



SHAPING THE NEW

ANNUAL REPORT 2021-22

ZEE ENTERTAINMENT ENTERPRISES LIMITED

SHAPING THE NEW

We also set up a Technology and Innovation Centre in the nation's tech capital, Bengaluru, designed to converge culture, collaboration, and innovation to spark new ideas, disrupt the ConTech space and design the next level of content delivery platforms that will set industry benchmarks.

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ZEE 1.0 ▶ **ZEE 2.0** ▶ **ZEE 3.0** ▶ **ZEE 4.0**

The Future

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.

<https://www.ZEE.com/investors/investor-financials/>



We are ZEE

Showcasing the extraordinary

We are one of the largest global Media and Entertainment companies in the world. We help celebrate stories across genres and languages, with an aim to break new ground. We converge the physical and digital realms to deliver the extraordinary.

What drives us

We exist for the extraordinary. Ideas. Stories. Journeys. Experiences. Partnerships. Possibilities. Performance. And so much more. Not as a goal, but as the standard. Because the extra mile is where the magic happens.

Global Powerhouse of Entertainment

89

Channels

20+

Languages

1.3 bn+

Consumers across 170+ countries

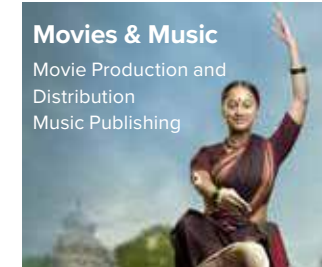
5,000+

Movie titles

CORPORATE OVERVIEW

STATUTORY REPORTS

FINANCIAL STATEMENTS

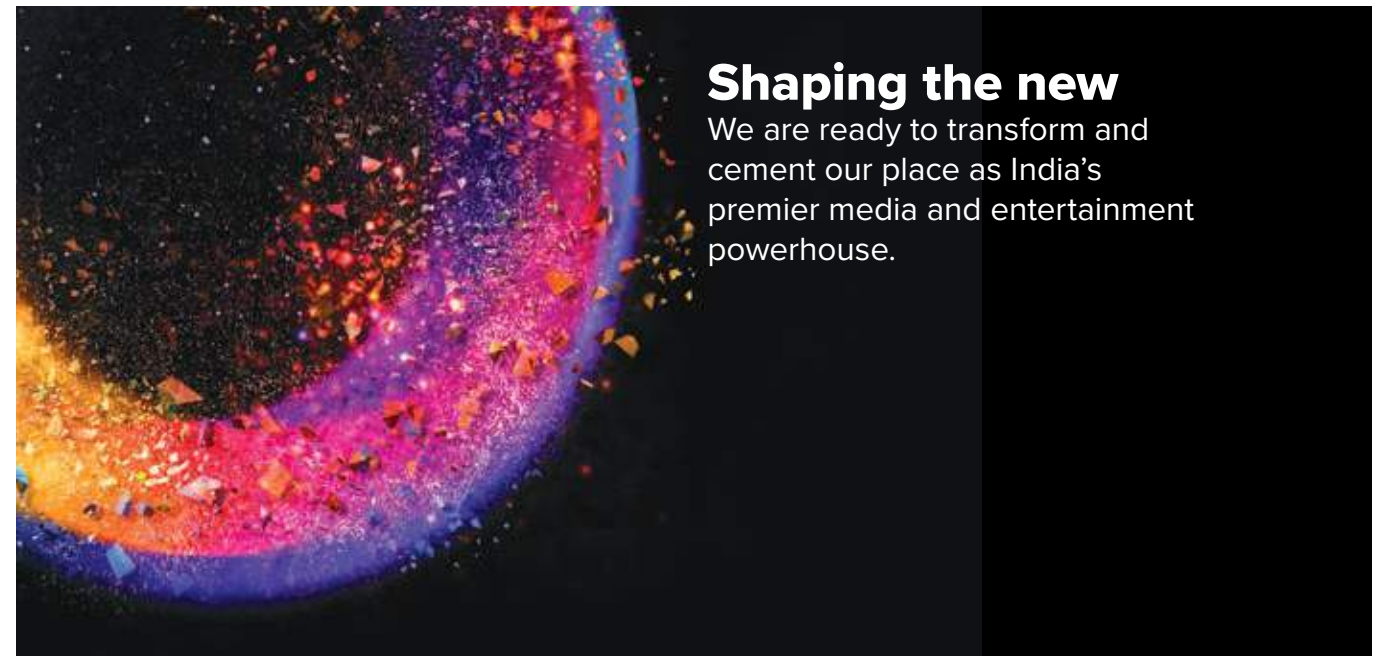


> P53
Detailed business review

We have seen the rise of a new and digital India. As the country transforms, there will be a hunger for new stories and new content. We, at ZEE, are proud to be at the forefront of this journey.

What we seek 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 consumers and stakeholders.



Message from MD and CEO's Desk

Redefining the next



Dear Shareholders,

The financial year 2021-2022 embodied resilience and change at ZEE. The hallmarks of any transformation demand the elements of choice and action, and we at ZEE took this as an opportunity to challenge the status quo and shape a new tomorrow. The fundamentals of our business are resolute on agility, speed, and efficiency, which have further been strengthened over the years impacted by the pandemic. This enabled us to remain steadfast amidst challenging situations during the year, facing the macroeconomic headwinds, and each time manoeuvring our sails swiftly. We ensured that a sharp focus was maintained on delivering delight to our consumers and value to all our stakeholders.

During the year, we adapted our business strategies to the changing industry dynamics, to take advantage of new opportunities across the media and entertainment sector and further grow the business. As we reimagine the future of the business, transformative success will be our ultimate competitive advantage. This will not only redefine our future, but will also enable us to shape the future of entertainment across the globe.

Building a better tomorrow

We are witnessing the rules of the game are being written and re-written every day. This is the fastest-changing phase of the M&E landscape that we have witnessed. Thirty years ago, we did not have access to a gamut of content across devices. Today, we cannot imagine a life without fresh, original content being served to us on a daily basis. This change is being driven by a confluence of content, technology, opportunity, reach and demand.

In order to succeed in this new context, we must strike the right balance between heterogenous content and immersive technology to harbour the ability to constantly serve the several consumer cohorts that exist. Rather than treating it as an external disrupting factor, we have embraced change as a core business capability.

Rather than treating it as an external disrupting factor, we have embraced change as a core business capability.

We have consistently been taking strategic steps towards this transformation, and we took a big leap in this direction during the year by announcing the proposed merger between your Company and Culver Max Entertainment Private Limited (formerly Sony Pictures Networks India Private Limited). I firmly believe that this merger will enable us to drive scale and build a more sustainable, innovative and profitable M&E company from the emerging markets. The content consumption and creation ecosystem is also witnessing mega-shifts and a powerful merged entity will allow us to compete more effectively, especially in the realm of digital entertainment, where increasing adoption and technology-led innovations are driving higher growth. Together, we will create a scalable business model focused on creating engaging content, helping advertisers reach their audiences across multiple touch points, driving customer acquisition across linear and digital platforms, synergistic distribution, and effective monetisation streams across markets. Even as the teams work incessantly towards seeking the necessary legal and regulatory approvals, we stay committed to building the merged company with customer focus, value generation, profitability, and talent as the core tenets.

Message from MD and CEO’s Desk

Our vision for the future is crystal clear. We aim to build a better tomorrow by redefining entertainment for consumers, maximising value for shareholders, enhancing the opportunities for employees, delivering innovation to our partners, and taking purposeful steps for the society at large.

Over the last thirty years, we have created a rich legacy—a bedrock of principles that guide us to work together and navigate our choices in doing more for all our stakeholders. This has ensured we deliver higher value for the consumers’ time and wallet share across the business. Our prudent approach towards investments has set us apart in the industry, as we continued to generate higher returns to our shareholders, even during tough times. The journey has been invigorating, shaping ZEE into a resilient, and fundamentally strong company.

ZEE has been an early adopter of emerging technologies in the sector, but we need to continue building newer capabilities to harness the full potential of data in the evolving technological landscape around us. Taking a firm step in this direction, we set up a Technology and Innovation Centre in Bengaluru to enhance the security of our assets in the digital ecosystem and build robust capabilities to augment user experience across our platforms. We are also sharpening our data analytics and its interpretation to get a better understanding of consumer preferences and create personalised experiences that build brand loyalty and create an ongoing revenue stream. We are spurring experimentation and innovation, by capturing new opportunities and attracting the best of talent and partners to be a part of our family. To sum it up, we are devising a winning strategy for this new landscape, where consumers wield enormous power through the multitude of entertainment platforms and content formats at their disposal.

Our vision for the future is crystal clear. We aim to build a better tomorrow by redefining entertainment for consumers, maximising value for shareholders, enhancing the opportunities for employees, delivering innovation to our partners, and taking purposeful steps for the society at large. Our intent will always be to pass on the benefits of our business to the people, whether it is through purposeful entertainment or continuing to support vulnerable communities and enabling positive societal impact.

The year gone by

The financial year 2021-2022 was a challenging one wherein we not only had to navigate multiple waves of the COVID-19 pandemic, but also the macro-economic headwinds and inflationary challenges towards the end of the financial year. Amid this scenario, the fundamentals of our business remained strong, enabling us to post a satisfactory performance in these extraordinary times. We registered a robust operating and financial performance, and FY22 overall was a healthy year for ZEE marked by recovery across all key segments.

During the year, we continued to be among India’s strong and leading TV entertainment networks. We built on our strong language leadership to be among the top TV entertainment networks in 7 out of the 9 local markets where we are present. We continued to focus our energies on sharpening our content offerings to reflect the changing consumer preferences, and significant efforts were directed towards key markets including Hindi, Marathi,

and Tamil with an aim to further strengthen our linear viewership share.

During the year, ZEE’s operating revenues were up 5.9% YoY. Our revenue growth was largely driven by higher advertising sales and a surge in the theatrical business. Advertising revenues during the year increased 17.3%, underscoring the compelling value proposition we offer to advertisers in their brand-building endeavours. Our theatrical business witnessed good growth on the back of an encouraging response for films across multiple languages, including ‘*The Kashmir Files*’ (Hindi), ‘*Valimai*’ (Tamil), ‘*Qismat 2*’ (Punjabi), ‘*Pandu*’ (Marathi) and ‘*Bangarraju*’ (Telugu). Films from Zee Studios featured prominently in the list of highest grossing films in each of these languages, with ‘*The Kashmir Files*’ being among the most profitable films ever made in the history of Indian cinema. Significant investments have also been made to harness the power of digital and transform ZEE into a formidable player in the digital entertainment space through ZEE5. We are encouraged by the healthy usage and engagement trends for ZEE5, which further affirm our investment rationale. During the year, we launched ZEE5 in the U.S. and received a very encouraging response, becoming the No. 1 South Asian OTT player in the market.

Subscription revenues during the year remained flat, and growth in ZEE5 subscriptions were offset by the decline in television subscription revenues. The embargo on change in channel pricing continued to impede our television subscription revenues.



The Technology and Innovation Centre in Bengaluru will help us add value to our linear broadcast as well as to digital audio-visual entertainment.



‘*The Kashmir Files*’, one among the most profitable films ever made in the history of Indian cinema.

That said, we are enthused by the momentum in our adjacent businesses—Zee Studios and Zee Music. These businesses form a very strategic part of our portfolio, playing a synergistic and complementary role in the success of our linear and digital businesses. We continue to realise significant synergies in both cost and revenue due to our presence across markets and platforms.

During the year, we also continued to invest in boosting our capabilities across content, digital and technology to better serve and delight our customers. These accelerated investments in a challenging operating environment resulted in EBITDA margins of 21% during the fiscal.

The M&E industry in India is on the cusp of a strong phase of long-term structural growth driven by rising consumer demand and improving macro enablers, such as digital reach and content accessibility. At ZEE, we are driving our businesses to capture a significant share of this growth through our focused investments. Our successes so far have given us the confidence to be front footed in our investment approach to improve our longer-term relevance. As we scale our investments, we will continue to be focused on driving returns from these investments with fiscal prudence, which has been the core DNA of ZEE.

Vote of thanks

In this long and memorable journey of ZEE, you have played an intrinsic part, and we have only nurtured our relation together as one family. I remain eternally grateful to you—our shareholders, partners, and all my colleagues—for weathering all seasons with us and displaying your faith and commitment not only in me, but also in this valuable asset we have created together. I assure you that the family we have created within the organisation and the unwavering passion that each one

of you brings to the business, has personified ZEE in every household across the country, and is firmly entrenched in the hearts of the diaspora across the globe. This essence of ZEE will remain sacrosanct as we transform for the better. Our focus is not just on the results, but on driving the change that will get us these results.

We are cognisant of the fact that ultimately, success in this new ecosystem will come from providing a holistic customer experience—one that is built on a strong foundation of business growth and positive societal change.

The choices that we take in life shape our destiny. Similarly, it is the decisions that we take today to strengthen the business that will shape the next chapter of this Company. We remain determined to create a better and stronger version of ourselves, together!

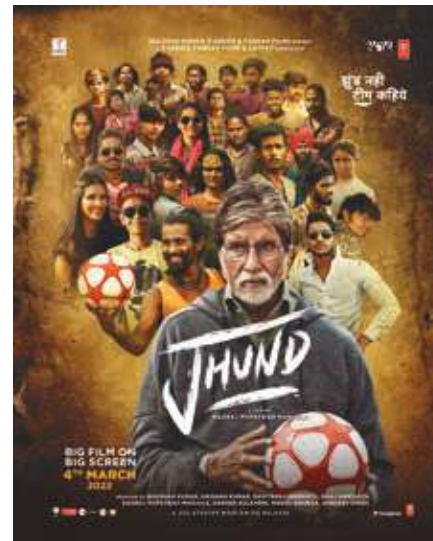
Sincerely,

Punit Goenka

Managing Director & Chief Executive Officer
ZEE Entertainment Enterprises Ltd.

The evolution of extraordinary

From giving India its first private satellite TV channel in 1992 to reaching 1.3 billion+ consumers around the world through linear and digital platforms, we are, today, a global entertainment powerhouse creating and delivering extraordinary content.



ZEE 1.0

1992-2000

Introduced India's first private satellite TV channel. Sparked an entertainment revolution in the country.

Key highlights

- ▶ Contributed to India's story of liberalisation of the economy
- ▶ Created some of the most iconic shows that resonate with consumers even today
- ▶ Emerged as a brand synonymous with entertainment in India

ZEE 3.0

2006-2019

Expanded and restructured the businesses. Discovered our true identity that best resonates with our audience.

Key highlights

- ▶ Marked by ups and downs, mergers and demergers, acquisitions and divestments, survival and growth
- ▶ Increased focus on content
- ▶ Expanded our portfolio to 41 domestic and 39 international channels across genres

ZEE 2.0

2000-2006

Challenged the status quo by exploring newer formats.

Key highlights

- ▶ A journey of learning, unlearning and relearning

ZEE 4.0

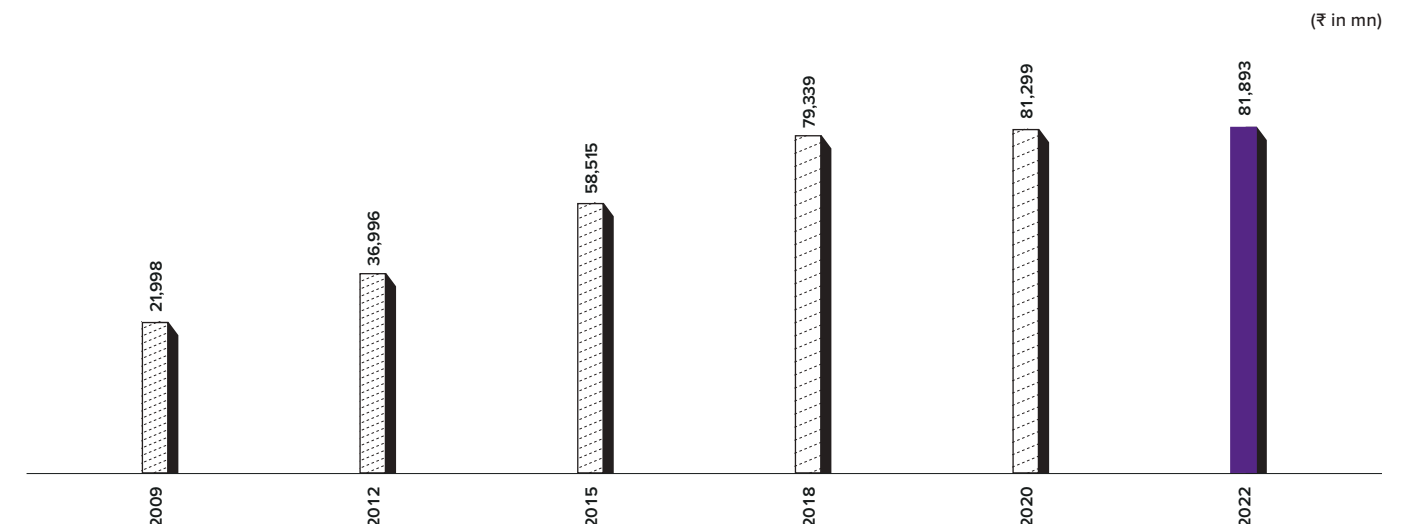
2020...

Growing into a leaner, greener and sharper ZEE. Paving the way for the future of entertainment, globally.

Key highlights

- ▶ Taking the next big leap into the future of entertainment powered by 5Gs:

Governance
Granularity
Growth
Goodwill
Gusto



Q&A

Rohit Gupta, CFO

1 Q. How would you summarise ZEE's financial performance in FY22?

A. During FY22, we delivered a robust financial performance despite a fairly unpredictable operating backdrop. Our operating revenues grew 5.9% YoY. FY22 started on a soft note, with the first quarter witnessing the onslaught of the second wave of COVID-19, leading to the reimposition of restrictions on mobility and assembly.

The industry faced disruptions in production schedules with shoots being halted, theatres being shut, and on-ground live events being cancelled or moving to the digital medium. The fourth quarter saw the emergence of the third wave, albeit much benign, in terms of severity and impact. This was reflected in our muted advertisement revenues, despite an increase in viewership, as the uncertainty in the external environment prompted consumers to curtail discretionary expenses and brands to defer new launches and limit ad spend.

As restrictions eased through the second and third quarters, and with the festive season kicking in, ad spend and consumption demand started to recover. However, rising inflationary pressures continued to dampen sentiments. During the year, the movie business contributed significantly to the top line and the digital business reported all-round sustained growth across all parameters—MAUs, DAUs, Watch Time, and number of consumers, among others. Our music business performed well too, with Zee Music Company acquiring music rights across 22 languages, cementing its status as a truly pan-India music label.

The strong set of numbers is also attributable to ZEE's position as we continued to be among India's leading TV entertainment networks, with a strong foothold across the language markets. We remain among the leading TV entertainment networks in 7 out of the 9 language markets where we are present. Further, our continuous investments to transform ZEE into a formidable player in the digital entertainment through ZEE5 are delivering good results.

The challenges in the external environment notwithstanding, we are extremely pleased with our ability to deliver healthy growth, profitability and returns to our stakeholders.

2 Q. What is your take on the current state of the market and industry dynamics?

A. As mentioned earlier, FY22 was a volatile year, and as we tried to recover from the impact, the market faced more upheavals in the form of macroeconomic headwinds and inflationary pressures. These factors had an adverse effect on industry-wide ad revenue growth and outlook. We saw a downtrend in TV subscription revenue for the second consecutive year, despite continuing growth in TV penetration. However, the growth in TV penetration was largely driven by the DD FreeDish platform, which impacted the pay TV ecosystem. Another factor that impacted subscription revenue growth is the ongoing delay in the implementation of the New Tariff Order (NTO 2.0), which remained an impediment to subscription revenue growth.

Having said that, we see significant potential to grow TV subscription revenues, once the embargo on channel pricing is lifted, given ZEE's comprehensive bouquet of TV channels and India having about 90 million households that are yet to get their first TV set.

The M&E industry is at a nascent stage in India, relatively speaking. It has huge growth potential and has attracted the interests of global players and spurred M&A activity among Indian peers as well. Further, we have seen the sector receive investments to aid long-term growth. The Indian digital ecosystem is constantly evolving, and this drives all the industry players to stay committed to reinventing their digital business models.

At ZEE, we have always welcomed competition, as we believe competition bodes well for consumers and expands the landscape leading to several opportunities for growth. We are thus recalibrating our strategy, streamlining our investments based on focus areas, and transforming ourselves for the digital-first world. This is key to staying ahead of the curve and capitalising on existing and emerging opportunities in the M&E space.

3 Q. What is the outlook for ZEE5?

A. ZEE5 is consistently displaying strong traction, which is reflective of higher usage, better engagement, and appeal of the content. Our strategy for ZEE5 is progressing well, as seen in our operating as well as financial metrics. MAUs and DAUs in March 2022 were at 104.8 million and 10.5 million, respectively, with a watch time of 214 minutes. Despite production being impacted due to the pandemic during the first half of the year, ZEE5 released over 45 originals during the year. For FY22, revenue growth was at 33% year-on-year—a sign of healthy production and adoption.

We view ZEE5 as our future growth engine and accordingly are investing in content, technology, and marketing to drive its appeal and reach further. We aspire to be a leader in the digital business, not just in India but also among the South Asian diaspora across the world. We launched ZEE5 in the U.S. in June 2021, and the response has been encouraging. It went on to become the leading South Asian OTT player in the U.S. market within a short period of time.

We view ZEE5 as our future growth engine and are investing in content, technology, and marketing to drive its appeal and reach further.



4 Q. The movie business seems to be one of the biggest standouts for ZEE during the year. Could you share your thoughts on this?

A. ZEE has focused on ramping up movie production to drive synergies between the television, digital, movie distribution and music publishing businesses. This would reduce the need for us to acquire rights, especially on the digital side, which has seen a rapid increase in acquisition cost due to intensifying competition.

We are excited with how the music and movie businesses have scaled up and are now an extremely important and strategic part of our overall portfolio. ZEE is focused on accelerating the growth of these businesses. The reopening of cinemas across the country has augured well for the sector and theatrical revenues continue to be a significant source of earnings for our studio business. For us, *'The Kashmir Files'* proved to be an outperformer. It grossed over ₹250+ crore at the box office and was one of the few films to have recorded this kind of success post the pandemic. We are looking at scaling up the business and have a strong pipeline of movies across languages that are in various stages of production.

Commercial success of any creative efforts is difficult to predict with certainty, and it is more so in case of movies where success is determined by content appeal across multiple customer cohorts, whose taste and preferences evolve quite frequently. At ZEE, our team continuously adapts to cater to these shifts and strives to deliver compelling cinematic content. We approach our movie investments with a portfolio approach, building projects across genres, languages, and budgets, which allows us to generate good returns for our shareholders over the life cycle of the projects. This approach allows us to ring fence our investments with balanced risk assessment and a diversified content slate.

5 Q. Could you highlight the key investment focus areas ZEE is looking at? What is the return profile of these investments?

A. We are making significant investments in content and technology across linear and digital businesses and in the language markets. We believe this is the only way to win in a market where consumers are spoilt for choice as the quality of content and viewing experience are redefined every day. Our investments have started delivering results, especially on the digital side, with ZEE5 posting a strong set of numbers.

Taking strategic steps in the digital transformation journey of ZEE 4.0, we have further expanded our digital footprint by setting up a cutting-edge technology and innovation centre in Bengaluru which would drive innovation and enable exponential growth for our integrated platforms.

Further on the investments, we recently acquired the global media rights of UAE's T20 league for a period of 10 years, marking our re-entry in the sports genre. This league is expected to hold its inaugural edition in the UAE in FY23. Going forward, we will continue to evaluate all investment opportunities that come our way and capitalise on the ones that have the potential of creating or enhancing shareholder value, from a prism of fiscal prudence.

In the coming year, we will see increased investments across the business. While the increase in investment across the linear business will be inflationary in nature, we do have a strong outlook on the digital space which will see higher investments. Lastly, for the studios business, our investment would follow a portfolio-based approach.

6 Q. Can you give us a snapshot of the balance sheet and cash-generation profile of the business during the year?

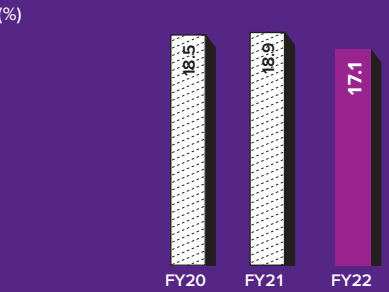
A. ZEE is a debt-free company with strong operating metrics and free cash flow generation. This provides adequate headroom to deploy growth capital to tap the emerging opportunities. For FY22, we generated operating cash of ₹ 2.8 billion and free cash of ₹0.4 billion. We redeemed our entire outstanding preference share worth 4.0 billion from our internal accruals. We reported a current ratio of 5.0 which demonstrates our strong ability to discharge our current liabilities. We made good progress towards recovering sticky receivables, which has further helped in our cash generation. The DSO days improved by 15 days and came in at 77 days. Our ROCE for the year came in at 13.4%.

Our meticulous execution and financial prudence have led to us building a strong, debt-free, and liquid Balance Sheet which enables us to be well poised for our strategic investments and ongoing business needs.

Key Performance Indicators

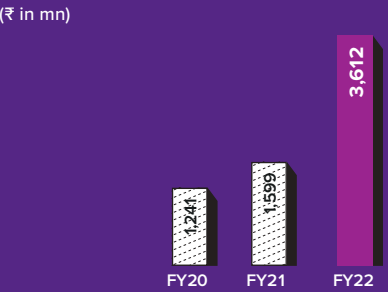
Making steady progress

Television Network Share

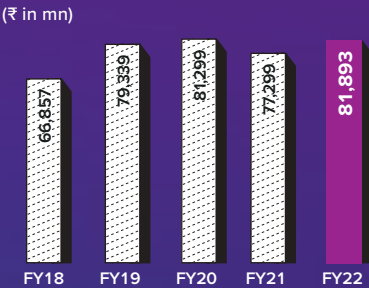


Source: BARC, All India 2+ U+ R. The network share is for exit quarter (Q4) of the financial year

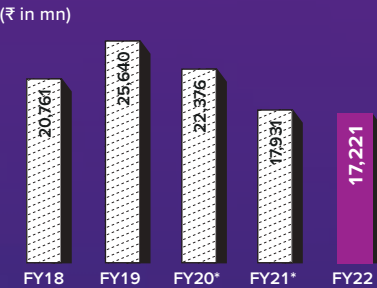
Movie Business Revenue



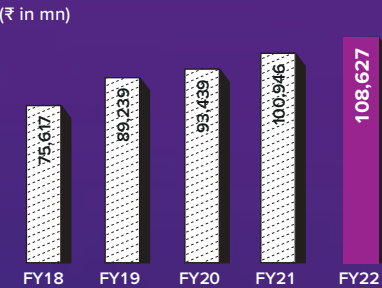
Revenue



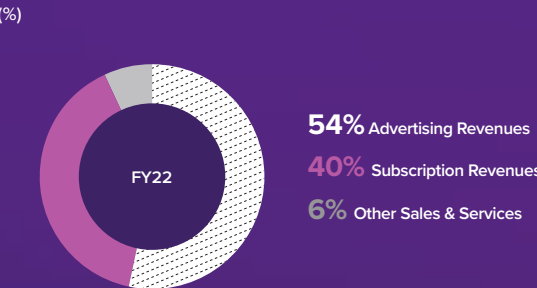
EBITDA



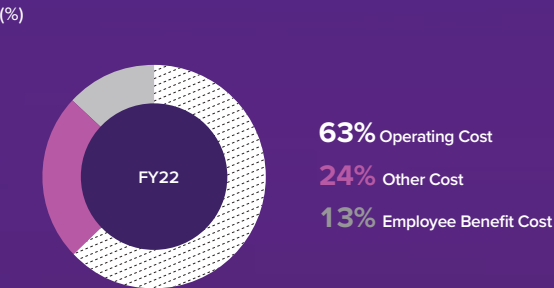
Net Worth



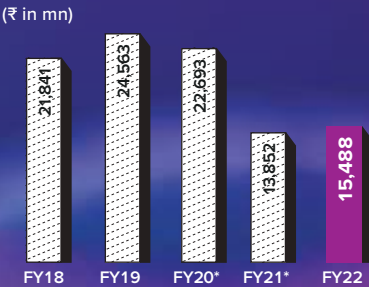
Distribution of Revenue



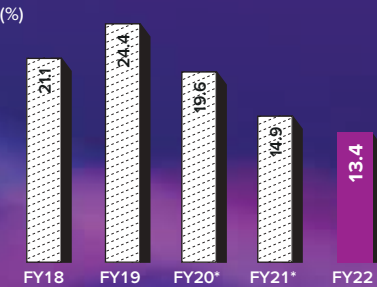
Distribution of Expenses



PBT Before Exceptional Items



Return on Capital Employed



*Note: FY20 excludes one offs in Operating cost (₹ 2,598 mn), Other costs (₹ 3,433 mn) and loss on sale of Investments (₹ 3,835 mn in FVTPL). FY21 excludes one offs for content syndication deal (Revenue of ₹ 5,512 mn and operating cost of ₹ 4,730 mn), and Other costs (₹ 812 mn)

Awards

Winning big

Amit Goenka, President-Digital Businesses & Platforms, ZEE was felicitated with the prestigious 21st Century Icon Awards at the House of Lords, UK. He was credited with pioneering the digital business at ZEE to be at the helm of the next era of entertainment.

Best Use of Gamification/Mobile/ Video learning technology at the Human Excellence Awards 2021

Silver for Best Advance in 'Custom Content'; Bronze for 'Best Advance in Employee Engagement', and 'Best Unique or Innovative Learning and Development Program' at the Brandon Hall Group HCM Excellence Awards 2021

Best HR Team of the Year and 1st runner-up for 'Excellence in Learning & Development' at the BusinessWorld HR Excellence Awards 2021

Best Employee Engagement Strategy Award at the Future Workplace Awards 2021, HR Summit and Exhibition, UAE

Bagged the HR Future Skills Award in the following categories: Excellence in Learning Experience – Gold; Best Learning Culture in an Organisation – Silver; Best Learning Team – Bronze

ZEE's Enterprise Culture and Capability Development team was honoured with awards in the L&D Innovation in Skill Development and Disruptive L&D Leader of the Year categories

Best Recruitment Transformation Award at The Recruitment World Awards 2022

