



# ENTERTAINMENT UNLIMITED

ZEE ENTERTAINMENT ENTERPRISES LIMITED

ANNUAL REPORT 2008-2009

[www.zeetelevision.com](http://www.zeetelevision.com)



Zee has always been a people's network, bringing the audience a plethora of programs and channels.

Programme content that spins fantasy, revisits dreams, casts spells and makes magic as it accompanies the viewer into the heartland of a new world.

With excellent blending, innovative product architecture, multifaceted channels and one of the largest menus to choose from, the possibilities are endless, making Zee Entertainment Enterprises truly **"Entertainment Unlimited"**.

# 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.

# MISSION

To be the leading round the clock airtime properties provider and delight the viewers not only through our general entertainment and infotainment channels, but also through quality cinema from our movie banners.

As a corporation, we will be profitable, productive, creative, trendsetting and financially sound with care and concern for all our viewers and stakeholders namely advertisers, cable operators, producers and product houses.



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### Board of Directors

Subhash Chandra - Chairman  
Laxmi Narain Goel - Director  
Ashok Kurien - Director  
Brijendra K Syngal - Independent Director  
Nemichand S Jain - Independent Director  
Rajan Jetley - Independent Director  
Sir Gulam K Noon - Independent Director  
Dr Mohammed Y Khan - Independent Director  
Prof. R Vaidyanathan - Independent Director  
Punit Goenka - Whole-time Director & CEO

**Auditors :** M/S MGB & Co.

**Company Secretary :** M Lakshminarayanan

### Senior Management

Punit Goenka - Chief Executive Officer  
Amitabh Kumar - Technology  
Atul Das - Corporate Strategy & Business Development  
Bharat Ranga - International Operations  
Dinesh Jain - Subscription Sales  
Himanshu Mody - Sports  
Hitesh Vakil - Finance  
Joy Chakraborty - Domestic Revenue  
M Lakshminarayanan - Legal & Secreterial  
Nitin Vaidya - National Channels  
Dr. Rajesh Save - Human Resources  
Roland Landers - Corporate Communications  
Sanjeev Lamba - Film Production & Distribution  
Sumeet Mehta - Education

### Bankers

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

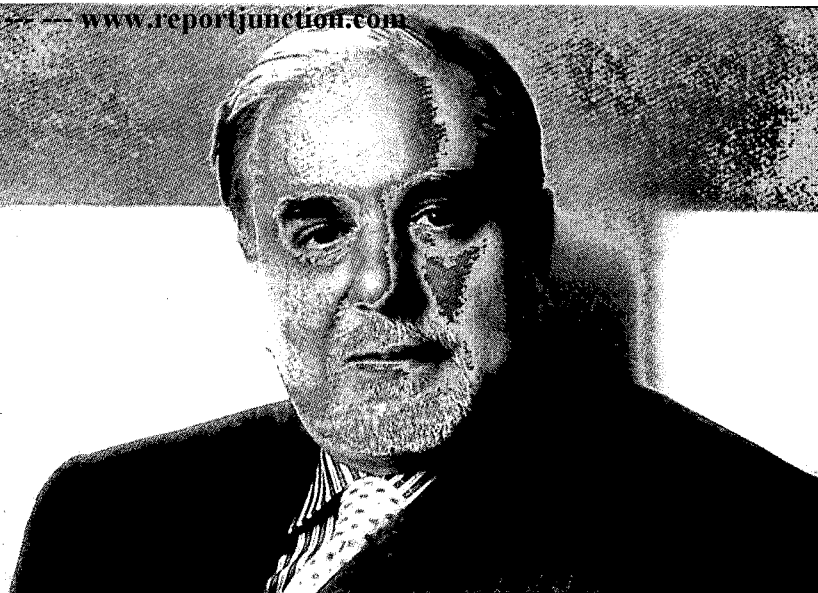
### Registered Office:

135, Continental Building, Dr. Annie Besant Road,  
Worli, Mumbai - 400 018, Maharashtra, India.



## CHAIRMAN'S MESSAGE

# ENTERTAINMENT KNOWS NO BOUNDARIES



*"The entertainment industry is witnessing a big transformation led by technological advancements, new delivery platforms and growing diversity of content."*

### Dear Shareholders,

It has been a significant year for the television media industry in India. More than six million households converted to digital pay TV and total households on digital pay TV are estimated at 14 million. It gives me great satisfaction to present the fact that India is the third largest television market in the world and despite the size, is one of the fastest growing markets. TV penetration in India is currently only 5%, and cable and satellite TV penetration is a mere 35%. Going forward consumption growth fuelled by a steady growth in Indian economy would ensure a much greater number of television households.

Your company is one of the foremost players in the television media and entertainment space in the country. Zee's strong strategic and financial position gives us great confidence in our ability to benefit from this growth opportunity.

### A year of turmoil for the global economy

In the financial year 2009, the world economy went through difficult times. The International Monetary Fund (IMF) has stated that the global economy faces its worst crisis since World War II and will shrink by 1.3 per cent in 2009.

In today's business environment, it is seldom possible for large corporations to be insulated off pressures faced by global macro economy. The comforting part for us is that India is relatively unaffected and trends indicate that the country's GDP growth will outperform that of many other emerging economies.

### Indian media was impacted, though to a relatively lesser extent

While India remained largely unaffected during the first half of the fiscal, we did see the impact of global economic meltdown during the second half. Coming after several years of continued growth, the year brought its own set of challenges. Spends from sectors like real estate and banking and financial services were severely affected and advertising revenue growth of most media companies saw a dramatic slowdown. While the calendar year 2008 witnessed an 18% growth in television advertising spends, the opinion is divided on the expected growth during calendar 2009.

### Media and entertainment sector : Entertainment Unlimited

The Indian media and entertainment industry continued to grow in scale and size during the year. Within the media and entertainment sector, television, given its wider spread and ever increasing reach, showed higher growth as compared to other media vehicles. An important trend in the broadcasting industry was the growing preference for digital services.

## CHAIRMAN'S MESSAGE

***"We believe that having the right people in the right positions doing the right things is critical for success of any enterprise."***

India now has over 120 million television homes and over 80 million of these homes have cable and satellite connections. Digital pay TV homes have also grown to significant numbers with an estimated 12 million homes on DTH alone as of March 2009. There were several new channels launched during the year both in Hindi and regional languages and the appetite for entertainment continued to grow. The Hindi GEC genre attracted new players owing to its popularity among viewers and advertisers.

The entertainment industry is witnessing a big transformation led by the technological advancements, new delivery platforms and growing diversity of content. Consumer expectations are also changing rapidly. While consumers are spending more on media and entertainment, they also want more control, choice and pricing flexibility. While these changes are posing new challenges for media companies, they also open up new opportunities.

### **Zee performance, year of consolidation**

Fiscal year 2009 saw improvements across a number of key operating metrics. We continued to deliver strong operating results, with most of our businesses performing as per expectations. The year also saw emergence of new competition in the Hindi entertainment space. While Hindi entertainment genre recorded higher viewership, television penetration increased and there was greater adoption of digital television, advertising revenue growth was impacted due to the overall economic slowdown. Zee focused on consolidating its market share across genres and continued to build on its lead in international markets across the globe.

It has been a very unique year for us and for the industry. On the one hand we witnessed a considerable slowdown in the advertising revenue growth trajectory, particularly during the second half of the fiscal, while on the other we continued to record robust growth in subscription revenues.

From a 30% plus growth in advertising revenues in the first half, we saw the growth fade away during the second half of fiscal 2009. Increased competition also impacted industry margins during the second half of fiscal 2009.

During the year the overall revenues of the company grew by 19% over the last year. Of the two primary sources of revenues, advertising revenues grew by 14% over the previous year while the subscription revenues grew by 22%. It was encouraging to note that our subscription revenues earned from various DTH operators increased by 93% over last year.



International subscription contributed 21% to our revenues. The overall operating profits of the company were flat as compared to the previous year and the profit after tax increased by 34% on a yearly basis. We took a series of steps to streamline our operations. Towards the end of the year, we were able to reduce our selling, general and administrative expenses. We have also consciously focused on improving efficiencies in content acquisition, one of the biggest cost elements. With the steps we have taken last year, Zee is now a leaner and more tightly focused company.



### Focus on people and human capital

We believe that having the right people in the right positions doing the right things is critical for success of any enterprise. We need a creative and technology savvy leadership team to tap the opportunities. Every executive needs to balance creativity with technology and yet be mindful of the costs. Those who can balance these skill sets would create value in the long term. We continue to work towards enhancing the capabilities of our global workforce.

Your company has taken a series of initiatives to consolidate the talent management initiatives. The Board has recommended issuing of Employee Stock Options Plan (ESOPs) to deserving employees to create a greater degree of ownership. We have also initiated creation of a talent map for all positions which will be synchronized with talent map of employees holding these positions. These efforts have already started showing positive results in the Company.

### Looking ahead - Committed to sustained growth

Over the past 17 years, we have built a history of delivering growth. Our content businesses are leading players in each of their genres and our strong strategic position gives us great confidence in our ability to succeed in the medium term, despite a weak economic climate. Given the growing television penetration in India and the rapid digitization of distribution through DTH and digital cable, your company would continue to focus on aligning its strategy to take a significant share of emerging subscription revenues.

Zee's objective is to create long term sustainable shareholder value. During the year, we have taken important steps to move out of areas which were not yielding results and move into areas of greater long term potential. We continue to make judicial investments in our core assets. We plan to build on the success of our businesses by continuing to produce the most compelling content for our consumers. While

**"Zee's objective is to create long term sustainable shareholder value. During the year, we have taken important steps to move out of areas which were not yielding results and move into areas of greater long term potential."**



### Corporate Governance

Sound principles of corporate governance are vital in the long term success of any Company. Our endeavour continues to maintain transparency and secure trust of our investors, employees, customers and public at large. Your company is in full compliance of the Corporate Governance Code laid down by SEBI and stock exchanges.

the times are difficult, we are hopeful of an early recovery. Collaboration, consolidation and digitization are the key words for the industry in the coming year.

I want to end on a note of thanks to all of our shareholders, employees, customers and partners for the continued support in our journey.

*Sincerely,*  
**Subhash Chandra**

## CHANNELS

# CREATIVITY KNOWS NO BOUNDARIES

**Zee is the pioneer of television entertainment industry in India.** It is among the largest producers and aggregators of Hindi programming in the world, with an extensive library housing over **80,000 hours of television content.**

Zee's commitment to programming of the highest standards and world class quality, has raised the bar in terms of strategic formulations and excutive creative product innovation.

We are in a continuous labour of discerning and discovering what the customer requires. Using this information, we produce the best in terms of products and channels. We have created a complex network of channels, in a multitude of languages, each to a select audience, covering a diverse range of cultures, geographies and demographics. We have brought an entirely new meaning to **entertainment unlimited**, the theme for product development, at Zee.

Our programming architecture is unique, enabling us to groove on the sharp side of leading edge production. Shaped and cut to suit various requirements, innovation in product design and development offer viewers a diverse menu of channel options. We offer programming for every viewer palate and every conceivable taste, bringing joy to millions across the globe.

Product initiatives such as **general entertainment, reality shows, lifestyle, talent, fashion, movies and film production** have created a unique and invigorating viewing culture making us touch lives, everywhere.

## General Entertainment

Zee TV  
Zee Smile

## Bollywood

Zee Cinema  
Zee Premier  
Zee Action  
Zee Classic

## Sports

Zee Sports  
Ten Sports

## English Content

Zee Café  
Zee Trendz  
Zee Studio

## Music

Zee Muzic  
ETC  
ETC Punjabi

## Alternate Lifestyle

Zee Jagran

## Movie Production

Zee Motion Pictures  
Zee Limelight

## International Business

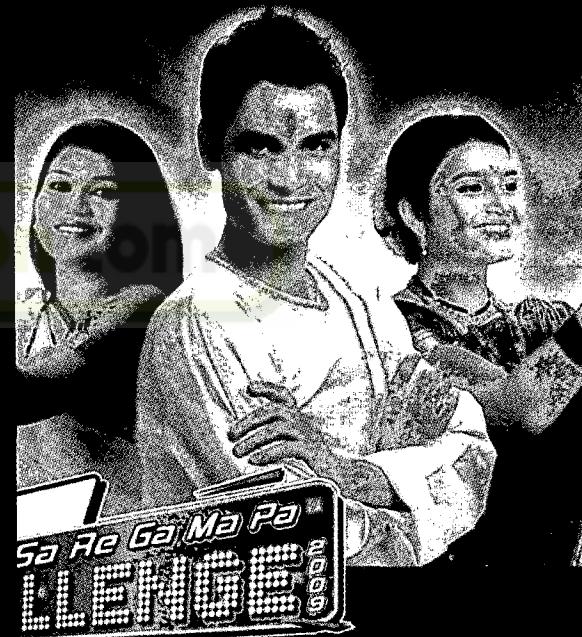
19 Beams Internationally





A

## GRAND FINALE



Rangreet ka Vishwayudh

C



**A:** Zee Cine Awards, India's foremost Bollywood Awards ceremony. **B:** Ten Sports and Zee Sports showcase the best of cricket across the year **C:** Zee TV's path breaking singing reality show Sa Re Ga Ma Pa,





A



B



A: With its show Choti Bahu, Zee broke the barriers of prime time viewing. B: Zee TV's Dance India Dance is another example of reality shows creating stars out of ordinary people