

Zee Entertainment Enterprises Limited
ANNUAL REPORT 2016-17



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ATTENDANCE SLIP & ROUTE MAP FOR VENUE OF AGM PROXY FORM



ON THE COVER A TO ZEE OF CONTENT LEADERSHIP:

The ZEEL Annual Report 2016-17 is a celebration of our diverse content creation capabilities that range across multiple genres, languages, geographies and platforms.

Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.


View online:

<http://www.zeetelevision.com/investor-relations/financials-annual.html>.

View Quarterly Results:

<http://www.zeetelevision.com/investor-relations/financials.html>





BECOMING LEADER DOESN'T COME EASY, BUT REMAINING ONE IS MUCH MORE DIFFICULT. TO SUSTAIN LEADERSHIP, IT IS IMPORTANT TO BE AWARE OF THE EVOLVING TRENDS, INNOVATE CONSTANTLY AND STAY AHEAD OF THE CURVE.

One needs to do this without losing the essence of one's value proposition. At ZEEL, we are fully cognizant of this reality. We recognise that true leadership in the entertainment space is a primary function of content. Our focus on content has allowed us to transform into a global entertainment powerhouse, with reach of more than a billion people and availability across multiple mediums – from television, to hand-held devices, to movie theatres, music streaming applications and live entertainment. It has led us to be counted among the world's premier integrated entertainment content companies. Therefore, it is imperative that, while we focus on expanding the reach of our content across different platforms and keep pace with the improving technology, our most important mandate continues to be retaining our content leadership.

We are expanding our content creating capabilities, innovating across the value chain, and investing in technologies to understand and cater to the needs and aspirations of diverse audiences. We are building on our reputation of creating newer genres, formats and leading the way in creating quality content which the audiences can enjoy.

As we build scale, consolidate our traditional businesses, and grow new offerings, we continue to have a sharp focus on one thing that matters the most – content. Our in-house content creation capabilities across television, movies, music and live events sets us apart from the others.

FY17 represents a milestone year in our history, as we approach 25 years since we first went on air. During the year, we strengthened our content focus, and invested in building new engines of growth that will propel us into the future, without compromising on our core values. Metaphorically and literally, we bring varied entertainment content for different audience groups. That is why, this Annual Report is dedicated to *A to Zee of Content Leadership*.



ZEEL At A Glance

THE WORLD IS OUR FAMILY

ZEE ENTERTAINMENT ENTERPRISES LTD. (ZEEL) IS A WORLDWIDE MEDIA BRAND OFFERING ENTERTAINMENT CONTENT TO DIVERSE AUDIENCES. WITH A PRESENCE IN OVER 172 COUNTRIES AND A REACH OF MORE THAN A BILLION PEOPLE AROUND THE GLOBE, ZEEL IS AMONG THE LARGEST GLOBAL CONTENT COMPANY ACROSS GENRES, LANGUAGES, AND PLATFORMS.

FY17 HIGHLIGHTS

16.0%

TELEVISION NETWORK SHARE

₹64,342 MN

REVENUE

29.9%

EBITDA MARGIN

ZEEL is present across broadcasting, movies, music, live entertainment and digital businesses, both within India and overseas. It has more than 240,000 hours of television content, offered through 32 domestic and 39 international channels. ZEEL houses the world's largest Hindi film library and has rights to more than 4,200 movie titles across various languages. ZEEL has also produced several movies for theatrical release and is the fastest growing music

label in India. It has presence in digital and, live events space. ZEEL is listed on the BSE and NSE and employs more than 3,000 people.

ZEEL embraces the concept of 'Vasudhaiva Kutumbakam – The World is My Family' as its underlying ethic and brand positioning.



MISSION

To become the world's leading global content company from the emerging markets. As a Corporation, we will be driven by content leadership based on innovation and creativity. Our focus will be on growth while delivering exceptional value to our customers, viewers and stakeholders.



DOMESTIC
BROADCASTING

INTERNATIONAL

MOVIES &
MUSIC

DIGITAL

LIVE

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 customer.

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.

EVENTS

AND MILESTONES

ZEE JLF 2017

ZEE Jaipur Literature Festival is the world's largest free literary event. Held in Jaipur (India), South Bank (UK) and Boulder (US) each year, the festival hosts some of the best & renowned authors, ranging from Noble Laureates & Man Booker Prize Winners to debutants. The year 2017 witnessed the 10th edition of ZEE Jaipur Literature Festival which was focused on the theme of 'Love for the Written Word'. With this festival, ZEE aims to revive the love and passion for literature amongst the audiences, especially the youth.



ZEE Kyoorius Designyatra

Designyatra is an annual festival of creativity, hosting some of the most famous creative thinkers of the world and a large population of design professionals and students from India. The festival celebrates all aspects of creative communication and marketing. This year the convergence between digital and physical was explored reinforcing the phenomenon that life today cannot be classified as analog or digital, because it is virtually impossible to distinguish the two. Individuals experience everything together and therefore, the erstwhile boundaries have disappeared. The three day design festival saw many interesting side tracks, besides celebrating creativity and design.



Essel Group's 90 Years Celebrations Event

Essel Group recently celebrated its 90th anniversary. The event witnessed the launch of multiple initiatives like DSC Foundation, Sarthi, WION and ZEE Family Business Legacy Awards. The event was attended by the Hon'ble President of India, Shri Pranab Mukherjee and Hon'ble Prime Minister of India, Shri Narendra Modi along with thousands of other eminent personalities.



Dr. Subhash Chandra's Hindi Autobiography Launch

On Hindi Diwas, Dr. Subhash Chandra engaged in a thought-provoking discussion with eminent Hindi Poet and renowned scholar, Shri Ashok Chakradhar on the 'Present Status of Hindi: Challenges and Solutions' at the Sahitya Akademi in New Delhi. The Hindi edition of Dr. Chandra's autobiography 'The Z Factor - My Journey as the Wrong Man at the Right Time' was also launched at this event by the Nobel Laureate Shri Kailash Satyarthi.

DEAR SHAREHOLDERS,

THE INDIAN ECONOMY IS GOING THROUGH AN EXCITING PHASE OF DEVELOPMENT. AS PART OF A 90-YEAR OLD GROUP, WITH PRESENCE IN DIVERSE INDUSTRIES, IT IS HEARTENING TO SEE REFORMS BEING IMPLEMENTED AT AN EXHILARATING PACE ACROSS MULTIPLE SECTORS. SEVERAL AREAS WHICH GOT NEGLECTED FOR LONG ARE SEEING CONSTRUCTIVE WORK, ALONGSIDE A PLETHORA OF MEASURES TARGETED AT IMPROVING EFFICIENCY. INDIA'S ECONOMIC GROWTH, WHICH IS ONE OF THE FASTEST, SHOULD ACCELERATE FURTHER AS THESE INITIATIVES YIELD POSITIVE RESULTS.

The year gone by will be remembered for the strong and decisive push towards formalising the economy. As per estimates, the informal sector in India accounts for approximately 50% of the GDP, is less efficient, difficult to regulate and leads to revenue loss for the exchequer. Easy access to banking coupled with the thrust on digital payments enables the migration of informal sector to formal sector. The imminent implementation of GST will simplify the taxation regime and create a level playing field by plugging tax leakages in the informal sector. Demonetisation, perhaps the most courageous decision, is a long-term positive for the economic growth despite the short-term difficulties.

These trends, along with increasing spends by households on discretionary items, open up interesting and exponential opportunities for the Indian Media and Entertainment (M&E) industry and ZEE. India's per capita entertainment consumption is far less, both in terms of time and money, compared to its peers as well as developed countries. This presents a significant growth potential for the M&E industry. It is estimated that the industry will grow around 14% CAGR over the next five years.



Message From The

CHAIRMAN

WHILE VIEWING PREFERENCES MAY EVOLVE OR NEW PLATFORMS FOR CONTENT CONSUMPTION MAY EMERGE, CONTENT ITSELF REMAINS THE FULCRUM ON WHICH VIEWERS' INTEREST RESTS

From the advent of satellite television, a quarter century ago, the industry has evolved significantly and ZEEL has played a pivotal role in this transformation. Today, we stand at the cusp of another generational shift in the way entertainment is consumed, and I am glad to share that we continue to be at the forefront of shaping that change. We have invested in becoming a provider of superior entertainment content across genres, languages, and geographies; reaching consumers through television, digital, movies, music and live entertainment.

In the entertainment industry, the more things change, the more they remain the same. While viewing preferences may evolve or new platforms for content consumption may emerge, content itself remains the fulcrum on which viewers' interest rests. Today, viewers have more choices, limited attention spans and access through multiple platforms. However, the need for creating sharp and engaging content is timeless. ZEEL sees its primary role as a creator, aggregator and disseminator of quality content that resonates across demographics and geographies. Our experience and focus on understanding viewers' preferences has allowed us to grow ahead of the industry. A testimony to this fact is that our revenues and EBITDA have grown by 16% and 21% CAGR respectively over the last five years.

During FY17, the performance of our five businesses was encouraging. The television business strengthened its position in a competitive environment. Our movie production and music label businesses scaled up operations which aided the growth. In the international business, our foray into new markets was received positively. Content consumption on both our OTT platforms, OZEE and dittoTV, saw significant growth. Live Events business kick started its operations with the roll-out of its first property. During the year, we divested our sports business to Sony Pictures Network and started the process of acquiring the broadcasting business of Reliance Broadcasting Network. Despite the impact of demonetisation, our revenues grew by 11% and EBITDA grew by 27%.

Looking ahead, we remain excited about the growth opportunities for the industry and the Company. As digitisation of analogue subscribers is nearing completion, it will improve monetisation of our viewership in newly digitised areas. This coupled with effective implementation of TRAI's tariff order could lead to acceleration in ARPU growth for the industry, which has been lagging for several years. Strong economic growth and increasing share of formal sector bodes well for ad spends growth. Our new businesses are also scaling up well and have a strong growth potential which will contribute to our growth.

As we continue to focus on sustainable profitable growth, we are increasingly conscious of our responsibility towards social causes and environment. Education has been one of our focus areas during the year. Our *Army behind the Army* initiative recognises and applauds the mothers, wives, daughters and sisters of our brave soldiers who are the true source of their strength. In addition, by leveraging our content leadership and reach, we have extended our philosophy of community engagement and "Vasudhaiva Kutumbakam" (The World Is My Family). We endeavour to not just entertain our viewers but also inform, educate and engage them through our content. For instance, through one of our fiction shows on Zee Kannada, we designed an entire campaign to spread awareness about female foeticide. We are empowering women through skill development initiatives and health education among others in different cities in Maharashtra through Jagruti events organised by Zee Marathi. Lastly, we also ensure that our operations reduce their carbon

AS WE CONTINUE TO FOCUS ON SUSTAINABLE PROFITABLE GROWTH, WE ARE INCREASINGLY CONSCIOUS OF OUR RESPONSIBILITY TOWARDS SOCIAL CAUSES AND ENVIRONMENT

footprint. The 'Zee is Green' initiative ensures that our sets, offices and the ecosystem follows responsible practices. We have set a target for ourselves to become carbon neutral by 2020.

The team at ZEEL and all our stakeholders are working very hard to strengthen our value proposition of 'A to Zee' of content leadership. I thank all of you for your constant support and encouragement. I am confident that this will continue as we move into an exciting phase of our journey.

Sincerely,
DR. SUBHASH CHANDRA

Key Performance Indicators

GROWING STEADILY

REVENUES ₹ MILLION

FY12-17 CAGR

+16.2%

FY 2013	36,996
FY 2014	44,217
FY 2015	48,837
FY 2016	58,125
FY 2017	64,342

ZEEL's revenues have grown at 16.2% CAGR over the last five years on the back of improvement in network viewership share and digitisation of analogue subscriber base. During FY17, revenue growth was lower at 10.7%, primarily due to demonetisation impact in the second half. Our advertising revenue growth of 9.2% was better than the industry average and subscription business grew by 13.5% adjusted for the sale of sports business.

EBITDA ₹ MILLION

FY12-17 CAGR

+21.1%

FY 2013	9,543
FY 2014	12,043
FY 2015	12,538
FY 2016	15,136
FY 2017	19,269

Our EBITDA CAGR of 21.1% over the last five years has been better than revenue growth. EBITDA margins improved from 24.3% in FY12 to 29.9% in FY17. This improvement in margins is driven by operating leverage.

PBT BEFORE EXCEPTIONAL ITEMS ₹ MILLION

FY12-17 CAGR

+14.8%

FY 2013	10,519
FY 2014	13,191
FY 2015	14,040
FY 2016	14,059
FY 2017	16,775

On back of strong revenue growth and better margins, Profit before tax has grown at 14.8% CAGR over the past five years. During FY17, PBT (before exceptional items) has increased by 19.3% YoY.

RETURN ON CAPITAL EMPLOYED %

FY17 (YoY)

+76 bps

FY 2016	23.3
FY 2017	24.0

ZEEL's return on capital employed (ROCE) remained healthy at 24% during FY17. EBIT margins (excluding exceptional gain) increased sharply from 25% in FY16 to 28% in FY17. This improvement did not translate into equivalent improvement in ROCE because exceptional gain from sale of sports business led to higher network.

NETWORTH ₹ MILLION

FY17 (YoY)

+38.6%

FY 2016	48,039
FY 2017	66,567

In FY17, ZEEL's networth increased by 39%. Besides profit from operations, gain from sale of sports business was a key contributor to this increase.

* Financials for FY16 and FY17 are based on Ind-AS whereas financials for earlier periods are based on I-GAAP