



The only way to become truly rich is by enriching lives of others.



The future belongs to those who see possibilities before they become obvious.

To the dreamers. To those who take the road less travelled.

Who dare to imagine, to innovate.

Who look forward to a new tomorrow.



Be it new content or new channels, new entertainment options or ideas,

Zee has always taken pride in exploring newer horizons for newer accomplishments

Enriching lives of people it reaches, and expanding newer possibilities,

Zee continues to remain a forerunner amongst its sorts.

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Report



Junction

Mission and Values

MISSION STATEMENT

To be the leading round-the-clock airtime 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, trendsetting and financially sound with care and concern for all stakeholders.

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: The key to our value system is innovation and originality. We recognize 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, markets and businesses around the world.

Chairman's letter

Dear Shareholders,

Since our report in 2003, a lot has changed at Zee Telefilms. In the past year, we delivered strong operating results, with most of our businesses performing as per expectations. In addition, we have reorganised our corporate structure, consolidated our activities and laid the foundation for sustainable growth ahead.

A YEAR OF CONSOLIDATION

The financial year 2004 saw a perceptible growth in the advertising spends and sequentially, each quarter showed better growth than the preceding one. Consolidated turnover recorded a growth of 13.4% to Rs. 13,702 million while operating profit grew at 14.7%. Net profit for the year, recorded an exceptional 37.7% growth to Rs. 2,942 million, helped by reduced finance costs due to reduced level of borrowing.

While overall growth was strong, your Company continued to witness a significant change in its revenue composition. In India, advertising has historically grown faster than the GDP. The trend was broken in the last couple of years because of lower spendings by the consumer sector. Last year was marked by a low single digit growth in overall advertising spends. While your Company's advertising revenue for the year

increased marginally to Rs. 6,355 million, growth during the second half of the year was strong. The trend has continued during the first quarter of this financial year. Overall, advertising revenues contributed 46% to the total operating revenues.

An important component of our growth strategy is to maintain continued momentum in subscription revenues. We have an unparalleled portfolio of programming assets, which is strongly complemented by the distribution strengths from cable assets, and reach of Pay TV. We continued to successfully leverage our assets to grow our subscription revenues, which went up 24.3% to Rs. 6,026 million. During the year, subscription revenues contributed 44% to the total operating revenues, up from 40% last year. The trend towards higher share of subscription revenue in the turnover of your Company is likely to continue.

Our international businesses continued to grow in most major markets leading to 16% growth in international subscription revenues. During the financial year 2004, we added 100,000 subscribers overseas. Many of our international markets are still at an early stage of penetration and offer significant opportunities for growth.



Chairman's letter

THRUST AREAS

In my last year's report, I had discussed four specific areas which your Company was focusing on. These were:

- a) Bringing about structural changes in the business by strengthening distribution.
- b) Building an integrated team which is focused on excellence and delivers value.
- c) Improving quality of our products, offerings and earnings.
- d) Improving corporate governance and financial transparency. We have added another focus area this year - Growth. First, let me brief you on how we have fared on these objectives in the year 2003.

While we successfully made new investments in the distribution business, both for cable and DTH, there was some disappointment with the rate of progress in implementation of addressability on cable. The Government is deliberating on the framework of implementation and we are awaiting the guidelines. However, Direct To Home (DTH) services were soft launched by ASC Enterprises Limited under the brand - Dish TV and your Company has commenced providing content services to them. I continue to believe that Zee is well placed to take advantage of this very promising development. The DTH service is reaching out to more than 130,000 subscribers

at present, and is expected to gain momentum now, with availability of around 100 channels on the platform.

Team building is an ongoing process. We have substantially realigned our organisation structure. Responsibilities have been assigned with the aim of fostering a culture of disciplined management and productivity. We have decentralised decision making to bring speed and efficiency and have built a team focused on delivering value. We want to be recognised as an exciting place to work, where mutual expectations are fulfilled. As we move forward, I want to see more people taking an entrepreneurial approach to working, delivering outstanding customer satisfaction and superior return to shareholders.

One of the fundamental principles of your Company is to maintain balance sheet strength to support opportunities for growth. We took steps to restructure our balance sheet by writing down overseas investments against the share premium account, consequent upon the bringing of Zee TV and Zee Cinema channels to India. During the year, we have further reduced borrowings, being the second consecutive year, by Rs. 2,388 million. Additionally, during April 2004, we raised foreign currency convertible bonds at very attractive rates. All these measures, have strengthened the quality of our balance sheet considerably.

Chairman's letter

And that brings me to Growth, as we continue to refine our strategic focus.

A COMMITMENT TO SUSTAINED GROWTH

We have built a substantial consumer franchise in the last eleven years. From a single channel in 1993, we now operate 19 television channels. From a few million households, we now serve more than 42 million households in India and many more in 120 countries around the world. From Rs. 3 per share at the time of IPO in 1993, your Company's share price has gone up to Rs 140 per share, a compounded return of 44%. We have built a history of delivering growth, and we want to ensure that we continue to deliver growth in the next ten years too.

Growth with fresh programming initiatives: Over the past decade, your Company has built a valuable portfolio of television programming assets including Zee TV, Zee Cinema, Zee Music, Zee News and the regional programming portfolio under the Alpha banner. During the year, your company decided to launch new products, which would further strengthen the programming assets, both on cable as well as for DTH. The new channels launched included Smile TV - a 24-hour entertainment channel focussed on comedy programming, MX - a channel for action based movies in English, Action Cinema - a channel for action based movies in Hindi, Premiere Cinema and Classic Cinema - exciting new channels for the movie enthusiasts. During

the year, we announced a partnership with Rajshri Pictures, to jointly distribute movies in India. We believe the opportunity to expand and enhance our content is greater than ever.

Growth with technology: The television media industry is expected to grow exponentially on the back of new technologies and delivery modes. New technologies are about to create a paradigm shift in the way people watch television or video. Control is shifting from the broadcasters and will move to the viewers. People want more choice, and technology is enabling viewers to choose what they want to watch, where they want to watch and when they want to watch. Our distribution initiatives define one of the key areas of growth. We invested a substantial amount in new infrastructure, which would enable us to realise value from the new changes brought about by technological developments.

As we upgrade our systems, our opportunity to market new services will grow substantially. While legislation for bringing transparency on cable networks is in place, policy direction is awaited. However, DTH faces no hurdles and is a powerful tool to catalyse addressability. The gaining popularity of DTH services would be a big boost to transparency and therefore enhance value for our content. Also, regulatory framework for increasing broadband penetration is being put in place. We are taking steps to ensure that we are able to capitalise on all opportunities in

Chairman's letter

distribution. I further believe that, as alternate distribution platforms gain ground, an environment for consumer acceptance of addressability on cable, would also be created.

CORPORATE RESTRUCTURING

Our endeavour in the last few years has been to simplify our corporate structure. We have brought down the number of subsidiaries of your Company, by consolidating the operations. Also, we embarked on a strategy to enhance operating efficiency by shifting the uplinking of some of our channels to India. We believe that our new structure will enable us to drive growth opportunities and improve management control.

OUR INVESTMENTS

ETC Networks continued to strengthen its lead in both music and Punjabi television segments. The turnover of ETC Networks recorded a growth of **7.4% to Rs. 484 million** during FY2004, while net profit after tax grew to **Rs.144 million from Rs. 141 million** in the previous year. The turnover of Padmalaya Telefilms recorded a growth of **21.3% to Rs.1,089 million** during FY2004, while net profit after tax grew to **Rs. 178 million**.

LOOKING FORWARD

As I look forward, I am happy to say that I am as enthusiastic as ever about this business. Zee's

overarching objective is to create long term, sustainable shareholder value. And you all will agree that the long term interest of shareholders is closely linked with the interest of our viewers and customers. We believe that, over the long run, the market rewards consistent outstanding performance. And we will strive to deliver the same. We remain committed to the business strategies that have delivered results for years: customer focus, operational excellence, development of people and superior technology. My fellow Directors and I would like to thank all colleagues for their continued dedication and hard work.

I would like to thank you, fellow shareholders, for your interest and encouragement and for being a part of our journey. We have come a long way but the newly opening vistas pose exciting challenges. We will continue to make every effort to ensure that Zee remains a valuable investment for you.

Subhash Chandra
July 29, 2004

The year that was

Zee has recorded **annual revenues** of Rs.14,478 million for the year 2004



Zee's **Subscription Revenues** have grown by **24%** during the year



Zee has reached a base of close to **1 Million subscribers** overseas



To support Pay Channel's appeal, Zee has added **Premiere Cinema, Action Cinema, Classic Cinema, Smile TV, MX and Jaagran** channels to its **impressive bouquet**



Zee Network channels are now available on **India's first Direct to Home (DTH) platform, Dish TV**



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



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



Zee is **one of India's most popular brands**

Product offerings



- Reach of more than 120 countries with access to more than 250 million viewers globally
- The largest media franchise serving the South Asian diaspora



- India's first 24 hours comedy channel providing fun, entertainment, laughter and smiles round the clock
- Broad based programming with movies, cartoons, sitcoms, joke session etc.



- The first 24-hour Hindi news channel
- Operates the most advanced news network in the country



- No.1 Movie Channel of India that reaches over 75% C&S households
- Largest Hindi film library in South Asia with over 2,500 titles



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



- With Zee Music, enjoys a lion's share of the music TV market



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



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



- 24 hour premium, fashion and style channel
- Showcases premium, quality content for serious fashion and lifestyle viewing



- Presents old and new popular evergreen movies which have created history in Indian cinema



- Showcases the latest Hindi Movies
- Premieres movies never shown before on small screen



- Exclusive channel for showcasing Hindi action movies



- Ranked as the No.1 Marathi channel
- Offers the right mix of aspiration, education, information and entertainment



- Positioned as a wholesome family infotainment channel
- Provides a platform for 'culture' preservation and promotion



- Known as the trend setting Bangla channel
- Has the top rated Bangla serial 'Ek Akasher Niche'



- Captures the spirit of the audiences and caters to their preferences
- Custom made to cater to the Punjabi community



- India's first religious entertainment channel
- Shows cross section of religious programmes such as mythological movies, serials, interactive astro solutions etc.



- The largest cable network in India having operations in 38 cities with close to 7 million subscribers



- Popular channel catering to the tastes and preferences of Punjabi population



- Channel that showcases English action movies