

let us excel
us explore
let us achieve
let us motivate
let us learn
let us soar
let us create

A Zen master once asked an audience what they thought was the most important word in the English language. After giving his listeners the chance to think about such favourite words as love, truth, failure and so on, he said, "No, it's a three letter word: it's the word *'let'*"



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'let' - a *mantra* for the spirited.

A mindset for the innovative.

Zee has adopted this attitude to life.

And to the business of entertainment.

The results are not a surprise.

Primarily because success has to follow
the enterprising spirit... 'let it'.

Today, Zee is India's largest vertically integrated
media and entertainment Company.

And true to its pioneering spirit, Zee has developed
a totally integrated content-to-consumer value chain.

As a new year dawns, Zee is all set to let newer
opportunities emerge and to let its spirit
navigate untrodden routes.

MISSION AND VALUES

Mission Statement

To be the leading round the clock air-time properties provider, delighting the viewers on one hand and providing value to the advertisers for their time and money on the other.

To establish the Company as the creator of entertainment and infotainment products and services to feast the viewers and the advertisers. Through these services, we intend to become an integral part of the global market. As a corporation, we will be profitable, productive, creative, trend-setting and financially rugged with care and concern for all stake holders.

Our Values

Customer Focus

Our Company's strategies are driven by the needs of the customer. Our success can be measured by the satisfaction achieved by our customers.

Excellence

We accord a high premium to maintaining superlative standards throughout our Company. We encourage our employees to come up with smarter ideas within the fastest possible time.

Creativity

Key to our value system is innovation and originality. We recognise and have a high regard for individual expression and creative freedom in our quest to provide customer satisfaction.

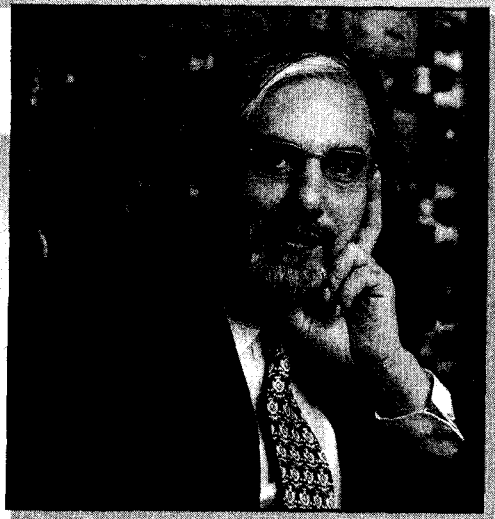
Integrity

We observe strict ethical standards through editorial independence and creative expression, in order to earn the trust of our viewers and subscribers.

Growth Driven

We are committed to delivering consistent revenue and cash flow growth in order to provide our shareholders a good return. Our objective is to grow our people, market and businesses around the world.

CHAIRMAN'S LETTER



Dear Friends,

Your Company started operations in October 1992, a pioneering effort that spawned the television broadcasting industry in India, to today become one of the foremost players in a very promising industry. It is with much satisfaction that I commend to you the progress we have made in the ten years of our operations in the media and entertainment business. Continuing the trend, the financial year 2003 was marked by a robust growth in revenues and an exceptional growth in operating profits.

Another year of robust growth

The financial year 2003 was a tough one for the global economy and India was no exception. Despite that, your Company took many new initiatives and the business showed resilience. Consolidated turnover recorded a growth of 12.2% to Rs. 12,079 million and coupled with stringent cost control measures resulted in operating profit growth of 23.5%. Net profit for the year, excluding exceptional items, recorded an exceptional 33.5% growth to Rs. 2,599 million, helped by reduced finance costs and lower effective tax rates.

While overall growth was strong, your Company witnessed a significant change in its revenue composition. The year was again marked by a slowdown in advertising revenues, the second year in succession for your Company. The situation was doubly impacted due to the Cricket World Cup which took away a fair share of the advertising

spends from other television networks. Advertising revenues, as a result, declined 4.8% to Rs. 6,265 million. They contributed 52% to the total revenues, down from 61% last year.

What we are excited about is the continued strong growth in subscription revenues. As was our belief, overall subscription revenues turned in an excellent performance globally, with 54.5% growth to Rs. 4,849 million. Domestic pay revenues continued to build on the momentum gathered last year, with a strong increase of 81.4% over last year. During the year, subscription revenues contributed 40% to the total revenues, up from 29% last year.

Our international businesses continued to grow in most major markets leading to 41.9% growth in international revenues. Expansion in international markets creates faster growth and reduces costs by distributing our market and programming strengths over a much larger consumer base. During the financial year 2003, 25.2% of our revenues came from markets other than India. We have continued to add new subscribers in most major markets.

Our growth strategy - organisation building

It has now been about a year that I have assumed direct responsibilities in the Company. To better realize opportunities for growth in FY2003, my focus was on :

- bringing about structural changes in the business by strengthening distribution
- building an integrated team which is focused on excellence and delivers value
- improving quality of our products, offerings and earnings
- improving corporate governance and financial transparency

I am happy to say that we have made steady progress in all these areas. Conditional Access System (CAS) and Direct to

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Home (DTH) are strong structural changes taking place in our business environment, which will provide large opportunities to further grow our brands and provide new ways to connect with the consumers. While CAS implementation is ready to commence in the four metro cities of Mumbai, Delhi, Kolkata and Chennai, DTH services would be operational in the third quarter of FY2004. I believe that strong consumer demand of our products and adequate resources for supply uniquely position Zee to take advantage of this very promising development.

From the outset, my emphasis has been on a culture of enablement. Your Company has very high caliber management talent and my aim is to release their energies and capability and convert these into performance. I am happy to say we now have a leadership team in place driven by teamwork, creativity and a modernism of outlook that behoves a resurgent India.

We have been able to improve our product offerings substantially, though there is always scope for betterment. I believe, as a television network, we owe a duty of social and ethical responsibility to the nation. Zee TV is recognized today for its differentiated programming, addressing the current concerns of a modernising India. Zee News has been revamped with improved graphics, better technology and most importantly, a commitment to presenting the undistorted, unvarnished truth as news. Zee Cinema has continued on its growth path and has maintained its number one position despite challenges from the competition. It is our endeavour to build better responsiveness and agility in meeting customer needs. We shall never cease asking ourselves how

we can bring people closer to our brands through socially relevant, forward looking programming.

To improve the quality of earnings, we have spent time and energy on improving our internal processes and sharpening the focus on cash flows. Several actions during the year have strengthened our balance sheet considerably. We improved our liquidity by successfully bringing down the receivables level. We used the cash flows to reduce our term borrowings by Rs. 810

million and the process has continued during FY2004, resulting in further reduction of debt.

We focused on cost control and have been able to improve operating margins substantially from 28.3% in FY2002 to 31.1% in FY2003.

We know that in the long term, only those companies succeed that innovate and invest in the enhancement of their products and services. With a view to broad base its product portfolio, your Company is working on several

promising extensions. It has already launched Trendz, a premium fashion and lifestyle channel targeted at the fashion conscious Indian consumer and Alpha ETC UK, a Punjabi language channel for the UK market, which has drawn very good response. Our objective is to create new products with lasting appeal that will also generate lasting value for stakeholders.

The Zee Turner distribution alliance continued to grow in strength. This alliance makes us the largest pay offering in the country reaching over 35 million households with some of the strongest television brands such as Zee TV, Zee Cinema, Zee News, Zee English, Alpha, Cartoon Network, CNN and CNBC in a single bouquet.

“ I believe as a television network, we owe a duty of social and ethical responsibility to the nation.

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CHAIRMAN'S LETTER

Committed to leadership in Corporate Governance

Sound principles of corporate governance are vital in securing the abiding trust of investors, employees, customers and public at large. I believe that to develop a reputation for integrity and honourable dealings is the most important asset any company can build.

We have increased communication with investors and improved the quantity and quality of disclosures. The refurbishing of our corporate website www.zeetelevision.com is another step in that direction. The website provides comprehensive information on the business and industry, besides being a repository of financial information on the Company. We want investors to understand how Zee is growing from a single television channel to a media conglomerate spanning 80 countries.

During the year we continued to tone up our governance structure and this was also reflected in the changes in the Board of Directors. Mr. B.K. Syngal, former Chairman and Managing Director of VSNL and Mr. N.C. Jain, former Chairman of Income Tax Settlement Commission, were appointed on the Board in July 2002. Their expertise and rich experience have greatly strengthened the Board. During the year, Mr. Sandeep Goyal stepped down from the Board, and my own role was expanded with my appointment as Chairman cum Managing Director. I am happy to welcome Mr. S.P. Talwar, former Deputy Governor of Reserve Bank of India, on his appointment to the Board on August 20, 2003, and look forward to his valuable contribution in further strengthening the Board.

Other Businesses

When we launched our portal business as part of E-Connect, the world was highly optimistic about the potential of the dot.com model. In retrospect, we over-estimated the potential, like many others, and we had to take accumulated losses of approximately Rs. 207 million on this initiative. Also, our foray into the education services business as Zee Interactive Learning Systems (ZILS) suffered from the downturn in the IT sector, which severely affected its plans. ZILS has incurred accumulated losses of approximately Rs. 405 million upto December 31, 2002.

We believe that these businesses no longer fit into the long-term strategic plans of the Company and have decided to write down Rs. 612 million from our investments, subject to necessary approvals. The process is shortly to be completed under the supervision of the Honourable High Court of Bombay. It is our plan to divest both businesses in due course.

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”

Year of Progress and Positive Change

Despite many challenges, FY2003 was a year of progress and positive change. Perhaps the most important development was the passing of the Cable Television Networks (Regulation) Amendment Act, 2002, popularly known as the Conditional Access System (CAS) Bill. This move will enable consumers to pay for what they actually watch and should also largely address the problem of under-declaration from various levels of cable distribution system in the country.

The implementation of CAS will help in better organizing the television industry while aligning the interest of all stakeholders

CHAIRMAN'S LETTER

in the business including broadcasters, multi system operators, cable operators, viewers and the Government. Siticable, a wholly owned subsidiary of your Company, is fully equipped to drive the new initiative by ensuring smooth rollout of set top boxes. We have already made the requisite investments in technology by setting up the digital head-end in the sky. By the time this Annual Report reaches you, a substantial number of boxes would already have been placed in our initial market territories.

Another major achievement is the successful integration of the operations, and people of ETC Networks Limited and Padmalaya Telefilms Limited, two companies in which we acquired a significant stake, with Zee Telefilms Limited. We have now come together as a unified enterprise with a common vision, exploiting the synergies of an enlarged operation. Today, we have the size, scope and financial capabilities to deliver greater value to stakeholders. We are happy that we acquired these assets at a fair price, which will improve shareholder returns.

ETC Networks continued to strengthen its lead in both Music and Punjabi television segments. The turnover of ETC Networks recorded a growth of 28.8% to Rs. 451 million during FY2003, while net profit after tax grew to Rs. 141 million from a loss of Rs. 129 million in the previous year. Padmalaya Telefilms has acknowledged expertise in production and distribution of movies, animation and television content in Hindi and regional languages. The turnover of Padmalaya Telefilms recorded a growth of 36.6% to Rs. 898 million during FY2003, while net profit after tax grew 58.7% to Rs. 192 million.

Looking forward

The recent uptrend in the domestic economy has brought up hopes of a revival in our markets. As we look to the future, there are extraordinary opportunities for a company with our capabilities, in a sector which is gaining momentum; in a country which has huge opportunities for growth in the coming years. Zee's overarching objective is to create long-term, sustainable shareholder value. We remain committed to the business strategies that have delivered results for years: customer focus,

operational excellence, development of people and superior technology.

Zee has the innovative strength and the willingness to change, which will enable it to meet future challenges. Our employees play an important role in this respect. They have responded with great courage despite testing times. My fellow Directors and I would like to thank all colleagues for their continued dedication and hard work.

“As we look to the future, there are extraordinary opportunities for a company with our capabilities, in a sector which is gaining momentum; in a country which has huge opportunities for growth in the coming years.”

I would like to thank you, fellow shareholders, for your interest in Zee's progress and the faith you have reposed in the future of the Company. We will continue to make every effort to ensure that Zee remains a valuable investment for you.



Subhash Chandra

August 20, 2003

let us achieve
THE YEAR THAT WAS...

let us progress
let us grow

let us exceed
let us share

let us enrich

Zee has recorded (annual revenues) of Rs. 12,865 million for
the year 2003



Zee is the (only media Company) to be part of the BSE-30 Sensex



Zee's (domestic Pay Revenues have grown by 81%) during the year



Research shows that Zee enjoys (more than double the viewership)
than reflected by the current TAM people meter system



More than (150,000 subscribers have been added)
during the year globally



To support Pay Channel's appeal, Zee has added CNBC, reality TV and
a fashion channel Trendz to its already (impressive bouquet)



Zee is (one of India's most popular brands.) It was rated as the ninth
most popular brand within a decade of its launch.

PRODUCT OFFERINGS

let us integrate
let us create



- Reach of more than 80 countries and access to more than 225 million viewers globally
- Has created a strong brand equity
- The largest media franchise serving the South Asian diaspora



- No. 1 Movie channel in the country
- Largest Hindi film library in South Asia with over 2,500 titles
- Reaches more than 75% of the C&S households



- Created history by becoming the first 24-hour Hindi news channel
- Operates the most advanced news network in the country



- One of the most widely viewed English channels in India
- Sources the best international software relevant to Indian taste and preferences



- Revamped and relaunched in 2003
- Reaches nearly 30% of C&S households in India, impressive for a niche channel



- 24-hour English movie channel bringing the best of Hollywood movies
- Has access to more than 4,000 film titles of MGM

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