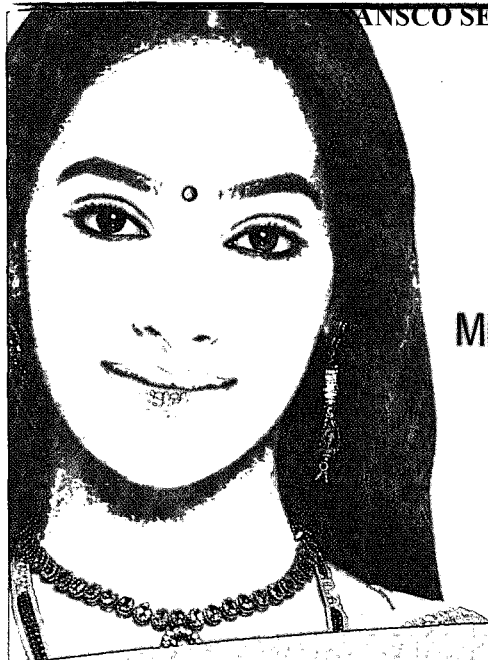


**ANNUAL  
REPORT  
2006-2007**

The world's largest Indian television network  
Zee Entertainment Enterprises Ltd.





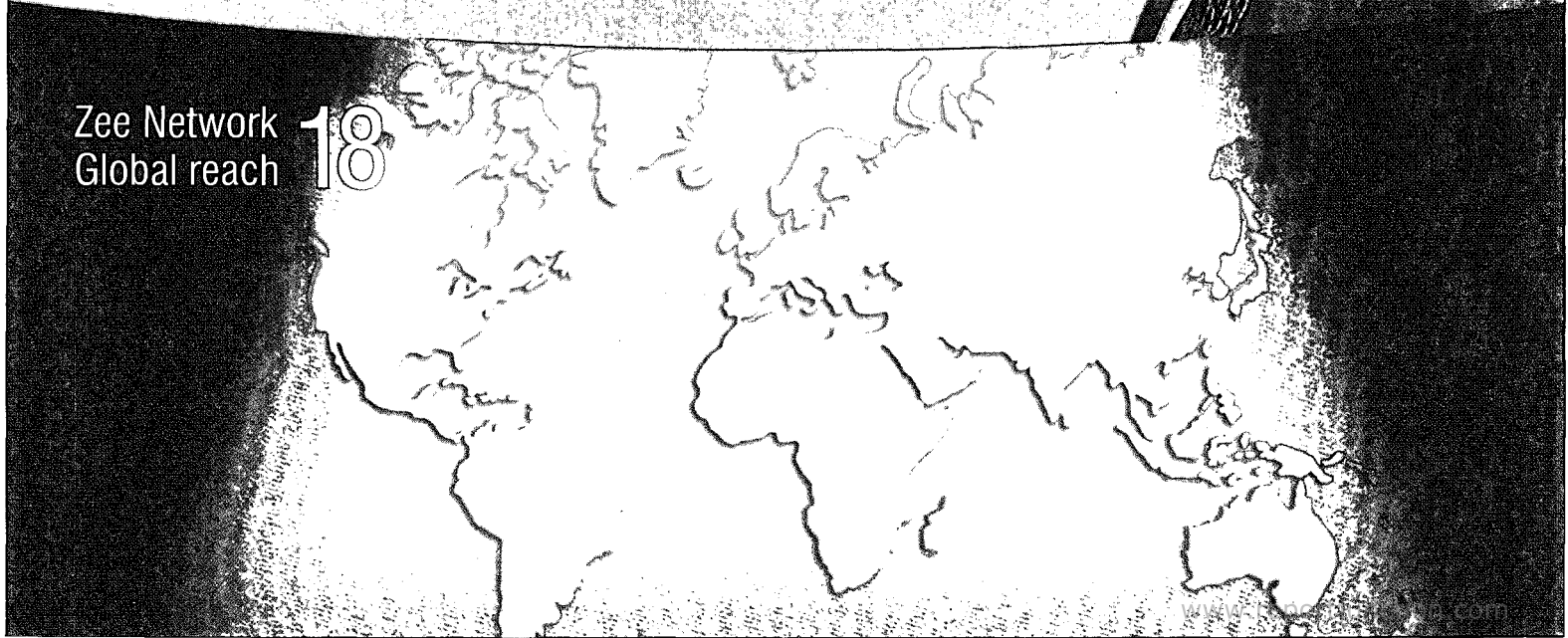


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Entertainment  
unlimited **8**

## BOARD OF DIRECTORS

**Subhash Chandra**  
Chairman

**Laxmi Narain Goel**  
Director

**Ashok Kurien**  
Director

**B.K. Syngal**  
Independent Director

**D.P. Naganand**  
Independent Director

**Dr. M.Y. Khan**  
Independent Director

**Nemi Chand Jain**  
Independent Director

**Rajan Jetley**  
Independent Director

**Sir Gulam Noon**  
Independent Director

**Punit Goenka**  
Whole Time Director

**M. Lakshminarayanan**  
Company Secretary

**M/s. MGB & Co.**  
Auditors

**Registered Office**  
Continental Building,  
135, Dr. Annie Besant Road,  
Worli, Mumbai-400018, India.

## Bankers

BNP Paribas  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
ING Vyasa Bank Ltd.  
Standard Chartered Bank  
UTI Bank Ltd.

## SENIOR MANAGEMENT

**Pradeep Guha**  
CEO

**Punit Goenka**  
Zee TV and Zee Cinema

**Amitabh Kumar**  
Technology

**Arun Khetan**  
Education

**Ashish Kaul**  
Corporate Brand Development

**Bharat Ranga**  
International Operations

**Himanshu Mody**  
Zee Sports and Ten Sports

**Hitesh Vakil**  
Finance and Operations

**Irshwin Balwani**  
Zee Music and Etc

**Joy Chakraborty**  
Advertising Sales

**Neil Chakravarti**  
Zee Café, Zee Studio and Zee Trendz

**Sanghamitra Ghosh**  
Human Resources

**Sanjay Agrawal**  
Finance

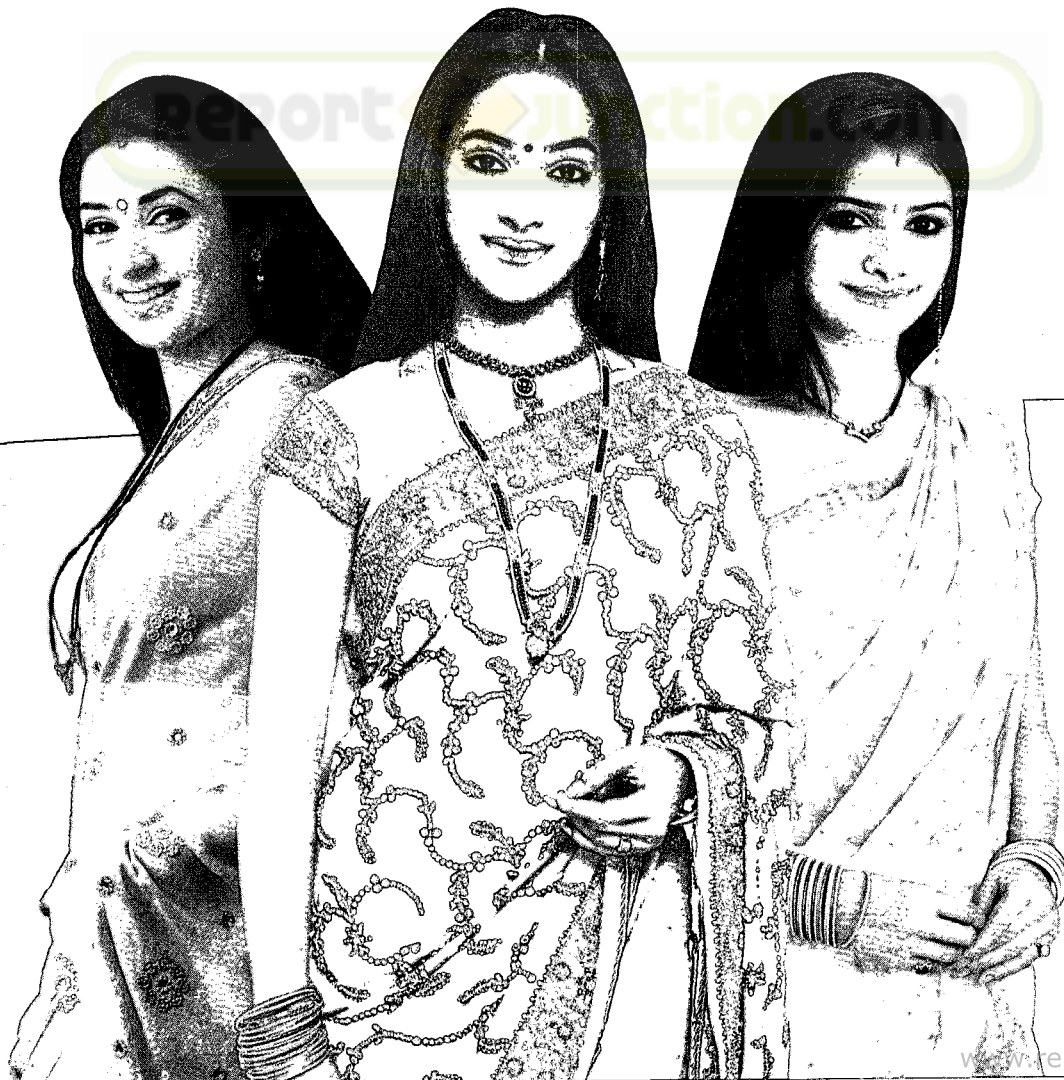
**Sita L.N Swamy**  
Marketing

**Yogesh Radhakrishnan**  
Middle East Operations



# 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.







## Mission

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.

# Surging ahead!

Dear Shareholders,

2006-07 was yet another eventful year for India. An achievement of over 9% GDP growth is an indication of the country's continued commitment towards growth and justifies our expectation of emerging as one of the most powerful economies of the world. Increasing interest of foreign investors and growing appetite in the domestic capital market continued to fuel the growth and globalization aspirations of the Indian entrepreneurs. With optimism all around, hopefully, the nation is poised for a double digit growth in the near future.

## **MEDIA & ENTERTAINMENT INDUSTRY**

Yet again, the Indian Media and Entertainment industry outperformed the overall growth of the economy to become one of the country's fastest growing sectors. Higher level of media penetration, greater advertisement spends, more conducive environment for foreign investments in the sector and the economic and demographic impetus have been the key growth drivers in this sector. The Rs. 450 billion Media & Entertainment Industry grew by 20% last year. The Indian television industry



“The trend of customized content viewing will continue to pave way for unique content, higher subscriber numbers and higher realization from subscription and advertisements.”



with a size of Rs. 190 billion grew by 19% last year and continued to contribute the largest share as in the past. With the onset of digitization, the Indian television industry is witnessing a revolution taking place in terms of increased subscriber growth and higher penetration of pay TV homes. With emerging distribution platforms like digital cable, Direct-To-Home (DTH) and IPTV taking over the market, coupled with the regulation's effort to rollout Conditional Access System (CAS), the subscriber today is at a great advantage in terms of viewing superior quality customized content at a suitable cost. Technology has and will continue to play a very vital role in this industry. The trend of customized content viewing will continue to pave way for unique content, higher subscriber numbers and higher realization from subscription and advertisements. All this will continue to leave a significant scope for the content creator and broadcaster to capitalize on the trend and generate higher and multiple revenue streams towards much higher growth than ever before.

### **CORPORATE RESTRUCTURING**

As anticipated, the restructuring of the company has unlocked substantial hidden values of the businesses for the benefit of all the stakeholders. During the year 2006-07, your company completed the restructuring exercise to create four separate businesses namely Content Creation and Broadcast, News Broadcast (including the Regional Language Channels since they contain some news content too), Cable and Direct to Home (DTH). According to the scheme(s) of arrangements, your company got de-merged into four separate businesses and as on the record date(s), the shareholders were offered shares in three businesses namely News, Cable and DTH at a ratio of the number of shares held in the company. Subsequently, the three new entities resulting from the de-merger process viz. Zee News Ltd. (News business), Wire & Wireless India Limited (Cable business) and Dish TV India Limited (DTH business), got listed independently at the stock exchanges during 2006-07.

*"As anticipated, the restructuring of the company has unlocked substantial hidden values of the businesses for the benefit of all the stakeholders."*

This restructuring was necessary keeping in view the regulatory requirements, focus required to run each of the businesses more effectively, varying complexities and investor expectations of each business and the preparation required to capitalize on the technological advancements of the digital age.

We are confident that this restructuring would result in streamlining operations and also lead to better exploitation of opportunities in each business towards building long-term shareholder value. This exercise would also clear the ground for acquisitions and strategic or financial partnerships in the de-merged businesses, apart from unlocking shareholder value.

### **REVIEW OF PERFORMANCE**

During 2006-07, based on a comparison post the restructuring mentioned above, the consolidated revenue of the company grew by 18% to Rs. 15,158 million. The advertisement revenue grew by 31% to Rs. 7,034 million, while subscription revenue grew by 27% to Rs. 6,648 million. Over the last year, the company's operating profit increased by 30% to Rs. 3,951 million and Profit after Tax (PAT) increased by 14% to Rs. 2,433 million.

## ENTERTAINMENT CONTENT CREATION AND BROADCAST BUSINESS

This segment of the company contributed Rs. 14,155 million to the consolidated revenues. The General Entertainment Genre accounts for about 40% of the television advertisement revenues. The viewership share of Zee TV, the flagship general entertainment channel, grew from 16% to 26% in 2006-07. The channel's share has risen to an all time high in the lucrative prime time band. Zee TV was the only channel that has grown by such magnitude in its genre. This has helped Zee TV to narrow the gap considerably with the current No. 1, which was six times ahead of Zee TV in terms of TRPs last year. This has been largely on account of exclusive contents that were launched in the channel during 2006-07. The favorable effect was felt in the overall advertisement rates going up, thereby giving a boost to the revenues. In the Hindi film genre, Zee Cinema continued to be the leader with the launch of certain initiatives targeted at youth and family audiences. On the English channels, the focus was to strengthen the prime time in the relevant audience segment through several initiatives. Sports advertising accounts for about 10% of the advertisement revenue on television. The sports genre saw key milestones in 2006-07 with Zee acquiring 50% stake in the premier sports channel, Ten Sports. Essel Group continues its commitment towards searching and nurturing sporting talent in India by instituting an international level Indian Cricket League (ICL). The group is also launching its own football team to represent at the national and international levels. We are hopeful that both these initiatives shall have far-reaching impact towards further development of sports in India. The sports

properties make a valuable pay-per-view proposition and we believe our investments in this genre will generate substantial revenues in the years to come.

## EDUCATION BUSINESS

The operating revenues from the education business grew by over 85% to Rs. 301 million in 2006-07, while the Profit after tax (PAT) improved several times over last year to about Rs. 12 million. Today, there are over 600 schools running all over the country under the brand name KIDZEE.PEOPLE With Mr. Pradeep Guha and Mr. Punit Goenka continuing to drive the content creation and broadcast business in Zee, in 2006-07, the company engaged Hay Group, a reputed HR consulting firm, to undertake a Human Resource Transformation initiative in the organization. The objective of the exercise was to redesign the organization structure of the business befitting the company's vision and growth aspirations and establish robust HR processes within the structure in order to realize the human capital to the hilt. We expect that the company will achieve far-reaching results from the exercise which is at present in the final stage of implementation.

## CORPORATE GOVERNANCE

Your company is in full compliance with the Corporate Governance Code laid down by the SEBI and the Stock Exchanges. During the year 2006-07, Shri Laxmi N. Goel, who was earlier a fulltime director in the company, became a non-executive director. The board of your company has 10 directors, including 9 non-executive directors and 1 full-time director. Of the 9 non-executive directors, 5 are independent directors.

"Today, there are over 600 schools running all over the country under the brand name KIDZEE."



"We have made a good start in the year 2007-08 with an overall growth in the business and we are hopeful to close the year on a happy note."

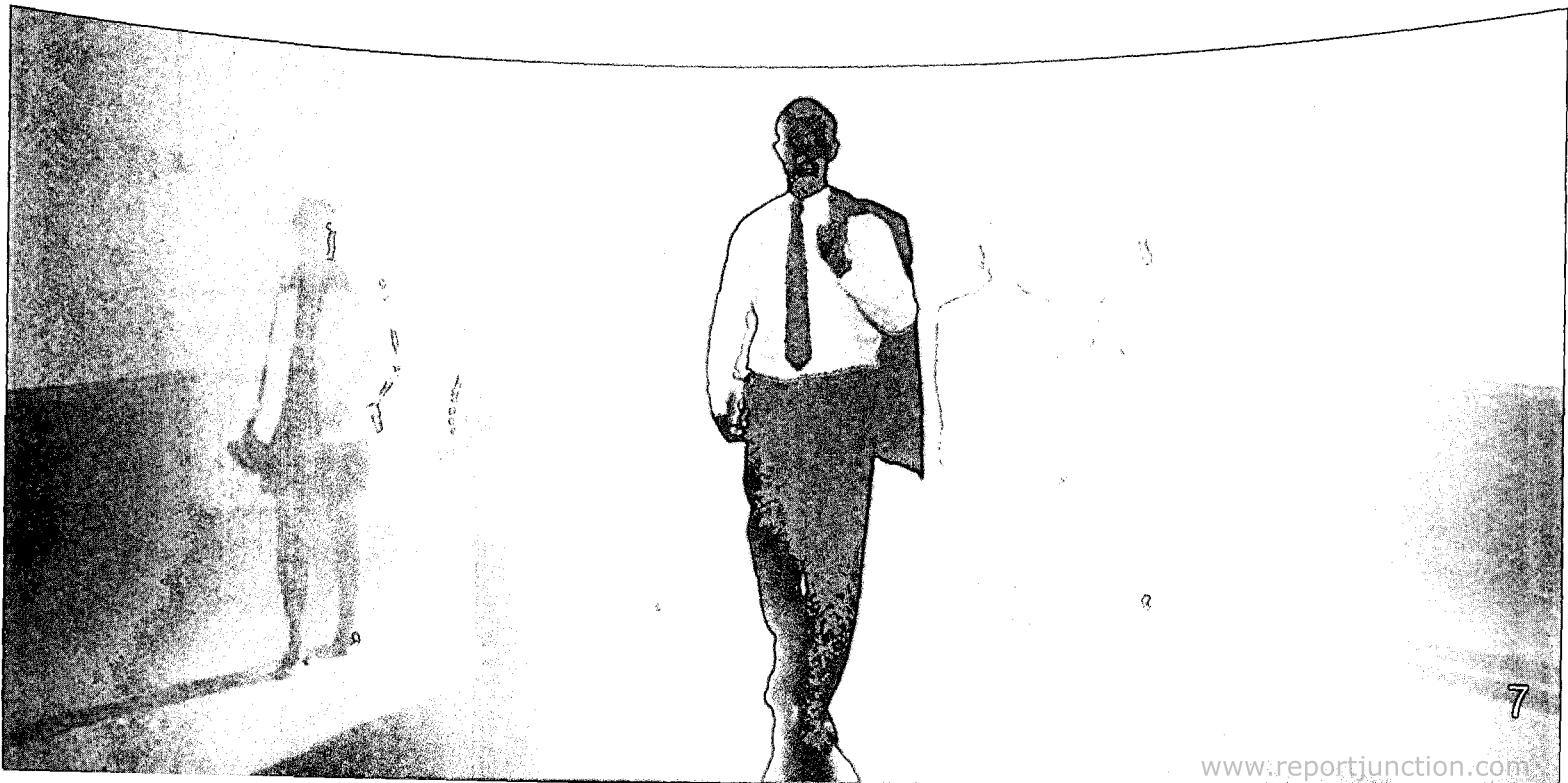
company one step ahead in the space. We have made a good start in the year 2007-08 with an overall growth in the business and we are hopeful to close the year on a happy note.

I would like to thank you, fellow shareholders, for your continued investment and support. We will continue to make every effort to ensure that the company remains a valuable investment for you.

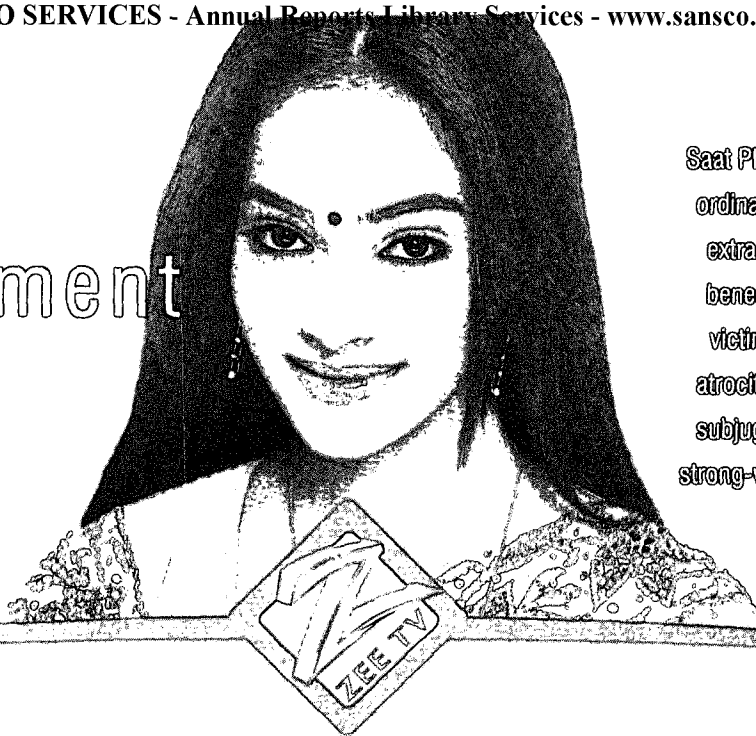
**Subhash Chandra.**  
Chairman  
June 27, 2007.

#### LOOKING AHEAD

Your company, by virtue of its presence across the value chain of the media and entertainment business with many years of standing, is ready to play a leading role in the revolutionary phase that the industry is going through. Our focus on developing unique content across genres, usage of technological advancements, investment in strategic markets and aggressive marketing and branding efforts will continue to keep your



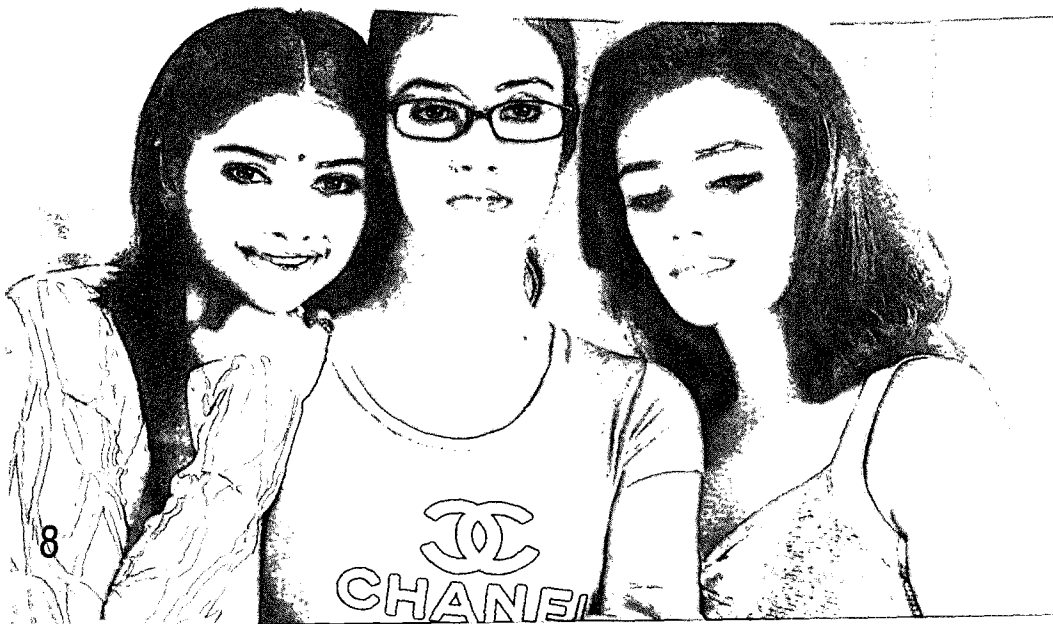
# Entertainment unlimited



## Saat Phere

Saat Phere is the story of Saloni, an ordinary, dark skinned girl, whose extraordinary traits lie shrouded beneath her dark complexion. A victim of colour discrimination, atrocities, dowry harassment and subjugation, it tells the tale of this strong-willed girl's quest for her own independent identity.

Zee TV is a general entertainment channel that provides a mixed bag of programs – from primetime soaps, comedy and drama series to premiere Hindi movies, mini-series, children's programs, game shows and late night shows. With its recently regenerated programming, Zee TV is in the reckoning for becoming the No. 1 channel in its genre soon.



## Kasamh Se

'Kasamh Se' is an epic tale of three sisters, completely different in their outlook towards life, but tied together by the unadulterated bond of trust and sisterhood. Against the backdrop of hostility, contempt and coldness, the three sisters weave an unusual web of relationships that simply trespasses the boundaries of sisterhood.