

management discussion and analysis

OVERVIEW

Zee Entertainment Enterprises Limited (ZEE) (BSE Code: 505537, NSE Code: ZEEL.EQ) is one of India's largest vertically integrated media and entertainment company. The Company was formed in 1982. ZEE was the first private company to launch a satellite channel in India and from being a single channel for a single geography today operates multiple channels across multiple geographies in different languages and genres. The Company's programming reaches out to over 959 million viewers across 169 countries globally.

ZEE channel portfolio, across various genres in the Indian market, includes:

- i. **Hindi Entertainment:** Zee TV, Zee Smile, Zee Anmol, Zindagi, &tv
- ii. **Hindi Movies:** Zee Cinema, Zee Action, Zee Classic, &pictures
- iii. **English Entertainment, Movies and Life style:** Zee Studio, Zee Café
- iv. **Regional Language Entertainment:** Zee Marathi, Zee Talkies, Zee Bangla, Zee Bangla Cinema, Zee Telegu, Zee Kannada, Zee Tamil
- v. **Sports:** TEN Sports, TEN Cricket, TEN Action, TEN Golf
- vi. **Religious and Alternate Lifestyle:** Zee Salaam
- vii. **Music:** Zing, ETC Bollywood
- viii. **Niche and Special Interest:** Zee Khana Khazana, Zee Q
- ix. **HD:** Zee TV HD, Zee Cinema HD, Zee Studio HD, TEN HD, &pictures HD, &tv HD

Apart from the channels listed above which are available in India, the Company also broadcasts 36 dedicated channels in the international markets.

MEDIA AND ENTERTAINMENT INDUSTRY

The Indian Media and Entertainment Industry witnessed a moderate growth in 2014. The industry grew from ₹ 918 billion in 2013 to ₹ 1,026 billion in 2014, registering a growth rate of 12%. Television sector grew from ₹ 417 billion in 2013 to ₹ 475 billion in 2014, registering a growth of 14%. (Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2015)

Total advertising spend across media was ₹ 414 billion in 2014 contributing to 40% of Media & Entertainment industry revenues. In light of the continued economic growth, advertising revenues saw a growth of 14% in 2014. On account of improving monetization due to digitization, in 2014, subscription revenues grew at annualized growth rate 16%. (Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2015)

It was another landmark year for the television industry in many ways. FY15 saw the formation of the viewership measurement system by Broadcast Audience Research Council (BARC). BARC is expected to deliver superior viewership data on account of more relevant classification parameters (NCCS instead of SEC), tracking of substantially higher viewership universe (~150 Mn Households) including rural households, as well as higher quality of data monitoring through audio watermarking of channel feeds

Television sector grew from ₹ 417 billion in 2013 to ₹ 475 billion in 2014, registering a growth of 14%.



169

countries across which ZEE serves content

Zee TV continued to hold the second spot in the Hindi GEC genre with an average weekly channel share of 18.6% amongst the top 6 GECs.

BUSINESS PROFILE

ZEE is an integrated media and entertainment company engaged primarily in broadcasting and content development, production and its delivery via satellite. The Company has 33 domestic channels that serve the widest array of content in India and is the leading broadcaster across the country. ZEE is also the pioneer in the international markets with 36 dedicated channels serving Indian content across 169 countries.

Leadership across different Genres:

In the Hindi GEC genre, Zee TV is the flagship product from ZEE. During the year, the Hindi GEC space continued to see sustained competition between the top six channels with extremely dynamic channel rankings. New channel launches from various broadcasters including Zee has further intensified competitive nature of the industry.

Zee TV continued to hold the second spot in the Hindi GEC genre with an average weekly channel share of 18.6% amongst the top 6 GECs.

During the year, the channel launched various new successful shows in different genres. Kumkum Bhagya, launched during the year received tremendous success and was the No.1 show in Hindi GEC space for long periods. Jamai Raja was also launched during the year and was the slot leader in the fiction drama space at 8:30 pm slot. Jodha Akbar continued to be the No.1 show in the 8 pm slot.

In line with our strategy of exploring new opportunities, we launched Zindagi and &tv, Hindi GECs aimed at targeting audiences with a diverse and contemporary mindset.

Zindagi, a premium Hindi GEC channel was launched on June 23rd, 2014. Positioned as 'Jodein Dilo Ko', Zindagi is a channel that believes in connecting people of different cultures while dismissing the stereotypical notions about people from other nations.

&tv, a Hindi GEC aimed at targeting the contemporary mindset was launched on 2nd March, 2015. &tv launched with 90,612 GVTs making it the biggest ever launch in the Hindi GEC space.

In the Hindi Movie Genre, ZEE has 6 channels viz. Zee Cinema, Zee Action, Zee Classic, Zee Cinema HD, &pictures and &pictures HD. ZEE has the largest film library in the country and its movie channels are a strong favorite with the viewers as well as advertisers. During the year popular movies like Entertainment, Holiday, Main Tera Hero and Raja Natwarlal were premiered on Zee Cinema while Lunchbox, Manjunath and Mad About Dance was premiered on &pictures. World TV Premiere of "Entertainment" on Zee Cinema was the highest rated premiere in 2014 in HSM CS 4+.

The Cinema cluster continued to have a leading share in the movie genre in HSM with an average weekly channel share of 32.3% amongst all Hindi Movie Cluster.

The Company's sports offerings include 5 channels viz. TEN Cricket, TEN Action, TEN Sports, TEN Golf and TEN HD. With telecast rights to 5 of the 10 cricket boards, which ensure coverage of cricket of all test playing countries, along with rights to exciting properties such as UEFA Champions League, WWE, US Open, Tour de France etc, TEN is a clear leader in the non-cricket genre with a 57% viewership share in FY2015.

Zee Café and Zee Studio are the company's English language offerings. Zee Café is one of the leading players in the English GEC category and has the telecast rights to the latest series programming of America's leading TV shows like The Big Bang Theory, House of Cards, The Mentalist etc. During the year, the channel showcased popular international shows and live mega events like Miss World 2014, Victoria's Secret Fashion Show etc. Zee

32.3%

Average weekly share of the Cinema cluster making it the leader in the movie genre in HSM.



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50% +

Zee Marathi's market share during the year helping it retain market leadership.

Studio on the other hand is an English movie channel that shows all the latest blockbusters to the Hollywood loyalist. In FY15, Zee Studio in a continuous effort to entertain its audience launched its new ideology, "See it All". Zee Studio's new identity was showcased with the channel premiere of movies like Mission Impossible: Ghost Protocol, Avengers etc. Both these channels continue to strengthen the network subscription bouquet.

Zing, the music and lifestyle offering of the Company, showcases popular Bollywood oriented properties. The content on Zing revolves around the world of music, lifestyle, movies and celebrities. In FY15, Zing introduced Pyar Tune Kya Kiya, an original show based on fictional love stories. This show is extremely popular with the youth and has propelled Zing to the leadership position in the 7 pm slot in the youth genre.

Zee Marathi, Zee Talkies, Zee Bangla, Zee Bangla Cinema, Zee Telugu, Zee Kannada and Zee Tamil are regional language offerings and enjoy significant market share in their respective markets.

- Zee Marathi increased its market share to more than 50% during the year and maintained its leadership position throughout the year. True to its brand value, Zee Marathi brought to the audiences fresh and appealing shows like Jai Malhar, Ka Re Durava, Chala Hawa Yeu Dya, and Ase He Kanyadan. The channel premiered block buster movie "Lai Bhaari", the highest rated World TV premiere on Marathi television in last 5 years.
- Zee Bangla continued to be a strong player in the Bangla GEC space with 35% market share. Zee Bangla performed extremely well in the non-fiction genre, driven by shows like Dadagiri Unlimited – 5 and Sa Re Ga Ma Pa.
- Zee Telugu, with a market share of 23% has become a close no. 3 player in the Telugu GEC space. The channel held the No.2 position in the weekday Primetime band between 1830-2230hrs on the back of popular fiction shows like Mudda Mandaram, Rama Seetha, and Mooga Manasulu. The launch of Rama Seetha received the highest viewership for any new launch.
- Zee Kannada garnered a 14% market share in the Karnataka market and has added shows like Srirastu Subhamastu and Jothe Jotheyali in fiction and shows like Life Super Guru and Maharshi Vani in the non-fiction formats.
- Zee Tamil remained in the No.3 position among all the Tamil GECs. Top rated shows on the channel include Solvathellam Unmai and CID.

Further strengthening the performance of our niche/ special interest genre, two shows, "Teenovation" and "Engineer This", from our edutainment channel, ZeeQ, were nominated for the Indian Television Awards. "Teenovation" was even nominated for the National Science festival and was also screened at the Festival of Innovation at The Rashtrapathi Bhavan in New Delhi.

Zee Khana Khazana is the No. 1 food & lifestyle channel with 34% market share. The channel continued its strong legacy of offering exciting content with 9 new shows like ABC-All 'bout cooking', Snack Attack: Firangi Twist, Khane Bhi Do Yaron, Bake do teen etc. Zee Khana Khazana was also the only media channel to win the Gold Award for "Best Radio Spot" at the 11th Mirchi Kaan Awards.

Global Presence

The Company reaches more than 959 million viewers across 169 countries worldwide. Internationally, subscription is a key driver of revenues for any broadcaster and international subscription revenues contributed significantly to ZEE's total subscription revenues in this financial year.



Zee Network dominates the International South Asian (SA) Business globally. Zee TV continues its dominant position in US, Middle East & Africa in terms of viewership within the SA channels. During the year, the Company undertook various initiatives to further strengthen its dominance in the geographies where it operates.

Key highlights during the year include:

- In US, Zee channels were added onto additional platforms like Charter
- Zee celebrated 20 years of its presence in UK and Europe market
- &TV was launched in the UK market
- Zee World, our first dubbed English GEC with Indian content for mainstream African viewers was launched in Africa
- Zee Cinema International was launched in Africa.
- Zee Tamil and Zee Khana Khazana were launched in the Indian Ocean Islands.
- Zee TV continued to be the Number 1 South Asian channel both in terms of GRPs and Reach in the UAE.
- Zee TV launched Parwaaz, a drama series that was entirely produced in the UAE. This show broke all viewership records in the UAE among south Asians.
- Zee Aflam consolidated its position as the top Bollywood channel catering to Arabic audiences.
- Zee Alwan continues to grow its reach in the market with shows like Jodha Akbar, Qubool and Rihlet Saloni S3 (Saath Phere - Season 3).
- ZEE launched a GEC, Zee Hiburan, in Indonesia, which is fully dubbed and subtitled in Bahasa language.
- Zee Nung was launched in Thailand which is a 24/7 Bollywood movie channel localized and packaged in Thai language.

BUSINESS STRATEGY

The key elements of ZEE's strategy during the year were

- (i) to invest in growth opportunities to safeguard business leadership in a competitive environment
- (ii) to concentrate on additional revenues from digitization
- (iii) Rationalize on costs across different heads
- (iv) Fortify its expansion in the international markets
- (v) Maintain consistently high standards of corporate governance

(i) Invest in growth opportunities to safeguard business leadership in a competitive environment:

In FY2015, ZEE launched two Hindi GECs - Zindagi and &tv, to further enhance market share through a planned content lineup. The launch of new shows across network channels along with the tie up of cricket rights and other major sporting events has helped ensure that in a highly fragmented environment, the network grew its dominance.

(ii) Concentrate on additional revenues from digitization:

India is a fast digitizing market and the consumer shift towards digital services is exhibited through the rampant expansion of digitized households. The completion of the digitization process in Phase I and Phase II cities and the rollout in Phase III and Phase IV cities is seen as a positive step that should lead to a boost in the subscription revenues in the future.

(iii) Rationalize on costs across different heads

The belief at the Company has always been that higher spends may not necessarily result in sustained incremental viewership. The network continues to endeavor towards maintaining its cost structures through better negotiations with suppliers and better control on distribution spends.

Zee TV continues its dominant position in US, Middle East & Africa in terms of viewership within the SA channels.

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(iv) Fortify its expansion in the international markets:

During the year, the Company undertook various initiatives to further strengthen its dominance in international markets by entering into deals with new platform operators as well as launching new channels in some of the geographies. In line with this expansion strategy, the company launched Zee World, Zee Nung and Zee Hiburan in various geographies.

(v) Corporate Governance:

ZEE firmly believes that good governance is critical to sustaining corporate development, increasing productivity and competitiveness and creating shareholder wealth. The governance process should ensure that the available resources are utilized in a manner that meets the aspirations of all of its stakeholders. The Company's essential charter is shaped by the objectives of transparency, professionalism and accountability. The Company continuously endeavors to improve on these aspects on an ongoing basis. While the increasing emphasis on transparency and accountability, standards have been set by various governing bodies on disclosure as well as judiciousness in conduct, ZEE has always tried to go a step further in this direction.

RISK FACTORS

Competition from other players

The Company operates in highly competitive environment that is subject to innovations, changes and varying levels of resources available to each player in each segment of business.

Ever changing trends in Media sector

It may not be possible to consistently predict changing audience tastes. People's tastes vary quite rapidly along with the trends and environment they live in. In this makes it is virtually impossible to predict whether a particular show or serial would do well or not. With the kind of investments made in ventures, repeated failures would have an adverse impact on the bottom line of the Company.

Cost of programming mix might affect its bottom line

The urge to compete and provide the best content to viewers, ZEE would have to incur high expenditure to provide an impetus on its programming front from time to time. The increase in costs might not necessarily perk up its revenues in the same proportion.

Investments in new channels

The Company may from time to time launch new channels like we did with Zindagi and &tv this year. Content for these channels is either freshly created or acquired. The success of any new channel depends on various factors, including the quality of programming, price, extent of marketing, competition etc. There can be no assurance that the Company will be as successful in launching new channels as it has been the case of its existing channels.

Macroeconomic environment

Macroeconomic environment can be a potential source of risk. Moderating growth, along with high inflation, can adversely impact advertising revenues of the Company, which forms the largest component of the Company's revenues.

Slowdown in DTH/Digital rollout

The uptake of pay digital services by subscribers has been a very encouraging sign for all broadcasters. Internationally most broadcasters derive a greater share of their revenues from the subscription revenues whereas in India the under-declaration in the analogue cable system has led to broadcasters being more dependent on advertising revenues, which tend to be cyclical in nature and more affected by the macro economic factors. The rollout of



pioneer

ZEE has been a pioneer in the international markets and has the highest market share amongst all South East Asian broadcasters across Europe and USA.

Phase I and Phase II cities took longer than expected. Similarly, it may take longer to realize revenues from Phase III and Phase IV cities as their rollouts may not be completed on time.

Increased competitive environment in the Hindi General Entertainment Space

The Hindi GEC genre is amongst the key genres for all advertisers and hence is most lucrative to all the TV broadcasters. Even though we launched Zindagi and &tv this year, any new competition in the Hindi GEC space can have an impact on the Company's revenues.

Sluggish consumer uptake in the international markets

ZEE has been a pioneer in the international markets and has the highest market share amongst all South East Asian broadcasters across Europe and USA. Indian content in these markets serves the preference of a niche audience and ZEE has strong relations with distribution platforms in these markets giving management the confidence that the Company will retain market share in key geographies. Given the global economic slowdown, consumers may find it difficult to upgrade their packages and the value growth from these markets may get affected.

Increase in cost of acquisition for some of the key sports properties

While a significant amount of rights have been signed on by the Company for leading sports properties, any future contracts may be at higher costs, which may put pressure on margins of the Company.

The Company may be exposed to foreign exchange rate fluctuations

The Company receives a significant portion of its revenues and incurs a significant portion of its expenses in foreign currencies, particularly US Dollars and UK Pounds. Accordingly, the Company is exposed to fluctuations in the exchange rates between those currencies and the Indian Rupee; the Company's reporting currency, which may have an impact on its revenues and expenses.



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₹3,933mn

Total revenue in FY 2015 increased by 12% driven by increase in Broadcasting Revenue

STAND-ALONE FINANCIALS

A. RESULTS OF OPERATIONS

Non-Consolidated Financial Information for the Year Ended 31 March, 2015 compared to the Year Ended 31 March, 2014.

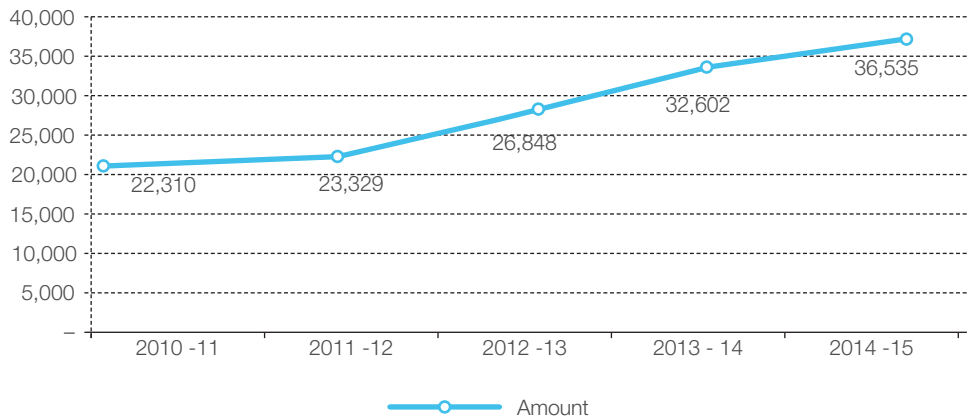
Total Revenue

Total revenue increased by ₹ 3,933 million or 12% from ₹ 32,602 million in FY 2014 to ₹ 36,535 million in FY 2015 driven by increase in Broadcasting Revenue.

Following chart depicts the movement of revenue over last 5 years.

Total Revenue

(₹ Millions)



Revenue from Operations

Operating Revenue increased by ₹ 3,505 million or 11% from ₹ 30,757 million in FY 2014 to ₹ 34,262 million in FY 2015. Among major sources of income, the advertisement revenue has increased by 11% to ₹ 22,284 million in FY 2015 as against ₹ 20,037 million in FY 2014 and Subscription revenue has recorded a growth of 9% by ₹ 745 million from ₹ 8,705 million in FY 2014 to ₹ 9,450 million in FY 2015 due to continuous growth of DTH and Cable Subscribers.

Interest & Other Income

Interest & Other income increased by ₹ 428 million i.e. 23% from ₹ 1,845 million in FY 2014 to ₹ 2,273 million in FY 2015. The increase is attributable mainly to increase in interest income by ₹ 310 million, liabilities written back by ₹ 192 million which is partially offset by decrease in dividend income by ₹ 75 million and gain from exchange fluctuation by ₹ 99 million.

Total Expenditure

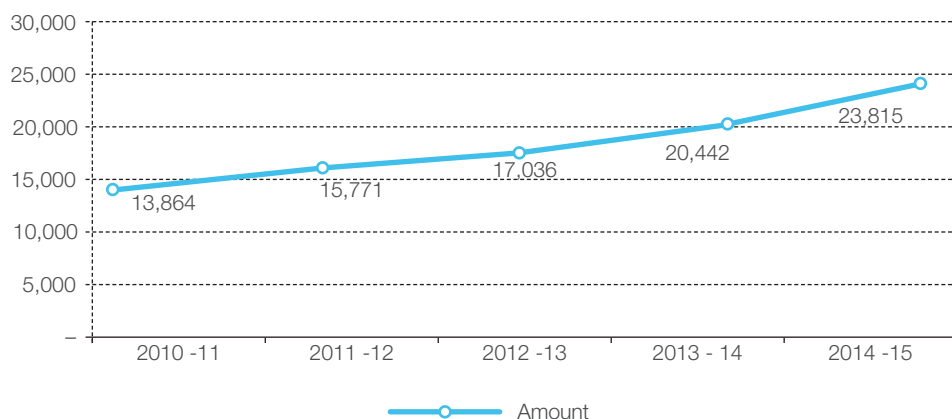
Total Operational expenditure increased by ₹ 3,373 million or 17% from ₹ 20,442 million in FY 2014 to ₹ 23,815 million in FY 2015. It represents 65% of total revenue in FY 2015, as compared to 63% in FY 2014.



Following chart depicts the movement of total operating expenditure over last 5 years:

Total Expenditure

(₹ Millions)



Operational Cost / Cost of Goods

Operational cost increased by ₹ 397 million or 3%, from ₹ 13,101 million in FY 2014 to ₹ 13,498 million in FY 2015. Increase in operating cost is due to higher programming cost on account of big sporting events during the year and launch of two new channels. Further, the Company impaired program and film rights of ₹ 641 million during the year, as against ₹ 447 million in previous year.

Personnel Cost

Personnel cost has increased by ₹ 588 million i.e. 26% from ₹ 2,228 million in FY 2014 to ₹ 2,816 million in FY 2015.

Other expenses

Other expenses has increased by ₹ 2,388 million or 47% from ₹ 5,113 million to ₹ 7,501 million. The increase in other expenses is mainly on account of higher spend on advertising and marketing cost partially offset by decrease in distribution cost.

Operating Profit

Operating profit increased by ₹ 133 million, or 1%, from ₹ 10,315 million in FY 2014 to ₹ 10,448 million in FY 2015. The operating margin is at 30% for FY 2015. Increase in Operating profit is mainly due to increase in broadcasting revenue partially offset by increase in operational costs by ₹ 397 million and increase in personnel and other expenses.

Finance Cost

Finance cost has reduced by ₹ 54 million to ₹ 18 million in FY 2015 from ₹ 72 million in FY 2014.

Depreciation and Amortisation

Depreciation increased by ₹ 242 million or 72%, from ₹ 338 million to ₹ 580 million. Increase in depreciation is mainly on account of change in useful life of assets as required by the Companies Act, 2013 as well as depreciation on additions during the year.

₹ 18 mn

Finance cost reduced to ₹ 18 mn in FY 2015 from ₹ 72 mn in FY 2014, a reduction of ₹ 54 mn

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₹12,122 mn

Profit before tax in FY 2015, a growth of 3%

Profit Before Tax

Profit before tax increased by ₹ 372 million or 3% from ₹ 11,750 million in FY 2014 to ₹ 12,122 million in FY 2015. The increase is attributable to increase in revenue resulting in improved profits from operations.

Provision for Taxation

Net provision for taxation was at ₹ 3,804 million.

Profit After Tax for the Period

Profit after tax for the year increased by ₹ 595 million to ₹ 8,318 million from ₹ 7,723 million.

B. FINANCIAL POSITION

Non-Consolidated Financial Position as on 31 March, 2015 as compared to 31 March, 2014.

Sources of Funds

Share Capital, Reserves & Surplus

There is no change in the Paid-up Equity Share Capital of the Company. The Paid-up Equity Share Capital of the Company as at 31 March, 2015 stands to ₹ 960 million.

During the year, the Company has issued 22 million preference shares of ₹. 1 each, to the shareholders of Diligent Media Corporation Limited as per Scheme of Arrangement. Consequently, the paid-up preference share capital stand at ₹ 20,192 million.

Loan Funds

Total loan funds as on 31 March, 2015 stood at ₹ 12 million down from ₹ 16 million. These loan funds are related to vehicle loan taken by the Company.

Long term liabilities and provisions

Long term provisions pertaining to retirement benefits have gone up from ₹ 275 millions as on 31 March, 2014 to ₹ 394 million as on 31 March, 2015.

Current Liabilities and Provisions

Current Liabilities and Provisions mainly representing Trade Payables, Statutory Dues, Unearned revenue, provisions and other payables etc. The same has increased by ₹ 2,505 million to ₹ 9,702 million as on 31 March, 2015 from ₹ 7,197 million as on 31 March, 2014. The increase is mainly attributable to increase in trade payables by ₹ 481 millions, other payables by ₹ 807 million and cheques overdrawn by ₹ 110 million which is partially offset by reduction in advance received from customers by ₹ 163 million.

Application of Funds

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 1,085 million mainly on account of purchase of plant and machinery and Capitalisation of expenditure incurred on development of new television channels as Intangibles. The capital expenditure is mainly funded out of internal accruals.

During the year, Gross block has reduced by ₹ 203 million due to impairment and disposal of various obsolete assets which include assets retired ₹ 143 million from Gross block (net book value of ₹ 53 million).

Capital Work in Progress reduced by ₹ 118 million to ₹ 879 million as on 31 March, 2015.



The increase in current assets by ₹ 9,904 million from ₹ 28,835 million to ₹ 38,739 million is mainly attributable to increase in inventories by ₹ 869 million.

Non-Current Investments

Non-current Investments have reduced from ₹ 8,080 million as on 31 March, 2014 to ₹ 6,593 Million as on 31 March, 2015.

Long term loans and advances

The increase of ₹ 114 million in the long term loans and advances from ₹ 6,457 million as on 31 March, 2014 to ₹ 6,571 million as on 31 March, 2015. The increase is mainly on account of payment of advance tax of ₹ 2,192 million partially offset by reduction in loan to subsidiary.

Current Assets

Current Assets mainly represent current investment, Inventories, Trade Receivables, Cash & Bank Balances, Short term loans and advances and Other Current Assets. The increase in current assets by ₹ 9,904 million from ₹ 28,835 million to ₹ 38,739 million is mainly attributable to increase in inventories by ₹ 869 million, Short term loans and advances by ₹ 5,416 million, current investment by ₹ 2,495 million and cash & cash equivalent by ₹ 1,366 million.

Current Investment

Current Investment has increased by ₹ 2,495 million to ₹ 4,495 million as on 31 March, 2015 from ₹ 2,000 million as on 31 March, 2014.

Inventories

Programs and Film rights held by the Company increased by ₹ 869 million from ₹ 11,202 million as on 31 March, 2014 to ₹ 12,071 million as on 31 March, 2015.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts stood at ₹ 8,318 million in FY 2015 as against ₹ 7,980 million in FY 2014. The age of Net Debtors is 89 days of sales in FY 2015 as against 95 days of sales in FY 2014.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on 31 March, 2015 was ₹ 3,012 million as against ₹ 1,646 million on 31 March, 2014.

Loans and Advances (Current)

There was an increase of ₹ 5,416 million in current portion of loans and advances from ₹ 4,911 million on 31 March, 2014 to ₹ 10,327 million on 31 March, 2015.

Other current assets

Other current assets have reduced by ₹ 580 million from ₹ 1,096 million on 31 March, 2014 to ₹ 516 million on 31 March, 2015 mainly on account of reduction in other receivables from subsidiaries.



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CONSOLIDATED FINANCIALS

A. RESULTS OF OPERATIONS

We have provided a comparison between Audited figures for FY 2015 and for FY 2014. Financial results include 50% proportionate share of income, expenses, assets and liabilities on a line by line basis for Company's interest in Joint Venture (JV) "Media Pro Enterprise India Private Limited" (MPEIPL).

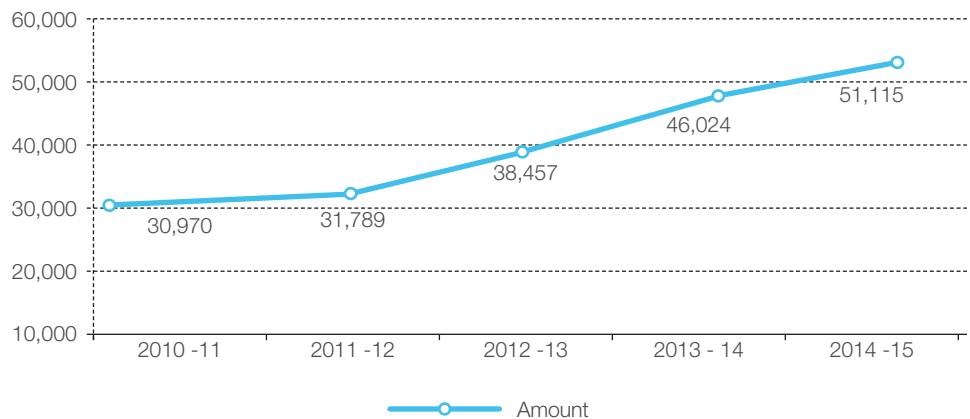
Revenue

Total revenue increased by ₹ 5,091 million, or 11% from ₹ 46,024 million in FY 2014 to ₹ 51,115 million in FY 2015 on account of higher broadcasting income.

Following chart depicts the movement of Total Revenue over last 5 years:

Total Revenue

(₹ Millions)



114



₹26,603 mn

Advertisement revenues grew by ₹ 2,802 million i.e. 12% in FY 2015

Revenue from Operations

Operating revenue increased by ₹ 4,620 million or 10% from ₹ 44,217 million in FY 2014 to ₹ 48,837 million in FY 2015.

Overall growth was witnessed in advertisement revenues of ₹ 2,802 million i.e. 12% to ₹ 26,603 million in FY 2015 as against ₹ 23,801 million in FY 2014. Subscription Revenue has reduced by ₹ 87 million from ₹ 18,022 million in FY 2014 to ₹ 17,935 million in FY 2015.

Sales – media content includes Syndication sale of Sports rights, Programs and Film rights which has increased by ₹ 2,019 million to ₹ 3,749 million in FY 2015 from ₹ 1,730 million in FY 2014.

Other Income

Other income increased by ₹ 471 million or 26% from ₹ 1,807 million in FY 2014 to ₹ 2,278 million in FY 2015. Increase in other income is mainly on account of interest income by ₹ 201 million and profit on sale of treasury investment of ₹ 269 million.

Expenditure

Total Operational expenditure increased by ₹ 4,125 million or 13% from ₹ 32,174 million to ₹ 36,299 million. This increase in cost is attributable to higher content costs as well as the increase in Administrative & Marketing Spends.

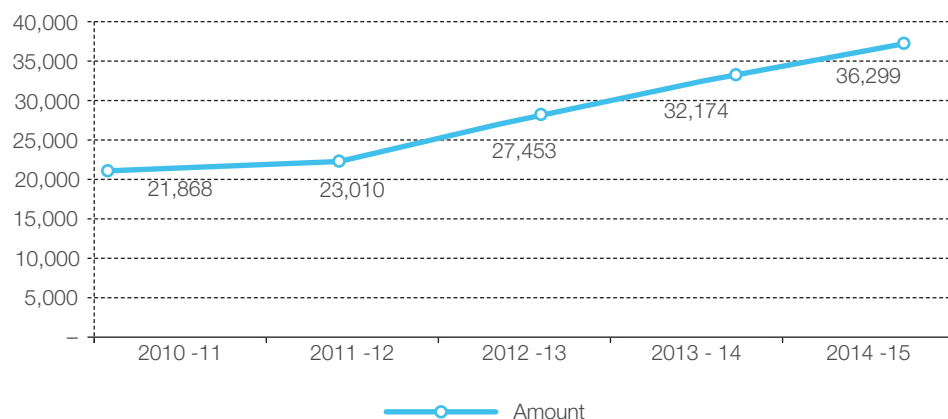
26%

operating margin

Operating profit increased by ₹ 495 million, or 4%, from ₹ 12,043 million in FY 2014 to ₹ 12,538 million in FY 2015, driven by increase in broadcasting revenue.

Following chart depicts the movement of operating expenditure over last 5 years:

Total Expenditure (₹ Millions)



Operational Cost / Cost of Goods

Operational cost has increased by ₹ 705 million to ₹ 21,393 million in FY 2015 as against ₹ 20,688 million in FY 2014. The overall increase in operational cost is mainly attributable to increase in cost on acquisition and amortization of programming and sports content as well as launch of new channels.

Employee Benefit Expenses

Employee cost increase by ₹ 603 million, or 15 %, from ₹ 3,895 million in FY 2014 to ₹ 4,498 million in FY 2015.

Other expenses

Administrative and Other expenses increased by ₹ 2,817 million or 37% from ₹ 7,591 million in FY 2014 to ₹ 10,408 million in FY 2015. The increase is mainly on account of higher spend on advertising and marketing cost incurred by the Company.

Operating Profit

Operating profit increased by ₹ 495 million, or 4%, from ₹ 12,043 million in FY 2014 to ₹ 12,538 million in FY 2015. The operating margin is at 26% for FY 2015. The increase in operating profit is mainly attributable to increase in broadcasting revenue during the year which is partially offset by increase in operating costs i.e. higher investment in content and marketing spends to build the business.

Finance Expenses

Finance expenses reduced by ₹ 55 million or 35% from ₹ 158 million to ₹ 103 million.

Depreciation and Amortisation

Depreciation increased by ₹ 172 million, or 34%, from ₹ 501 million in FY 2014 to ₹ 673 million in FY 2015. Increase is mainly on account of revised useful life of the assets as required by the Companies Act, 2013 as well as depreciation on additions during the year.

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Profit Before Tax

Profit before tax increased by ₹ 849 million or 6% from ₹ 13,191 million in FY 2014 to ₹ 14,040 million in FY 2015.

Provision for Taxation

Provision for taxation reduced by ₹ 6 million to ₹ 4,285 million in FY 2015 from ₹ 4,291 million in FY 2014.

Share of Results of Associates

Share of results in Aplab Limited, Idea Web Shop and Media Private Limited and Asia Today Thailand Limited as Associate Company is loss of ₹ 37 million in FY 2015 as against profit of ₹ 2 million in FY 2014.

Minority Interest

Receivable from Minority interest on account of current year net share of loss was ₹ 57 million in FY 2015. This includes share of minorities of Zee Turner Limited (26%) and India Webportal Private Limited (49%).

Net Profit After Tax for the year

Profit after tax for the year increased by 10% to ₹ 9,775 million from ₹ 8,921 million. The Net Profit margin has remained static at 20% in FY 2015 as compared to FY 2014.

B. FINANCIAL POSITION

Consolidated Financial Position as on 31 March, 2015 as compared to 31 March, 2014.

Sources of Funds

Share Capital, Reserves & Surplus

During the year, there is no change in the equity share capital of the Company.

The Company has issued 22,273,886 6% Non-Cumulative Redeemable Non-Convertible Preference shares of ₹. 1 each fully paid up, to the shareholders of Diligent Media Corporation Limited, pursuant to the Scheme of Arrangement.

Loan Funds

Total loan funds stood at ₹ 12 million as on 31 March, 2015. These loan funds are related to vehicle loan taken by the Company.

Long term Provisions

Long term provisions consisting of retirement benefits have increased by ₹ 145 million from ₹ 335 million to ₹ 480 million as on 31 March, 2015.

Non Current liabilities

Non current liabilities represent the advance received towards syndication of content.

Current Liabilities and Provisions

Current Liabilities and Provisions have increased by ₹ 1,573 million during the year mainly due to increase in provision for preference dividend by ₹ 1,352 million partially offset by reduction in Trade and Other Payables by ₹ 292 million.

Current liabilities and Provisions as on 31 March, 2015 is at ₹ 13,776 million vis-a-vis ₹ 12,203 million on 31 March, 2014.



10%

**increase in net profit
in FY 2015 to
₹ 9,775 million**

The age of Net Debtors is 80 days of sales in FY 2015 as against 85 days of sales in FY 2014.

Application of Funds

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 1,296 million. This increase is mainly on account of purchase of plant and machinery and other assets including foreign exchange translation of foreign subsidiary assets. There is a partial reduction in assets due to impairment / disposal of various obsolete assets aggregating to net book value ₹ 56 million. The capital expenditure was mainly funded from internal accruals.

Capital Work in progress decreased by ₹ 119 million to ₹ 878 million as on 31 March, 2015.

Non Current Investments

The decrease of ₹ 1,477 million in non current investments to ₹ 1,464 million as at 31 March, 2015 from ₹ 2,941 million mainly represents treasury investments.

Long term loans, advances and other non-current assets.

The long term loans, advances and other non current assets consisting of capital advances, advance taxes, claim receivables and other assets have increased by ₹ 2,758 million to ₹ 5,629 million in FY 2015 as against ₹ 2,871 million in FY 2014. The increase is mainly attributable to increase in advance tax net by ₹ 2,363 million.

Current Assets

There has been an overall increase in current assets whereby the assets stand increased by ₹ 7,686 million from ₹ 42,116 million in FY 2014 to ₹ 49,802 million in FY 2015.

Current Assets

Inventories

Programs, Film rights held by the Company has marginally increased from ₹ 11,736 million on 31 March, 2014 to ₹ 11,878 million on 31 March, 2015. The increase mainly represents unamortised film rights and programmes.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts stood at ₹ 10,692 million in FY 2015 as against ₹ 10,281 million in FY 2014 reflecting an increase of ₹ 411 million. The age of Net Debtors is 80 days of sales in FY 2015 as against 85 days of sales in FY 2014.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on 31 March, 2015 was ₹ 7,365 million as against ₹ 5,644 million on 31 March, 2014.

Short term loans, advances and other current assets

There is an increase in loans and advances by ₹ 2,470 million from ₹ 9,106 million as on 31 March, 2014 to ₹ 11,576 million on March 31, 2015. Other advances increased by ₹ 2,024 million mainly due to trade advances given.