

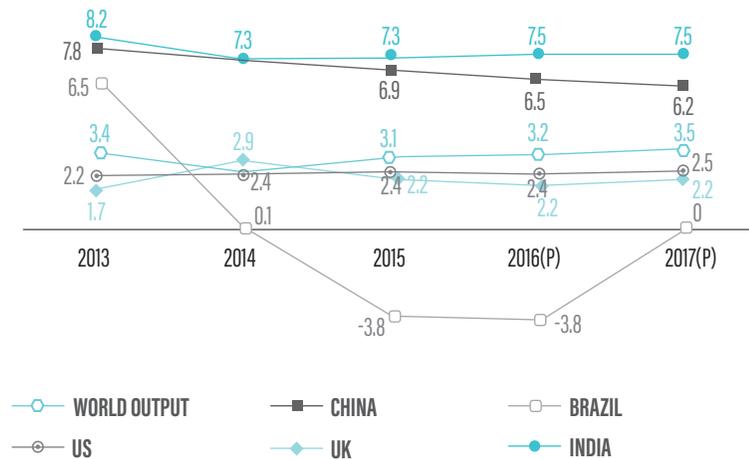
MANAGEMENT DISCUSSION AND ANALYSIS

INDIAN MACROECONOMIC SCENARIO

India is one of the few shining spots on an otherwise gloomy global economic map. While most of the global economies did not fare well in the past year, the process of economic recovery in India continued with the GDP growth being one of the highest in the world.

Renewed industrial activity, sustained low crude oil prices, favorable business sentiments, easing interest rates have spurred the economic growth. The government's promise to stick to the fiscal deficit target for the current year and reduce it for the next year bodes well for the Indian economy. Indian GDP grew at 7.3% for FY16 and is projected to grow at 7.5% in the next fiscal year.

GDP GROWTH RATE OF SELECTED COUNTRIES



Source : IMF World Economic Outlook Report (April 2016)

MEDIA AND ENTERTAINMENT INDUSTRY

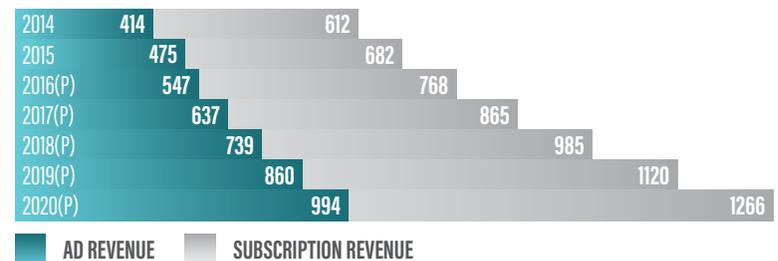
The Media and Entertainment Industry is a key growth driver for the Indian economy. According to the FICCI-KPMG Report 2016, the sector witnessed 12.8% growth in 2015 growing from INR 1,026 billion in 2014 to INR 1,157 billion in 2015. The industry is expected to grow to INR 2,260 billion by 2020 at a CAGR of 14.3% during 2015-2020, which is more than double the rate of growth of global M&E Industry.

Total advertising spend across different media verticals was INR 475 billion in 2015 contributing to 41% of the total Media & Entertainment industry revenues. Fueled by the continued economic growth, advertising revenues saw a growth of 14.7% in 2015. Currently, advertising revenue in India contributes less than 0.5% of the GDP, compared to the average 1% contribution across most developed economies. It is expected that advertising will increasingly contribute a higher share to the GDP in the coming years and is projected to double to INR 994 billion by 2020 growing at a CAGR of 16% during 2015-2020.

CURRENTLY, ADVERTISING REVENUE IN INDIA CONTRIBUTES LESS THAN 0.5% OF THE GDP, COMPARED TO THE AVERAGE 1% CONTRIBUTION ACROSS MOST DEVELOPED ECONOMIES.

In 2015, subscription revenues grew at annualized growth rate 11.4%, from INR 612 billion in 2014 to INR 682 billion in 2015. With the effects of cable digitization yet to show impact, the subscription revenue is expected to grow to INR 1,266 billion by 2020 at a CAGR of 13.2% during 2015-2020.

INDIAN MEDIA & ENTERTAINMENT INDUSTRY

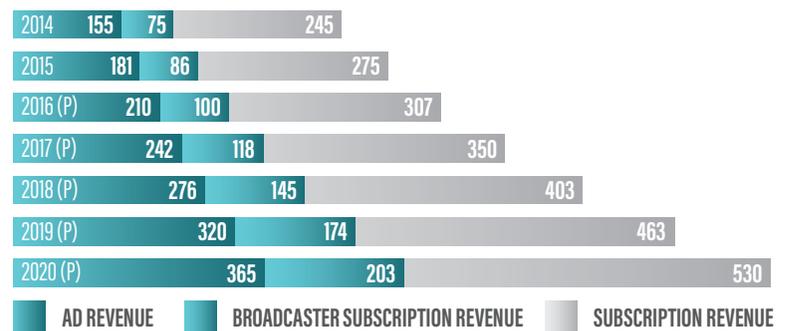


Source : FICCI-KPMG Report on Indian Media & Entertainment Industry 2016

TELEVISION

Television forms the core of the Indian M&E Industry contributing to around 47% of the overall revenue of the industry. Television sector grew from INR 475 billion in 2014 to INR 542 billion in 2015, registering a growth of 14%. The growth was driven by a strong 17% rise in advertising spend. The sector is projected to more than double its revenues to INR 1098 billion by 2020 growing at a CAGR of 15% for 2015-2020. (Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2016).

TELEVISION REVENUE (INR BN)



Source : FICCI-KPMG Report on Indian Media & Entertainment Industry 2016

FY16 saw the commencement of digitization of DAS III cities. Digitization is expected to give the consumer better control in terms of the subscription choices. It will also lead to increase in the ARPU and subsequently increase in broadcasters' share of subscription revenues.

Another major milestone for the television industry was the launch of new TV audience measurement system from BARC(Broadcast Audience Research Council) India in April 2015. BARC has started with a sample size of 22,000 homes and will gradually increase it to 50,000 over the next few years further improving the quality of data. The data was rolled out in phase wise manner with the launch of rural data in October 2015 completing the process. Inclusion of rural ratings has given the broadcasters as well as the advertiser insights into the hitherto unknown rural market.

FILMS

The Film sector grew by 9.3% to INR 138 billion in 2015 from INR 126 billion in 2014, mainly driven by Regional and Hollywood cinema. Growth of Regional and Hollywood content points to the trend of audience appreciating the quality of the content irrespective of the language.

India is still under penetrated in terms of screens which means there is a huge scope of growth for the film industry. With the proliferation of multiplex screens coupled with technology to conveniently book tickets the footfalls are expected to increase. Growing popularity of VOD services has opened up a new revenue stream for films. The Film sector is projected to grow to INR 227 billion by the end of 2020 at a CAGR of 10.5% for 2015-2020.

Essel Vision, ZEE's content production and distribution arm produced its first Hindi Movie, 'Jazbaa' which was the comeback movie of Aishwarya Rai. The company also produced and distributed a number of blockbuster and hit Marathi movies like 'Natsamrat', 'Katyar Kaljat Ghushi', 'Double Seat', 'Killa' and 'Timepass 2' last year.

MUSIC

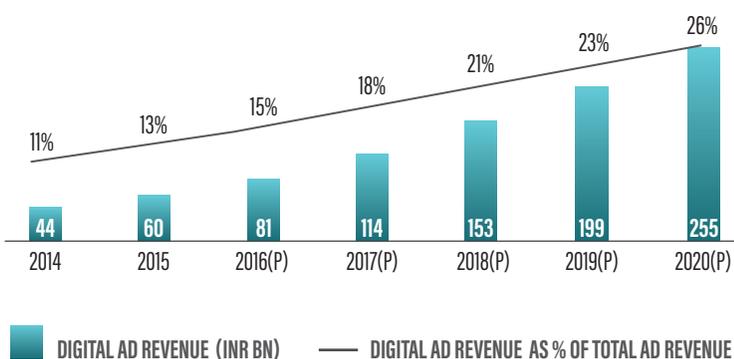
Music industry grew by 10% % to INR 10.8 billion in 2015 compared to INR 9.8 billion in 2014. More than 55% of the music industry revenue comes from the digital platforms with music streaming services catching the imagination of Indian consumer. The music industry is projected to grow to INR 20.6 billion by the end of 2020 at a CAGR of 13.8% from 2015-2020.

ZEE Music Company, the music production arm of ZEEL has in a short time become one of the leading music producers in the country. The company boasts a wide catalogue of Hindi and regional music like Singh is Bliing, Drishyam, Bahubali, Bang Bang, Bombay Velvet etc.

DIGITAL

The consumption of content on digital platforms has been increasing gradually. Digital advertising grew 38% compared to 2014 to reach INR 60 billion. It is expected that digital advertising will continue its strong growth and will grow to INR 255 billion by 2020 at a CAGR of 33.5% for 2015-2020. Digital advertising is projected to double its share and will contribute over a quarter of the revenue of the total advertising revenue. Currently non video advertising contributes to three quarters of the share of digital advertising revenue.

DIGITAL AD REVENUES GROWTH



India lags the rest of the world in terms of content consumption on the internet due to bandwidth constraints and high data charges. Most of the internet expansion in India will be led by mobile connectivity. The trend of content consumption on the small screen will increase gradually as the smartphone penetration increases and is expected to be complement TV viewing.

Realizing that the digital medium is going to be a frontier of growth in future, the company launched OZEE last year in addition to existing DittoTV. While DittoTV is a SVOD platform which offers content from ZEE and other broadcasters, OZEE is an AVOD one stop destination for all ZEE content. Both the platforms have managed to find traction in the crowded OTT space. The company has also started producing content exclusively for these platforms which will find resonance with the digital consumers.

COMPANY PROFILE

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 company to launch a satellite channel in India and from being a single channel in a single geography, today operates multiple channels across multiple geographies in different languages and genres. The Company's programming reaches out to over 1 billion viewers across 171 countries.

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

- I. **Hindi Entertainment:** Zee TV, &tv, Zee Anmol, Zindagi
- II. **Hindi Movies:** Zee Cinema, &pictures, Zee Action, Zee Classic
- 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 Telugu, Zee Kannada, Zee Tamil, Sarthak TV
- V. **Sports:** TEN 1, TEN 2, TEN 3
- VI. **Music and Lifestyle:** Zing, ETC
- VII. **Niche and Special Interest:** Zee Q, Zee Salaam
- VIII. **HD:** Zee TV HD, &tv HD, &pictures HD, Zee Cinema HD, Zee Studio HD, Zee Café HD, TEN 1 HD, TEN Golf HD

Apart from the channels listed above which are available in India, the Company also broadcasts 38 dedicated channels in the international markets.

171
COUNTRIES

THE COMPANY'S PROGRAMMING REACHES OUT TO OVER 1 BILLION VIEWERS ACROSS 171 COUNTRIES.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

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 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 38 dedicated channels serving Indian content across 171 countries.

LEADERSHIP ACROSS DIFFERENT GENRES:

In the Hindi GEC genre, Zee TV is the flagship product from ZEE. The Hindi GEC space continued to see sustained competition between the top six channels with extremely dynamic channel rankings. Although no new channels were launched during the year, the launch of BARC rural ratings saw a shuffle in rankings.

Zee TV was ranked third amongst Hindi GECs during the year with a market share of over 18% amongst the top 6 paid GECs. Zee TV has been committed to entertaining the audience by innovating and improvising content. Key fiction shows like Kumkum Bhagya, Jamai Raja, Tashn E Ishq were slot leaders in the prime time band. Shows like India's Best Dramebaaz and I Can Do That were the top rated non-fiction shows on the channel.

&tv which was launched with an aim to entertain the urban audience has performed well and has gradually climbed the urban ratings charts. The channel has found favor with the audience which is evident with the popularity of shows like Bhabhiji Ghar Pe Hain and Santoshi Maa. Non-fiction shows like Voice of India and Sabse Shaana Kaun gave the audience an experience of international entertainment formats with an Indian touch.

The launch of BARC rural ratings saw Zee Anmol rise to fourth spot in the ranking of Hindi GECs while continuing to be the leader among the FTA channels. The FTA Hindi GEC which is the first channel in the Indian television space to be simultaneously launched on mobile and television platforms, has been airing the iconic shows from the catalogue of Zee TV. The positioning of 'Dil Choo Jaaye' has actually turned out to be true in the way it has struck a chord with the audience.

In the Hindi Movie Genre, ZEE has 6 channels viz. Zee Cinema, &pictures, Zee Action, Zee Classic, Zee Cinema HD 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 Nh10, Dil Dhadakne Do, Singh is Bling, Tanu weds Manu Returns were premiered on cinema channels. The Cinema cluster continued to have a leading share in the movie genre in HSM with an average weekly channel share of 33.7% amongst all Hindi Movie Cluster.

The Company's sports portfolio was rebranded as TEN 1, TEN 2, TEN 3, TEN 1 HD and TEN Golf HD to offer seamless viewing experience to the consumer. 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 cup football, WWE wrestling, US Open Tennis, moto sports etc., TEN sports network is a clear leader in the non-cricket genre with a 70% viewership share in FY16.

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, Two and a Half Men. During the year, the channel showcased popular international shows and live mega events like Miss World 2015, Miss Universe 2015 etc. The English movie channel Zee Studio shows all the latest blockbusters to the Hollywood loyalist. True to its ideology of "See it All", Zee Studio entertained the audience with the premiere of movies like Last Knights, Eden, Zambezia 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. Zing's signature show Pyaar Tune Kya Kiya, an original show based on fictional love stories is extremely popular with the youth along with other shows like What's on TV and has propelled Zing to the leadership position in the youth genre.

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

- Zee Marathi had an impressive market share of over 50% during the year and has been the No. 1 channel in the genre. True to its brand value, Zee Marathi brought to the audiences fresh and appealing shows through Jai Malhar, Home Minister, Nanda Saukhyabhare, Chal Hava Yeu Dya, Honar Sun Mi Ya Gharchi and Sa Re Ga Ma Pa. The channel premiered block buster movie "Dr. Prakash Baba Amte – The Real Hero", the biggest World TV premiere on Marathi television last year.
- Zee Bangla continues to be a strong player No. 2 player in the Bangla GEC space. Zee Bangla was the market leader in non-fiction genre with over 75 % market share, driven by shows like Dadagiri Unlimited, Didi No. 1, Sa Re Ga Ma Pa and Mirakkel Akkel.
- Zee Kannada gained market share to become No. 2 in the Karnataka market with the addition of top performing fiction shows like Naagini, Ganga & Mahadevi and non-fiction shows like Weekend with Ramesh and Sa Re Ga Ma Pa.
- Zee Telugu, a clear leader in the urban markets 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 1830-2300hrs on the back of popular fiction shows like Mudda Mandaram, Varudhini Parinayam, Rama Seetha, and Mangama Gari Manavaralu.

70%

VIEWERSHIP SHARE

TEN SPORTS NETWORK IS A CLEAR LEADER IN THE NON-CRICKET GENRE WITH A 70% VIEWERSHIP SHARE IN FY16.

- Sarthak TV is the leader in the Oriya genre with well over half of market share. The channel is a clear leader in fiction as well as non-fiction genre. The channel enjoys a phenomenal success with 9 shows occupying the top 10 slots.

GLOBAL PRESENCE

The Company reaches more than 1 billion viewers globally and in 171 countries worldwide. Internationally, subscription is a key driver of revenues for any broadcaster and international subscription revenues contributed significantly to ZEE's total revenues in this financial year.

Zee Network dominates the International South Asian (SA) Business globally. Zee TV continues to lead in US, Middle East & Africa's 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 TV was the number 1 channel among South Asian viewers
- In UK, &TV consistently featured in the Top 10 South Asian Channels
- In Africa, Zee Magic was launched. Zee Magic is ZEE's first French GEC, offering Indian contents to target French mainstream markets in Francophone Africa
- In Africa, Zee World and Zee Magic saw more than 2.5 times growth in viewership
- Zee TV was the number 1 channel and Zee Cinema was the number 2 channel among South Asian expats in their respective genres in the UAE
- Zee Aflam consolidated its position as the top Bollywood channel catering to Arabic audiences
- In Caribbean market , Zee channels were added onto additional cable TV and digital platforms
- Successful execution of local programming for regions with SaReGaMaPa(North America), The Place to Eat(Europe), Asia's Singing Superstar(MENAP)

BUSINESS STRATEGY

The key elements of ZEE's strategy during the year were (i) to take appropriate steps to safeguard its leadership position in a fiercely competitive environment (ii) to concentrate on additional revenues from traditional and non-traditional platforms (iii) Build presence on new / alternate media platforms (iv) Prudent investments and rationalized cost structures (v) Fortify its expansion in the international markets (vi) maintain consistently high standards of corporate governance.

(I) APPROPRIATE STEPS TO SAFEGUARD ITS LEADERSHIP POSITION IN A FIERCELY COMPETITIVE ENVIRONMENT:

The competition in Indian media industry remains intense. TV broadcasting is the largest segment of the industry and the biggest segment of operations for the Company. New platforms like online media are also gaining currency. The Company has continued to maintain and gain share in the highly competitive TV market through the launch of new channels, new shows across network channels, tie up of sporting rights etc. In addition to this, the Company aims to further grow its share in the media & entertainment pie through enhanced online, movies, music and live events

(II) CONCENTRATE ON ADDITIONAL REVENUES FROM TRADITIONAL AND NON-TRADITIONAL PLATFORMS:

In the new age of multiple consumption avenues and platforms the requirements of advertisers are evolving. Owing to the Company's strong presence across various platforms viz. TV, Online, Music, Movies, Live Events, Sports etc it is crucial to tap into the monetization opportunities available across the entire bouquet. The initiative

THE COMPLEX NATURE OF THE INDIAN MARKET, WHERE PREFERENCES VARY DRAMATICALLY ACROSS REGIONS AND DEMOGRAPHIES THE ABILITY TO DELIVER SUPERIOR QUALITY CONTENT IS IMPORTANT. THE COMPANY HAS ALWAYS BEEN AT THE FOREFRONT OF PREDICTING THE EVOLVING CUSTOMER TASTES AND READY TO SERVE THE MARKET WHEN THE OPPORTUNITY ARRIVES.

to launch Zee Unimedia this fiscal is a step in this direction where in a seamlessly integrated solution would be available to serve advertisers' requirements

(III) BUILD PRESENCE ON NEW / ALTERNATE MEDIA PLATFORMS:

In line with developments across the world, consumption patterns in India are evolving. The complex nature of the Indian market, where preferences vary dramatically across regions and demographics the ability to deliver superior quality content is important. The Company has always been at the forefront of predicting the evolving customer tastes and be ready to serve the market when the opportunity arrives. Thus, in addition to Ditto TV which was launched in 2012, the Company consolidated its online presence through the launch of OZEE, with an aim to offer On Demand Video Content to consumers on multiple platforms including mobile phones, tablets, laptops, desktops and connected TVs.

(IV) PRUDENT INVESTMENTS AND RATIONALIZED COST STRUCTURES:

The belief at the Company has always been that higher spends will not necessarily result in sustained incremental content consumption. Even in the wake of competition, the network has maintained its like to like cost structures. Better negotiations with suppliers and stricter control on distribution spends will help in further keeping costs under check. Additionally, the Company has made incremental investments to increase its strength across newer business segments like Music and Movie Production.

(V) 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 which are dubbed and subtitled in the local language for local population in some of the geographies. In line with this expansion strategy, the company launched Zee Magic in Africa last year.

(VI) 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 its stakeholders. Your 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

RISK FACTORS

EXTERNAL RISK FACTORS

● Industry Risk

● Ever changing trends in Media sector:

- Audience tastes are constantly evolving and difficult to predict with accuracy. People's tastes vary quite rapidly along with the trends and environment they live in. This makes it virtually impossible to predict whether a particular show or serial would do well or not. With the kind of investments made in ventures, repeated non-performance of the shows would have an adverse impact on the bottom line of the Company.

● Slowdown in DTH/Digital rollout:

- The uptake of pay digital services by subscribers has been a very encouraging sign for all broadcasters. Contrary to the global trends, 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. Completion of rollout of Phase I and Phase II cities took longer than expected. Phase III rollout is currently underway. It may take longer to realize revenues from Phase III and Phase IV cities as their rollouts may not be completed on time.

● 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. The GEC genre is amongst the key genres for all advertisers and hence is most lucrative to all the TV broadcasters. Any new competition in the space can have an impact on the Company's revenues.

● Environment Risk

● 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.

● 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 Rupee, the Company's reporting currency, which may have a substantial impact on its revenues and expenses.

● 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 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.

● Regulatory Risk

● Uncertainty in rules & regulations:

- The M&E industry is governed by the rules and regulations framed by the Ministry of Information & Broadcasting as well as industry bodies such as TRAI. The rules such as price regulation have a direct bearing on the revenue potential of the company. The existing as well as future rules and regulations can impact the financial performance of the company.

INTERNAL RISK FACTORS

● 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. Content for these channels is either 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.

● Increase in cost of content acquisition:

- The company spends a significant amount for acquisition of rights to telecast sporting events, movies and music rights and library content rights. Any future contracts may be at higher costs, which may put pressure on margins of the Company.

STAND-ALONE FINANCIALS

A. RESULTS OF OPERATIONS

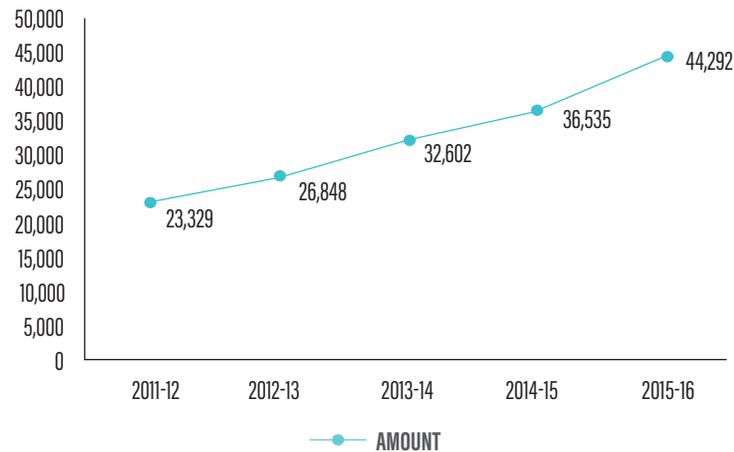
Non-Consolidated Financial Information for the Year Ended 31 March, 2016 compared to the Year Ended 31 March, 2015.

TOTAL REVENUE

Total revenue increased by ₹ 7,757 million or 21% from ₹ 36,535 million in FY 2015 to ₹ 44,292 million in FY 2016 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 ₹ 7,803 million or 23% from ₹ 34,262 million in FY 2015 to ₹ 42,065 million in FY 2016. Among major sources of income, the advertisement revenue has increased by 29% to ₹ 28,831 million in FY 2016 as against ₹ 22,284 million in FY 2015 and Subscription revenue has recorded a growth of 14% by ₹ 1,321 million from ₹ 9,450 million in FY 2015 to ₹ 10,771 million in FY 2016 due to continuous growth of DTH and Cable Subscribers.

INTEREST & OTHER INCOME

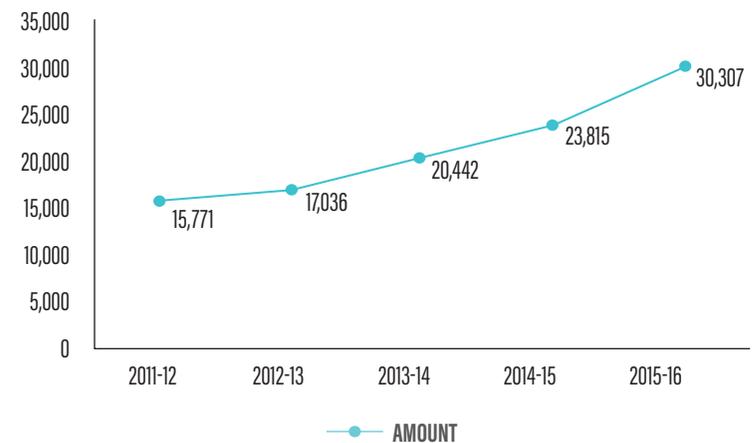
Interest & Other income has marginally decreased by ₹ 46 million i.e. 2% from ₹ 2,273 million in FY 2015 to ₹ 2,227 million in FY 2016. The decrease is mainly on account of liabilities written back in previous year aggregating to ₹ 242 million which is partially offset by increase in gain from exchange fluctuation by ₹ 169 million and balance is on account of others.

TOTAL EXPENDITURE

Total Operational expenditure increased by ₹ 6,492 million or 27% from ₹ 23,815 million in FY 2015 to ₹ 30,307 million in FY 2016. It represents 68% of total revenue in FY 2016, as compared to 65% in FY 2015.

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 ₹ 4,800 million or 36%, from ₹ 13,498 million in FY 2015 to ₹ 18,298 million in FY 2016. Increase in operating cost is due to higher programming cost on account of channels launched during previous year including & TV. Further, the Company impaired program and film rights of ₹ 817 million during the year, as against ₹ 641 million in previous year.

PERSONNEL COST

Personnel cost has increased by ₹ 300 million i.e. 11% from ₹ 2,816 million in FY 2015 to ₹ 3,116 million in FY 2016.

OTHER EXPENSES

Other expenses has increased by ₹ 1,392 million or 19% from ₹ 7,501 million to ₹ 8,893 million. The increase in other expenses is mainly on account of higher spend on advertising and other administrative expenses.

OPERATING PROFIT

Operating profit increased by ₹ 1,311 million, or 13%, from ₹ 10,447 million in FY 2015 to ₹ 11,758 million in FY 2016. The operating margin is at 28% for FY 2016. Increase in Operating profit is mainly due to increase in broadcasting revenue partially offset by increase in operational costs by ₹ 4,800 million and increase in personnel and other expenses.

FINANCE COST

Finance cost has increased by ₹ 10 million to ₹ 28 million in FY 2016 from ₹ 18 million in FY 2015.

DEPRECIATION AND AMORTISATION

Depreciation increased by ₹ 96 million or 17%, from ₹ 580 million to ₹ 676 million. Increase in depreciation is mainly on account depreciation on additions during the year.

PROFIT BEFORE TAX

Profit before tax increased by ₹ 1,159 million or 10% from ₹ 12,122 million in FY 2015 to ₹ 13,281 million in FY 2016. The increase is attributable to increase in revenue resulting in improved profits from operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

PROVISION FOR TAXATION

Net provision for taxation was at ₹ 4,688 million.

PROFIT AFTER TAX FOR THE PERIOD

Profit after tax for the year increased by ₹ 275 million to ₹ 8,593 million from ₹ 8,318 million.

B. FINANCIAL POSITION

Non-Consolidated Financial Position as on 31 March, 2016 as compared to 31 March, 2015.

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, 2016 stands at ₹ 960 million.

During the year, the Company has redeemed 22 million preference shares of ₹ 1 each, issued in previous year to the shareholders of Diligent Media Corporation Limited as per Scheme of Arrangement. Consequently, the paid-up preference share capital stand at ₹ 20,170 million.

Loan Funds

Total loan funds as on 31 March, 2016 stood at ₹ 9 million down from ₹ 12 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 ₹ 394 millions as on 31 March, 2015 to ₹ 411 million as on 31 March, 2016.

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 ₹ 1,187 million to ₹ 10,889 million as on 31 March, 2016 from ₹ 9,702 million as on 31 March, 2015. The increase is mainly attributable to increase in trade payables by ₹ 937 millions, advance received from customers by ₹ 300 million which is partially offset by reduction in cheque overdrawn by ₹ 110 million.

APPLICATION OF FUNDS

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 1,527 million mainly on account of purchase of plant and machinery and capitalization on account of building and leasehold improvements. The capital expenditure is mainly funded out of internal accruals.

During the year, Gross block has reduced by ₹ 520 million due to sale of aircraft amounting to INR 368 million and impairment and disposal of various obsolete assets which include assets retired ₹ 152 million from Gross block. Impact on net book value of ₹ 369 million on account of disposal / impairment.

Capital Work in Progress reduced by ₹ 416 million to ₹ 463 million as on 31 March, 2016.

Non-Current Investments

Non-current Investments have increased from ₹ 6,593 million as on 31 March, 2015 to ₹ 17,968 Million as on 31 March, 2016. The increase is mainly on account of additional investments in subsidiaries.

Long term loans and advances

The decrease of ₹ 2,632 million in the long term loans and advances from ₹ 6,652 million as on 31 March, 2015 to ₹ 4,020 million as on 31 March, 2016. The decrease is mainly on account of 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 decrease in current assets by ₹ 3,312 million from ₹ 38,656 million to ₹ 35,344 million is mainly attributable to decrease in Short term loans and advances by ₹ 5,907 million, current investment by ₹ 1,095 million partially offset by increase in inventories by ₹ 1,295 million, trade receivables by ₹ 1,221 million, cash & bank by ₹ 839 million and other current assets by ₹ 335 million.

Current Investment

Current Investment has decreased by ₹ 1,095 million to ₹ 3,400 million as on 31 March, 2016 from ₹ 4,495 million as on 31 March, 2015.

Inventories

Programs and Film rights held by the Company increased by ₹ 1,295 million from ₹ 12,071 million as on 31 March, 2015 to ₹ 13,366 million as on 31 March, 2016.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts stood at ₹ 9,539 million in FY 2016 as against ₹ 8,318 million in FY 2015. The age of Net Debtors is 83 days of sales in FY 2016 as against 89 days of sales in FY 2015.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on 31 March, 2016 was ₹ 3,851 million as against ₹ 3,012 million on 31 March, 2015.

Loans and Advances (Current)

There was a decrease of ₹ 5,907 million in current portion of loans and advances from ₹ 10,246 million on 31 March, 2015 to ₹ 4,339 million on 31 March, 2016. The decrease is mainly on account of reduced loans including to subsidiaries.

Other current assets

Other current assets have increased by ₹ 335 million from ₹ 514 million on 31 March, 2015 to ₹ 849 million on 31 March, 2016 mainly on account of increase in other receivables from subsidiaries.

8,593

MILLION

**PROFIT AFTER TAX FOR THE YEAR INCREASED BY ₹ 275 MILLION
TO ₹ 8,593 MILLION FROM ₹ 8,318 MILLION.**

CONSOLIDATED FINANCIALS

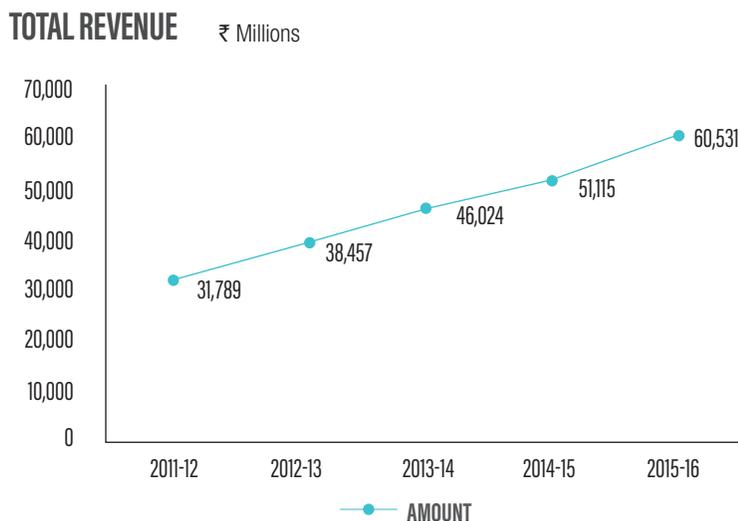
A. RESULTS OF OPERATIONS

We have provided a comparison between Audited figures for FY 2016 and for FY 2015. 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 ₹ 9,416 million, or 18% from ₹ 51,115 million in FY 2015 to ₹ 60,531 million in FY 2016 on account of higher broadcasting income.

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



Revenue from Operations

Operating revenue increased by ₹ 9,678 million or 20% from ₹ 48,837 million in FY 2015 to ₹ 58,515 million in FY 2016.

Overall growth was witnessed in advertisement revenues of ₹ 7,694 million i.e. 29% to ₹ 34,297 million in FY 2016 as against ₹ 26,603 million in FY 2015. Subscription Revenue has increased by ₹ 2,644 million from ₹ 17,935 million in FY 2015 to ₹ 20,579 million in FY 2016.

Sales – media content includes Syndication sale of Sports rights, Programs and Film rights which has reduced by ₹ 1,010 million to ₹ 2,739 million in FY 2016 from ₹ 3,749 million in FY 2015.

Other Income

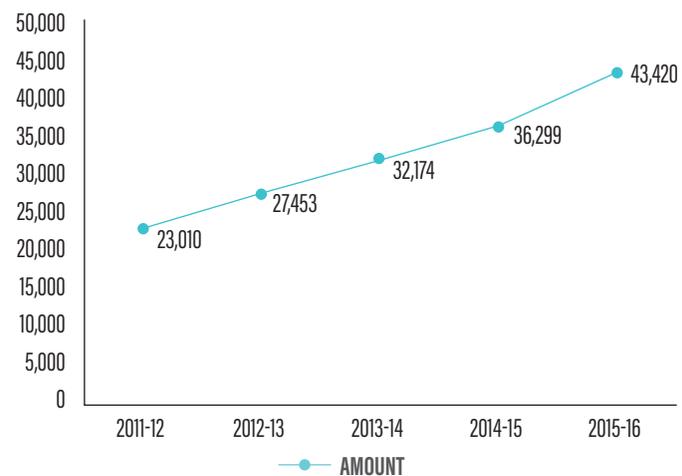
Other income decreased by ₹ 262 million or 12% from ₹ 2,278 million in FY 2015 to ₹ 2,016 million in FY 2016. Decrease in other income is mainly on account of higher liabilities written back in previous year aggregating to ₹ 188 million and reduced profit on sale of investment by ₹ 171 million.

Expenditure

Total Operational expenditure increased by ₹ 7,121 million or 20% from ₹ 36,299 million to ₹ 43,420 million. This increase in cost is attributable to higher content costs as well as the increase in Administrative & Marketing Spends.

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 ₹ 4,656 million to ₹ 26,049 million in FY 2016 as against ₹ 21,393 million in FY 2015. The overall increase in operational cost is mainly attributable to increase in cost on acquisition and amortization of programming and film content as well as launch of new channels.

Employee Benefit Expenses

Employee cost increased by ₹ 734 million, or 16 %, from ₹ 4,498 million in FY 2015 to ₹ 5,232 million in FY 2016.

Other expenses

Administrative and Other expenses increased by ₹ 1,731 million or 17% from ₹ 10,408 million in FY 2015 to ₹ 12,139 million in FY 2016. The increase is mainly on account of higher spend on advertising and marketing cost incurred by the Company.

Operating Profit

Operating profit increased by ₹ 2,557 million, or 20%, from ₹ 12,538 million in FY 2015 to ₹ 15,095 million in FY 2016. The operating margin is at 26% for FY 2016. 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 increased by ₹ 20 million or 20% from ₹ 103 million to ₹ 123 million.

Depreciation and Amortisation

Depreciation increased by ₹ 167 million, or 25%, from ₹ 673 million in FY 2015 to ₹ 840 million in FY 2016. Increase is mainly on account of depreciation on additions during the year.

Profit Before Tax

Profit before tax increased by ₹ 1,777 million or 13% from ₹ 14,040 million in FY 2015 to ₹ 15,817 million in FY 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

Provision for Taxation

Provision for taxation increased by ₹ 1,243 million to ₹ 5,528 million in FY 2016 from ₹ 4,285 million in FY 2015.

Share of Results of Associates

Share of results in Aplab Limited, Idea Shop Web and Media Private Limited and Asia Today Thailand Limited as Associate Company is loss of ₹ 4 million in FY 2016 as against loss of ₹ 37 million in FY 2015.

Minority Interest

Minority interest on account of current year net share was ₹ 18 million in FY 2016. This includes share of minorities of Zee Turner Limited (26%), India Webportal Private Limited (49%) Idea Shop Web and Media Private Limited (48.96%) and Media Pro Enterprise India Private Limited (50%).

Net Profit After Tax for the year

Profit after tax for the year increased by 5% to ₹ 10,267 million from ₹ 9,775 million. The Net Profit margin is at 18% in FY 2016.

B. FINANCIAL POSITION

Consolidated Financial Position as on 31 March, 2016 as compared to 31 March, 2015.

SOURCES OF FUNDS

Share Capital, Reserves & Surplus

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

During the year, the Company has redeemed 22 million preference shares of ₹ 1 each, issued in previous year to the shareholders of Diligent Media Corporation Limited as per Scheme of Arrangement. Consequently, the paid-up preference share capital stand at ₹ 20,170 million.

Loan Funds

Total loan funds stood at ₹ 9 million as on 31 March, 2016. 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 ₹ 70 million from ₹ 480 million to ₹ 550 million as on 31 March, 2016.

Non Current liabilities

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

10,267

MILLION

PROFIT AFTER TAX FOR THE YEAR INCREASED BY 5% TO ₹ 10,267 MILLION FROM ₹ 9,775 MILLION. THE NET PROFIT MARGIN IS AT 18% IN FY 2016.

Current Liabilities and Provisions

Current Liabilities and Provisions have increased by ₹ 1,902 million during the year mainly due to increase in trade and other payables.

Current liabilities and Provisions as on 31 March, 2016 is at ₹ 15,678 million vis-a-vis ₹ 13,776 million on 31 March, 2015.

APPLICATION OF FUNDS

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 3,369 million on account of purchase of plant and machinery, leasehold improvements and other assets. Further, there is increase on account of 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 ₹ 375 million. The capital expenditure was mainly funded from internal accruals.

Capital Work in progress increased by ₹ 226 million to ₹ 1,104 million as on 31 March, 2016.

Non Current Investments

The increase of ₹ 1,584 million in non current investments to ₹ 3,048 million as at 31 March, 2016 from ₹ 1,464 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 ₹ 203 million to ₹ 5,913 million in FY 2016 as against ₹ 5,710 million in FY 2015. The increase is mainly attributable to increase in capital advances by ₹ 316 million partially offset by marginal reduction in advance taxes.

Current Assets

There has been an overall increase in current assets whereby the assets stand increased by ₹ 4,151 million from ₹ 49,719 million in FY 2015 to ₹ 53,870 million in FY 2016.

CURRENT ASSETS

Inventories

Programs, Film rights held by the Company has increased from ₹ 11,878 million on 31 March, 2015 to ₹ 13,160 million on 31 March, 2016. The increase mainly represents unamortised film rights and programmes.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts stood at ₹ 13,245 million in FY 2016 as against ₹ 10,692 million in FY 2015 reflecting an increase of ₹ 2,553 million. The age of Net Debtors is 83 days of sales in FY 2016 as against 80 days of sales in FY 2015.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on 31 March, 2016 was ₹ 9,733 million as against ₹ 7,365 million on 31 March, 2015.

Short term loans, advances and other current assets

There is a decrease in loans and advances by ₹ 1,152 million from ₹ 11,493 million as on 31 March, 2015 to ₹ 10,341 million on March 31, 2016. The decrease is mainly on account of reduction in other loans and advances.