

*Jiyo Zee Bhar Ke*



ZEE ANNUAL REPORT 2004 - 2005



The world has risen anew,

with new meaning to day, and night.

The only thing that remains untouched

by change, is 'change' itself.

As inevitable as it can get,

no more a farce, but truth.

We realise now, this is what we're to do,

to explore, experiment, invent.

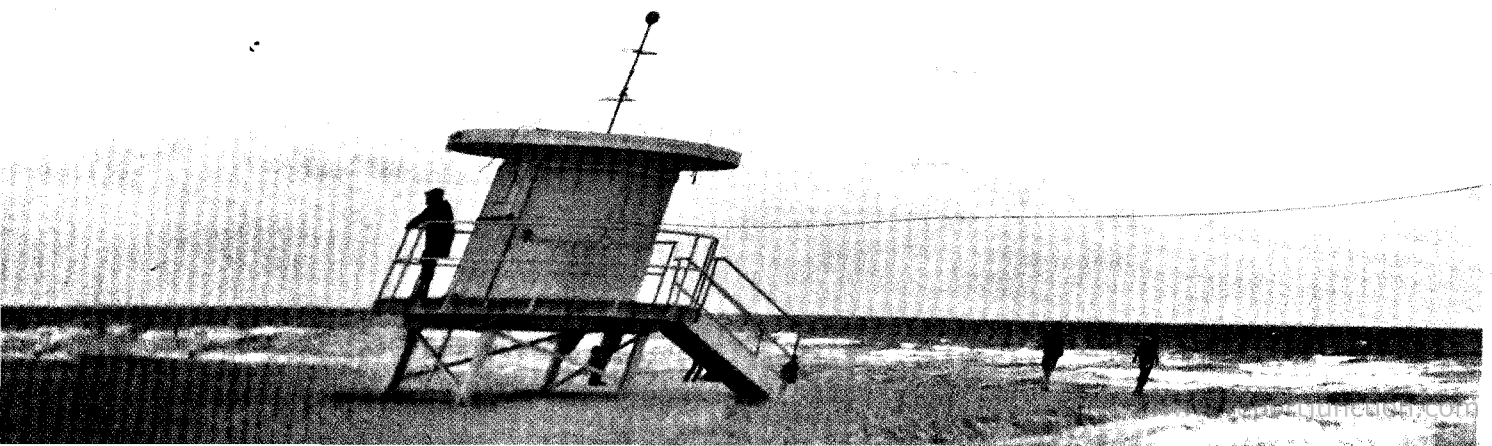
Report  Junction.com

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

Zee has always taken pride in updating itself in accordance with changing times.

ZEE continues to remain a forerunner amongst its sorts –

it's just one of those things that will never change!



## CONTENTS

- 2. Mission and Value statement
- 3. Chairman's letter
- 7. The year that was
- 8. Product offerings
- 10. Programme highlights
- 16. Hall of fame
- 17. Silver screen
- 18. Global reach
- 19. Board of Directors
- 20. Our 360° approach
- 21. Directors' report
- 24. Statements pursuant to section 212
- 26. Corporate Governance report
- 31. Shareholders' information
- 36. Management discussion and analysis
- 57. Auditors' report
- 60. Financials
- 84. Cash flow statement
- 86. Last five years' financial highlights
- 87. Performance ratio – an analysis
- 88. Consolidated financial statements



## 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.

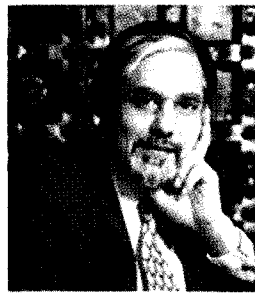
**Excellence:** We accord a high premium to maintaining superlative standards throughout our Company. We encourage our employees to come up with smarter ideas within the fastest possible time.

**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,**

Indian economy has done quite well, particularly in the last 10 years. This is the outcome of several decades of work by Government and private enterprises in independent India. The social indicators of development have improved. India is seen as a source of intellectual capital. In the last few years, Government has set in motion innovative public private partnerships to explore new pathways for strengthening infrastructure development.

Apart from being one of the world's fastest growing economies, India is also getting integrated with the global economy. The direction of economic policy is unmistakably towards more liberalisation. In the last ten years, India has achieved an excellent average GDP growth of close to 7%. We are excited that India is poised to maintain this growth rate. We are equally excited with growth prospects of the media and entertainment sector, one that is increasingly becoming global.

### **MEDIA INDUSTRY - FUTURE IS APPROACHING**

The industry has witnessed a transformation powered by technological advancements, new delivery platforms and increasing diversity in content. Digital

technology is advancing at an ever-increasing pace. Changes in technology are affecting the media industry more than other sectors. Never before has the pace of advancing technology posed so many challenges – or opportunities.

We need technology savvy leadership to tap these opportunities. There is a greater need to cross-train people. Media and content savvy executives need to understand how technology is going to change the way content is sampled. Similarly, technology executives need to understand how media should be marketed using the tools that they have. Technology should ultimately help in reducing cost, improving the product or provide new business opportunity. We also need to be financially disciplined. Balancing creative content and technology investment with cost control is a tough act, yet media companies that do it successfully would create value in the long term.

Consumer expectations are also changing fast. Although consumers are likely to spend more on media and entertainment in the future, they are increasingly going to be attracted to products that give them more control, choice and pricing flexibility. Consumers are also becoming younger. Companies will need to constantly reinvent to make themselves relevant to the new consumer.



**CHAIRMAN'S LETTER****NEW IDENTITY OF ZEE**

Zee has come a long way since 1993 when the journey began with a simple dream – to provide wholesome entertainment to its viewers. Today Zee, as India's largest vertically integrated Media and Entertainment Company, serves more than 120 countries and reaches more than 300 million viewers across the globe in seven different languages. Keeping in view Zee Network's growth, both in terms of business and size, we have revitalised our business strategies, which would allow us to stay ahead in an increasingly competitive media industry. To celebrate these new developments we decided to give Zee brand a new visual identity.

The new identity retains the same letter Z, which has a strong history and brand loyalty across the world, while the styling has been changed to represent our energy and readiness to embrace the future. The new identity reflects Company's global strengths, willingness to embrace new opportunities and commitment to adopt new technologies for customer satisfaction. The re-branding exercise weaves a thread of common identity between our many diverse brands and brings us closer to our younger audience.

**REVIEW OF PERFORMANCE**

In the year past, we continued to deliver strong operating results, with most of our businesses performing as per expectations. Our performance was driven by executing well the right strategies at the right

time. In content, our strategic focus was on growing profitability in core areas and building new streams of business. In distribution, our priority was to enhance returns by focusing on newer technology for delivery.

While there was overall growth, your Company continued to witness a change in its revenue composition. Your Company's advertising revenue for the year increased 4.7% to Rs. 5,698 million. The trend had improved during the fourth quarter and has continued during the first quarter of this financial year. Overall, advertising revenues contributed 42% to the total operating revenues.

We continued to successfully leverage our assets to grow our subscription revenues, which went up 8.4% to Rs. 6,533 million. Growth in subscription revenue was lower than anticipated due to price freeze imposed by the regulator on domestic pay revenues. During the year, subscription revenues contributed 48% to the total operating revenues, up from 44% last year. The trend towards higher share of subscription revenue in the turnover of your Company is likely to continue.

Underlying these reported numbers is significant improvement in the core businesses. Zee Cinema, India's number one movie channel, continued to increase its leadership in the movie segment. Zee TV, continued to grow viewership and the regional language channels grew their franchise.

Our international businesses continued to grow in most major markets leading to 12% growth in international subscription revenues. During the financial year 2005, we added 80,000 subscribers and have recently crossed the 1.0 million subscriber mark for the first time. This performance highlights the fundamental attributes of Zee's assets, and our ability to seize growth opportunities across the globe.

Zee is in an investment phase, with several new channels added and the distribution business receiving due investments for growth. Your Company has commenced providing content services to Dish TV, India's first DTH service. The DTH service is reaching out to more than 350,000 subscribers at present, and is expected to gain momentum this year, with availability of more than 100 channels on the platform.

The financial performance of the year ending March 2005 has to be seen in the context of the startup phase of these initiatives. We continue to invest for the long term based on promising opportunities available in the industry. We have an unparalleled portfolio of programming assets, which is strongly complemented by the distribution strengths from cable assets, and reach of Pay TV.

Zee is strongly positioned to succeed in this new environment. We have robust strategies that have been tested under a variety of market conditions. We are committed to achieving and maintaining world-class levels of governing, operating and capital discipline. We are focused on creating operating efficiencies in the

near term and developing promising new revenue sources for the long term.

### **FOCUS ON PEOPLE**

Even with sound strategies and a strong balance sheet, the critical factor for success is having the right people in the right positions doing the right things. Zee's people performed well in the year ended March 2005, and we are continuing to enhance the capabilities and commitment of our global work force.

Though we had a fairly good year, we are set for a better performance in FY2006. We have made quite a few critical changes, which would allow us to be more productive, going forward. Starting with appointment of Pradeep Guha as CEO for our content business and complemented by appointment of Punit Goenka and Laxmi N. Goel as Whole Time Directors, we have put in place a very strong management team. Pradeep is an accomplished media professional, and a most welcome addition to Zee. I am confident that under his leadership, Zee would achieve greater heights. As Chairman, my role is to lead the Board in a manner that allows the CEO to run the Company effectively. We are happy that our efforts to further improve the quality of content have started to show results.

Integral to everything we do is our commitment to valuing the talent of each individual, harnessing the strengths of a diverse work force, and respecting and learning from the communities in which we operate. As we succeed, so too should our stakeholders around the world.

## **CORPORATE GOVERNANCE**

Your Company is in full compliance with the Corporate Governance Code laid down by SEBI and Stock Exchanges. To further strengthen Corporate Governance measures, your Company has inducted, Mr. Rajan Jetley, Ex-Managing Director – Air India, as an Independent Non-executive Director on the Board. With this and with appointment of Mr. Punit Goenka as Whole-time Director, total strength of Board has gone up to nine Directors, comprising of 3 executive and 6 non-executive Directors.

## **COMMITMENT TO SUSTAINED GROWTH**

Over the past decade, your Company has built a valuable portfolio of television programming assets including Zee TV, Zee Cinema, Zee Muzic, Zee News and the regional programming portfolio. We are committed to growing these businesses by making them more important part of our consumers' lives. Though our business is global, our commitment is at the grass root level. We continue to increase local and regional programming investments.

Direct to Home (DTH) transmission is a powerful tool to catalyse addressability in the Indian media market. The gaining popularity of DTH services would be a big boost to transparency and therefore enhance value for our content. I reiterate that, as alternate distribution platforms gain ground, an environment for consumer acceptance of addressability on cable, would also be created.

## **LOOKING FORWARD**

During the year, we have taken other important steps to become a more focused company, moving out of areas where we have limited opportunities and into areas of greater long term potential. We have made judicious investments in our core assets. We have launched Zee Sports, marking our entry into a very exciting sports genre, which has immense potential. We gave renewed thrust to the comedy and fun genre with increased investments in Zee Smile, our Hindi language fun and comedy channel. We also launched Zee Telugu, a regional language channel presently establishing itself in Telugu viewing market and Zee Jagaran, focusing on spiritual programmes. These channels have been well received by the viewers.

We are excited about what FY2006 has in store. We remain committed to sustainable growth through empowerment of people. Zee's overarching objective is to create long-term, sustainable shareholder value. 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 continued investment and support. We will continue to make every effort to ensure that Zee remains a valuable investment for you.

**Subhash Chandra**

August 26, 2005



## THE YEAR THAT WAS

Zee has recorded **Annual Revenue** of Rs.13,600 million for the year 2004-05

Zee's **Subscription Revenue** has grown by 8.4 % during the year

Zee has crossed a base of **1 Million subscribers** overseas

To support Pay Channel's appeal, Zee has added Zee Telugu, Zee Business and Zee Sports to its **impressive bouquet of channels**

Launched purely with the objective of catering to viewers in Jammu & Kashmir, 'Zee Kashmir', a one hour slot on **Zee Punjabi**, has received an overwhelming response

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

Zee extends South Asia beam of Zee TV to Hong Kong, Thailand, Philippines, Indonesia and Japan

There are over 300 KidZee centres internationally

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

