the quality of people is the key differentiator in our business and we aim to raise our standards even further in this area, with new appointments and strategic resourcing. Inducting best of the talent from within and outside of the industry remains the company's focus. This has been a year of challenges and change for our employees. I thank all colleagues for their continued dedication and hard work.


During the year we continued to tone up our operations and this was also reflected in the changes in the Board of Directors. Mr. Sandeep Goyal was inducted on the Board following his appointment as CEO of Broadcasting business. This consolidation saw the appointment of Mr. B.K. Syngal and Mr. N.C. Jain to the Board in July 2002. We look forward to

working with them and I am confident that their expertise and experience will strengthen the existing Board. Mr. Rajeev Chandrashekhar and Mr. Vipin Malik stepped down from the Board. We thank both of them for their valuable contributions.

Earlier during the year, we had announced our intention to induct a strategic partner, but the continuing turmoil witnessed by global media players in their respective home markets affected our plans. We continue to watch the situation and shall keep our strategic options under constant evaluation.

In the current market environment it is important not to lose sight of issues, which in the long term will deliver real, sustainable shareholder value. Our strategy is to build highly valuable businesses with leading positions in entertainment media across the value chain. We stay committed to maintaining a diligent focus on the company's core business in the present challenging environment.

We never forget we are in business to create value and opportunity for you, fellow shareholders. I am always encouraged by your interest in Zee's progress, the faith you have reposed in the future of the Company and thank you for your most valuable support.

  
Subhash Chandra



## board of directors

### Mr. Subhash Chandra

*Chairman*

Mr. Laxmi Narain Goel

*Director*

Mr. Ashok Kurien

*Director*

Mr. B.K. Syngal

*Director*

Mr. N.C. Jain

*Director*

Mr. D.P. Naganand

*Whole Time Director*

Mr. Sandeep Goyal

*Whole Time Director*

Mr. Vikas Gupta

*Company Secretary & Sr. VP (Fin)*

M/s. MGB & Company

*Auditors*

### Registered Office

135, Continental Building, Dr. A.B. Road,  
Worli, Mumbai - 400 018.

### Corporate Office

Chintamani Plaza, Andheri-Kurla Road,  
Andheri (E), Mumbai - 400 099.

### Bankers

ICICI Bank Limited  
BNP Paribas  
Standard Chartered Bank  
HDFC Bank Limited

## senior management

Mr. Sandeep Goyal

*CEO – Broadcasting*

Mr. D.P. Naganand

*CEO – Access*

Mr. Amit Goenka

*CEO – Education*

Mr. Rajiv Garg

*CFO*

Mr. Jawahar Goel

*Head – SitiCable*

Mr. Laxmi Narain Goel

*Head – Zee News*

Ms. Apurva Purohit

*Head – Zee TV*

Mr. Prashant Sanwal

*Head – Regional Channels*

Mr. Sunil Khanna

*Head – Distribution*

Mr. Hitesh Vakil

*Director – Finance*

Mr. Indru Balchandani

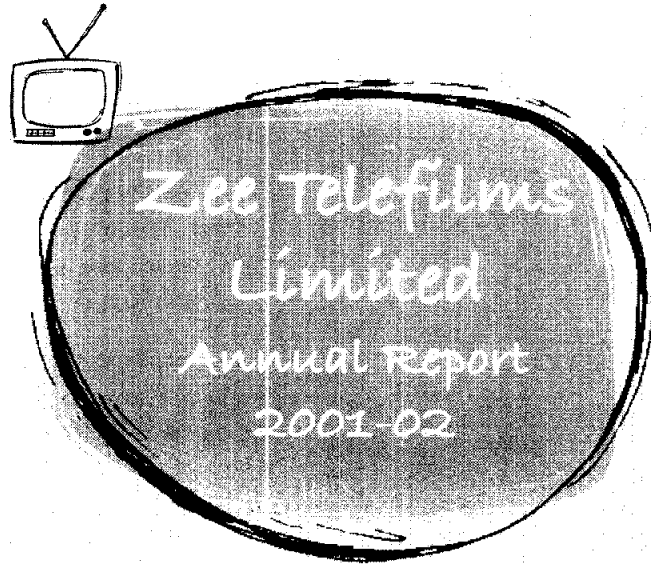
*Director – HR*

Mr. Partha Sinha

*Director – Marketing*

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## Annual Report

### to the Members of ZEE TELEFILMS LIMITED

Your directors take pleasure in presenting the 20th Annual Report of the Company for the year ended 31st March 2002.

#### FINANCIAL RESULTS

Particulars	(Rs. Crores)	
	Year ended 31.03.2002	Year ended 31.03.2001
Sales & Services	406.5	384.7
Other Income	76.7	51.1
<b>Total Income</b>	<b>483.2</b>	<b>435.8</b>
Total Expenses	348.8	273.5
Profit before Tax	134.4	162.3
Provision for Taxation	37.1	23.8
<b>Profit after Tax for the year</b>	<b>97.3</b>	<b>138.5</b>
<b>Less : Prior Period Adjustments (Net)</b>	<b>3.2</b>	<b>0.3</b>
<b>Less : Provision for Taxation</b>		
earlier years	14.2	56.9
<b>Add : Balance brought forward</b>	<b>321.7</b>	<b>295.5</b>
<b>Amount available for appropriations</b>	<b>401.6</b>	<b>376.8</b>
<b>Appropriations :</b>		
Dividend	22.7	22.7
Tax on Dividend	—	2.3
General Reserve	30.0	30.0
<b>Balance carried forward</b>	<b>348.9</b>	<b>321.8</b>

During the year under review, Total Income of the Company (on standalone basis) was Rs. 483.2 crores as compared to Rs. 435.8 crores for the previous year, registering an increase of 10.90%. During the year EBITDA has increased by 6.40% to Rs. 199.7 crores.

#### DIVIDEND

With satisfactory growth in profit during the year, your Directors are pleased to recommend payment of dividend @ 55% for the year 2001-2002 resulting in payment of Rs. 22.7 crores.

#### BUSINESS OVERVIEW – THE YEAR IN RETROSPECT

##### Content

The year saw marked shifts in viewing patterns as compared to last year and once again there is a marked preference for soaps and family drama. Zee launched many new programmes on prime time on its flagship channel - Zee TV.

The new programming line-up was well received and the overall trend remained positive.

The overall programming cost of the network has been contained through good planning, particularly by shifting from weekly formats to daily shows. The lowering of acquisition cost for movie rights has also helped bring down the costs.

Zee News was refurbished with a new look. New virtual sets were introduced and its coverage is getting increasing appreciation. The incisive news coverage during the budget, and breaking news on Gujarat violence drew wide appreciation.

The investments in Regional channels is an important strategic building block. Regional language channels will be a significant growth area of the future targeting a new, yet complementary market segment that is currently not being addressed by other major broadcasters.

The Company produced its first big budget movie "Gadar – Ek Prem Katha", which became the top grosser of the year 2001. It was one of the few films along with "Lagaan" to have done well during the year.

The entertainment industry in India is showing good potential, which will provide exciting opportunities for future growth. The regional and niche markets are clearly growing at a fast pace and have the potential to become significant part of the business in the next 5 years. The Company is well poised to take a leading share in both the Pay and Advertising revenue segments.

#### Domestic Pay Revenues

During the year, Zee formed a JV company "Zee Turner Private Limited" to market and distribute the pay channel bouquet consisting of 14 channels of Zee and 3 channels of Turner in the Indian sub-continent, thereby creating a formidable combination of highly popular channels. Zee has 74% stake in the JV. The formation of this JV is likely to result in significant gains in business both for Zee and Turner in the form of larger subscriber base and higher revenues per subscriber apart from reduced costs and increased efficiencies.

The domestic pay revenue market in relation to actual subscriber numbers constitutes a very small percentage of revenues for the content providers. Your Network's initiatives