



REACHING OUT TO THE WORLD



ZEE NEWS *Ltd.*
Engage, Inform, Empower

ANNUAL REPORT 2012-13



CONTENTS

Chairman's Message	02
Interaction with the Managing Director	04
Notice	06
Directors' Report	08
Corporate Governance Report	13
Management Discussion and Analysis	24
Certification on Financial Statement	32
Standalone Financial Statements	33
Performance Ratio & Analysis	58
Consolidated Financial Statements	61
Financial Highlights of Subsidiary Companies	83

CORPORATE INFORMATION

BOARD OF DIRECTORS

Subhash Chandra
Non-Executive Chairman

Surjit Banga
Independent Director

Vinod Bakshi
Independent Director

Punit Goenka
Managing Director

SENIOR MANAGEMENT

Bhaskar Das
Group CEO - News Cluster

Alok Agrawal
Chief Executive Officer

Jitesh Rajdeo
Chief Sales Officer

Dinesh Garg
Chief Financial Officer

Vijayant Kumar
Vice President (Technical)

Geetanjali Pandit Gupta
Chief People Officer

Sudhir Chaudhary
Editor - Zee News

Samir Ahluwalia
Editor - Zee Business

Vasindra Mishra
Editor - Zee News UP/Uttarakhand

Uday Nirgudkar
Editor - Zee 24 Taas

Sanjay Vohra
Editor - Zee Punjabi

Rohit Kumar
Vice President (Marketing Zee News)

Pushpal Sanghavi
Company Secretary

AUDITORS

MGB & Co, Chartered Accountants

BANKERS

State Bank of India
BNP Paribas
ICICI Bank Ltd.

OFFICES

Registered

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

Corporate

Essel Studio, FC-19
Sector 16A
Noida - 201 301
Uttar Pradesh

Zee 24 Gantalu

6-2-935/2, Savitri Nilayam
Khairtabad
Hyderabad - 500 004
Andhra Pradesh

Zee 24 Taas

4th Floor "B" Wing
Madhu Industrial Estate
Pandurang Budhkar Marg
Worli, Mumbai - 400 013
Maharashtra

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

It is my pleasure to address you all at this juncture where your Company has achieved the feat of becoming India's largest news network reaching over 100 million viewers, amidst a difficult year for the economy.

India's GDP growth though lowest in 10 years was higher than most countries around the world. The economic reforms and monetary measures undertaken in the year gone by are likely to restore the growth and business sentiments going forward.

“

Your Company became India's largest news network to reach over 100 million viewers across regions and languages

”

2012 has been a year of macro challenges, industry transformation and opportunity unveiling for Indian Media & Entertainment (M&E) sector. While M&E sector grew by 12.6%, the advertisement revenues were at a more modest 9.1%. The sector faced challenges like low advertising spends, patchy implementation of cable digitization and stand-off on Government advertising rates. However, the sector has been opened up to immense growth opportunities with improved quality for the viewer and higher subscription revenues.

Your Company became India's largest news network to reach over 100 million viewers across regions and languages. We launched our Hindi news and infotainment channel for central India – Zee Madhya Pradesh/Chhattisgarh taking our bouquet of channels to eight - two national and six regional. During the year, we prepared ourselves for the future of News. We sharpened our strategic edge by creating path-breaking synergistic tie-ups with the Group's Print (DNA) and Digital (India.com) businesses. This would provide us with a competitive advantage through integrated content delivery to our young, diverse and dynamic consumers. In line with our strategy to widen our content mix beyond news, compliance process for change of Company's name to Zee Media Corporation Limited has been initiated.

We continued to remain a strong and responsible fourth pillar of our democracy. We are going to further consolidate our leadership position in Indian TV news & infotainment

domain by launching news and infotainment channels in Rajasthan and Bihar/Jharkhand in FY14 - to become even stronger in regional markets and changing content mix to strengthen and further grow our existing viewer base. Our strategy to synergize with our Group's digital and print businesses will help us keep pace with changing viewer profile and consumption needs. Considering the business synergies in Print and Electronic Media business, your Board has accorded its in-principle approval for combination of Print Media Business of the Group 'DNA' and News Broadcasting business of the Company.

With continued support and trust of our viewers, shareholders, bankers, employees, partners and the exchequer, we have scaled many new heights. Our programs 'Apka Vote Aapki Taqat' during recent elections, 'My Earth My Duty' on environment and our annual CSR award event 'Ananya Samman' among others went on to win national and international laurels.

I am looking forward to your continued support in our even more exciting and promising journey ahead.

Sincerely yours

Subhash Chandra
Chairman

INTERACTION WITH THE MANAGING DIRECTOR



Puneet Goenka
Managing Director

What are your views on industry developments?

FY13 was the year of beginning of transformation for Indian Media & Entertainment industry and posed challenges and opportunities alike.

India witnessed second consecutive year of declining economic growth having visible impact on Indian Media & Entertainment sector. While the M&E segment grew by 12.6% in 2012 over the previous year, advertising revenues recorded a moderate 9.1% growth, lowest in the last three years. In television, advertising revenues grew by a moderate 7.8% and subscription revenues recorded 14.5% growth.

The phased digitization of Cable TV distribution in India was finally rolled out in FY13 even as Kolkata and Chennai did not get digitized by the deadline as didn't several cities in Phase 2. We hope that in addition to improved viewing experience for customers, the revenue opportunities from distribution will percolate down to the broadcasting channels in terms of subscription revenue gains.

While traditional media like TV and Print contributed the highest to media revenues, the rise of New Media has been creating quite a buzz. Its growth is being fuelled by consistent growth of internet, mobile internet and Wi-Fi connections. New media contributed 6.6% to Indian advertising revenues in 2012 compared to 5.1% in 2011. We are well positioned to take advantage of these trends and look to bolster our Digital revenues.

Another significant development is the ad inventory restrictions which come into play starting the second half of FY14. However, we view these ad inventory restrictions as a means of getting fair valuation of the premium audiences, watching our Network, from our advertisers.

How has been the performance of Zee News in FY13?

Amidst this challenging business environment, we recorded total revenues of ₹ 3,038.2 million in FY13. EBITDA was ₹ 375.4 million and Net Profit before Tax and Exceptional Items was ₹ 376.0 million this year. We checked our total expenses increase at 5.0% over previous year and Finance Expenses recorded a 17.5% decrease, from ₹ 106.6 million in FY12 to ₹ 87.9 million in FY13.

Please share your view on what were the highlights of Zee News Limited performance for FY13?

It was quite an eventful year, to be precise! We became India's largest news network that reaches 100 million viewers. I thank our viewers for their unwavering trust on our news network. I also acknowledge the consistent efforts of our team to make it happen.

We launched Zee Madhya Pradesh/Chhattisgarh to build further upon our strong regional presence. We hope to benefit from the growth potential in regional markets having strong demand for regional content. Phases 2, 3 and 4 of digitization shall also, hopefully, act as catalyst for regional market growth.

During the year, Zee News formed strategic tie-up with the Group's Digital and Print arms to deliver path-breaking, real time and dynamic content. The move is to keep pace with changing viewer profile and media consumption. While we already have done several special projects with DNA, the Group's Print business, we will integrate the content from India.com, Group's Digital media business to deliver superior quality and real time content.

We have initiated the process to alter our content-mix from pure news to include current affairs impacting different aspects of our viewers. The change is already being implemented in our new channel – Zee Madhya Pradesh/Chhattisgarh besides changes existing channels of Zee Punjab, Haryana & Himachal and Zee

Uttar Pradesh/Uttarakhand.

We remained focused on our experiential content delivery through events and special content properties to maximize advertisement growth revenue. During FY13 we executed several initiatives like Ananya Samman, My City - My Voice, Emerging Business Forum, Hunt For India's Smart Investor to name a few. We received National Award from Election Commission of India for 'Apka Vote Aapki Taqat' program. 'My Earth My Duty' program represented India at the Earth Summit 2012 in Brazil. Truly, we lived up to our Brand promise of 'Engage, Inform and Empower'. Our news website performed exceedingly well and, for the second consecutive year, was the fastest growing website in India in the news web space.

Your views on future course for Zee News Ltd?

We have seen back-to-back two turbulent years for the Indian economy and M&E sector. The direct impact of macro-economic headwinds was strong on Indian M&E sector resulting in slower growth. In this backdrop, we are embracing ourselves for a more sustainable and impactful viewership for our Network. In order to move towards providing better quality, real time and relevant news content for the new age viewer, the Board has accorded its in-principle approval for combination of Print Media Business of the Group 'DNA' and News Broadcasting business of the Company. Recent launches and pipeline of new regional channels shall give us the advantage to maximize from future growth hot spots of our economy and industry too. Our new content-mix is also going to make our viewer reach grow wider and maximize on advertising revenues.

Considering our strong fundamentals, well articulated strategies and strong infrastructure, we are confident of a much promising future. The digitization impetus on higher subscription revenues and digital addressability in television ecosystem is also going to bring in significant positive changes for the industry and for our company.

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of **Zee News Limited** will be held on Tuesday, 30 July, 2013 at 11.00 a.m. at The Hall of Harmony, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31 March, 2013, Statement of Profit and Loss of the Company for the year ended on that date on a standalone and consolidated basis, together with the report of the Auditors' and Directors' thereon.
2. To appoint a Director in place of Mr. Subhash Chandra, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint M/s MGB & Co, Chartered Accountants, Mumbai, having Firm Registration No. 101169W, as the Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Board of Directors of the Company.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass the following resolution, with or without modification(s), as Ordinary Resolution:

"RESOLVED THAT Mr. Surjit Banga, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 23 January, 2013 and who holds office upto the conclusion of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and in respect to whom the Company has received a notice in writing from a Member under Section 257 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company in terms of Section 255 of the Companies Act, liable to retire by rotation."

By order of the Board

Place: Mumbai
Date : 23 May, 2013

Pushpal Sanghavi
Company Secretary

Registered Office:
Continental Building,
Dr. Annie Besant Road,
135, Worli, Mumbai – 400 018

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Proxies in order to be effective must be deposited with the Company not less than 48 hours before the commencement of the meeting.
2. Corporate members are requested to send to the Registered Office of the Company, a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
3. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General meeting, is annexed.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 20 July, 2013 to Friday, 26 July, 2013 (both days inclusive) for the purpose of Annual General Meeting.
5. Queries on accounts and operations of the Company, if any, may be sent to the Company Secretary at the registered office, seven days in advance of the meeting so as to enable the management to keep the information ready at the meeting.
6. As required under Clause 49 of the Listing Agreement, relevant information in respect of the Directors seeking re-appointment at the Annual General Meeting is given in the Report on Corporate Governance, which forms part of the Annual Report.
7. Recognizing the spirit of the Green Initiative in Corporate Governance initiated by the Ministry of Corporate Affairs, the Company will be sending Annual report and other documents/notices to shareholders to the email address provided to the Depository. Shareholders are requested to register and /or update email address with the respective Depository Participant or the Company, to ensure that documents from the Company reach their preferred email address.
8. Members who are holding Company's shares in dematerialized mode are requested to bring details of their Beneficiary Account Number for identification.
9. Members are requested to register their email address and also notify immediately about any change in their address / email address / mandate / bank details to their Depository Participant in respect of their shareholding in

Demat mode and in respect of their physical shareholding to the Company's Registrar and Share Transfer Agent, M/s Sharepro Services (India) Pvt. Ltd., at 13AB, Samhita Warehousing Complex, Second Floor, Sakinaka Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East), Mumbai-400 072 and/or at 912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai-400 021.

10. Under Section 109A of the Companies Act, 1956, members are entitled to make nomination in respect of shares held by them in physical mode. Members desirous of making nominations are requested to send their request in Form 2B, in duplicate (which will be made available on request) to the Company's Registrar and Share Transfer Agent at above addresses.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

Mr. Surjit Banga was appointed as an Additional Director of the Company by the Board with effect from 23 January, 2013. Pursuant to provisions of Section 260 of the Companies Act, 1956, Mr. Surjit Banga vacates his office at the conclusion of

this Annual General Meeting. Due notice under Section 257 of the Companies Act, 1956, has been received from a Member proposing the appointment of Mr. Surjit Banga as a Director of the Company. Requisite consent has been filed by Mr. Surjit Banga, pursuant to the provisions of Section 264 of the Act, to act as a Director, if appointed.

Brief profile and other details of Mr. Surjit Banga forms part of the Corporate Governance Report.

Your Board recommends resolution No. 4 for your approval by way of Ordinary Resolution.

None of the Directors of the Company, except Mr. Surjit Banga, is interested in this resolution.

By order of the Board

Place: Mumbai
Dated: 23 May, 2013

Pushpal Sanghavi
Company Secretary

Registered Office:
Continental Building,
135, Dr. Annie Besant Road,
Worli, Mumbai – 400 018

DIRECTORS' REPORT

To the Members

Your Directors take pleasure in presenting the 14th Annual Report of your Company together with Audited Statement of Accounts for the year ended 31 March, 2013.

FINANCIAL PERFORMANCE

The financial performance of standalone operations of your Company during the Financial Year 2012-13 is summarized in the following table:

(₹ million)

Particulars	For the year ended	
	31 March, 2013	31 March, 2012
Total revenue	2,919.20	2,878.34
Total expenses	2,612.86	2,538.81
Profit before exceptional items and tax	306.34	339.53
Exceptional items	45.96	(166.74)
Profit before tax	352.30	172.79
Provision for tax expenses	109.31	110.79
Profit after tax	242.99	62.00

DIVIDEND

With a view to conserve the resources for future business requirements and expansion plans, your Directors are of view that the current year's profit be ploughed back into the operations and hence no dividend is recommended for the year under review.

OPERATIONS & STRATEGY

During the year, the sluggish economy which had relatively lower GDP growth and high inflation along with supply side constraints continued to affect the overall industry. In particular, spends to news genre were affected and the advertisement revenue growth for the Hindi and Regional News genres was in the region of only 2% (Source: Estimates basis Adex secondages). News channels also faced significant loss of revenues from the government, which contributes to about 10% of advertisement revenues and degrowing by almost 60% as compared to last year as there was a rate stand-off for better part of the financial year.

Your company also took a significant step of reducing the inventory of the flagship channel, Zee News in order to improve the viewer experience, increase the yield of the channel as well as preparation for the upcoming curbs for advertisement inventory. Events and Special properties continued to be the cornerstone of your Company's advertisement revenue growth strategy and your Company had executed several initiatives like Ananya

Samman, My City - My Voice, Emerging Business Forum, Hunt For India's Smart Investor, etc. and has conducted over 100 events across India.

Your Company has made further inroads into the Hindi heartland, after Zee News Uttar Pradesh Uttarakhand, through the launch of our second offering, Zee Madhya Pradesh Chhattisgarh and slating to launch regional channels in Rajasthan and Bihar-Jharkhand. In order to provide richer as well as real time news content to the viewers, your Company has begun the process of integrating the content from Diligent Media Corporation Limited (DMCL), an Essel Group Company engaged in printing and publication of daily news paper 'DNA (Daily News & Analysis)', as well as in Digital through india.com owned by India WebPortal Pvt. Ltd., another Essel Group Company. Such a synergy is expected to provide additional depth to our coverage and analysis in addition to addressing the needs of the youth better. Considering the business synergies in print and electronic media, your Board has approved in-principle combination of News Publication Business of DMCL with News Broadcasting business of the Company.

Your Company's Subscription revenues increased on the basis of higher demand for the channels even as overall digitization was delayed in Phase 1 and has been patchy in Phase 2. Our Network and individual channels have been steaming ahead in marketing and viewership initiatives. Your company continues to be the largest News Network in the country and yet again registered the highest relative share of 27.5% for the premium target audience, CS 25+ M ABC, among the major news networks in the top 6 metros (Source: TAM, FY 2012-13, CS 25+, SEC ABC, 8 Metros).

Zee News had the second highest reach of 3.1 million among the Hindi News channels in 8 metros among premium audience (Source: TAM, FY 2012-13, CS 25+ ABC, 8 metros).

Zee Business, India's first 24-hour Hindi business channel, has been consistently outperforming its major competitors and has been no. 2 in reach at 20 million It also dominated the last quarter of the fiscal by being the leader in 6 of 13 weeks in the fourth quarter (Source: TAM, FY 2012-13 and Q4, TG: CS 25+ M AB, HSM).

24 Ghanta, our Bengali news offering, was also no. 1 in 23 weeks round the year with average of 29% market share (Source: TAM, FY 2012-13, TG: CS 15+, WB) and no. 1 in reaching audiences in West Bengal among all Bengali news channels and reached over 5.6 million audiences even though DAS Phase I implementation in Kolkata met many roadblocks.

Zee 24 Taas continued to be No. 2 in reach across Maharashtra with its incisive news coverage leading to a high reach of 9.9 million viewers (Source: TAM, FY 2012-13, CS 15+, Mah).