

Directors' **REPORT**



Your Directors
recommend payment
of Dividend of ₹ 1.50
per equity share of ₹ 1/-
each.



TO THE MEMBERS

Your Directors are pleased to present the Thirtieth Annual Report with the Audited Statement of Accounts of the Company for the year ended March 31, 2012.

RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, in relation to the Annual Financial Statements for the Financial Year 2011-2012, your Directors confirm the following:

- a) The Financial Statements have been prepared in the revised format of Schedule VI of Companies Act, 1956 on a going concern and on the accrual basis and in the preparation of these Financial Statements, applicable accounting standards have been followed and there are no material departures;
- b) Accounting policies selected were applied consistently and the judgements and estimates related to the financial statements have been made on a prudent and reasonable basis, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on that date; and
- c) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

34%

payout of the profits of the Company on a standalone basis

The outflow on account of Dividend, and the tax on such dividend distribution, based on current paidup capital of **the Company would aggregate to ₹ 1,671 million**, resulting in a payout of 34% of the profits of the Company on a standalone basis.

FINANCIAL RESULTS

The Financial Performance of your Company for the year ended March 31, 2012 is summarised below:

Particulars	(₹ in million)	
	Year ended 31.03.2012	Year ended 31.03.2011
Revenue from Operations	22,040	21,700
Other Income	1,289	610
Total Income	23,329	22,310
Total Expenses	15,991	14,065
Profit before Tax & Exceptional Items	7,338	8,245
Add: Exceptional Item	-	197
Provision for Taxation (net)	2,441	2,678
Profit after Tax	4,897	5,764
Add: Balance brought forward	11,602	11,111
Amount available for appropriations	16,499	16,875
Appropriations:		
Dividend	1,438	1,956
Tax on Dividend	233	317
General Reserve	1,500	3,000
Balance carried forward	13,328	11,602

EQUITY DIVIDEND

Your Directors recommend payment of Dividend of ₹ 1.50 per equity share of ₹ 1/- each and such Dividend shall be payable subject to approval of the Members of the Company on the outstanding equity capital consequent to adjustment of equity shares bought back (and extinguished) in Financial Year 2011-12 and 2012-13. The outflow on account of dividend, and the tax on such dividend distribution, based on current paid-up capital of the Company would aggregate to ₹ 1,671 million, resulting in a payout of 34% of the profits of the Company on a stand-alone basis.

BUSINESS OVERVIEW

Your Company, besides providing high quality and innovative content, continues to build its media assets and in the process continues to create value for the shareholders even in a year that was marked by sharp slowdown in the economy and witnessed quite a few consolidation moves within the industry. The Joint Venture for distribution of

Directors' REPORT

television channels called Media Pro Enterprise India Private Limited which your Company had inked during the year with Star through the distribution subsidiary Zee Turner Limited, resulted in robust growth in subscription revenues. Zee Cine Awards 2012 had the highest ratings. The year also saw launch of several High Definition channels from your network.

Your Company was ranked the Number 1 in Media Sector in the Fortune India 500 issue in December 2011 besides being adjudged as the Best Company in the Media & Entertainment sector in the Growth category in the first edition of the Businessworld Infocom ICT awards.

Zee TV stood true to its core of 'Umeed' - with new show launches of Afsar Bitiya & Punarvivah yielding good ratings and, in March 2012, Zee TV created 'Guinness World Records' for the Largest Bollywood Dance through participation of 4428 dancers as part of its Dance India Dance programme and created another first in licensing & merchandising with the exclusive DID Reebok Dance gears. In the Hindi movie genre, Zee Cinema regained its leadership position and underwent a packaging change. Zee Cinema also won International recognition for promos of 'Peepili Live' movie at the PromaxBDA Asia Awards 2011 held in Singapore and won two Silver Awards at the prestigious Mirchi Kaan 2011 for Lady Raaj.

Zee regional channels continued their strong growth in respective markets. Zee Bangla continuing its rise becoming Bengal's Number 1 entertainment channel and its Dance Bangla Dance entering Limca Book of Records for the first regional channel to complete 100 episodes with the same set of participants and Dadagiri Unlimited Season 3 winning Srijan Samman - an advertisement award felicitating all advertisements of India and Bangladesh in Bengali language. Zee Marathi held on to its ground and has been fighting the competition aggressively without losing touch with its audiences and brought to the audiences fresh and appealing shows through Marathi Paul Padate Pudhe, Guntata Hriday He, Eka Lagnachi Doosri Goshta which have created buzz value and also contributed strongly to the ratings. Zee Telugu continues to be the channel of choice for viewers and its Zee Kutumbam Awards 2011 was a first of its kind relationship awards on Telugu Television and the event

produced highest television ratings of 9.25. Zee Kannada has gained market share and with its top performing shows like Radha Kalyana & Paravathi Parameshwara saw significant boost in rating points during the year. Zee Tamil garnered all time high gross rating points and is currently viewed by 14 million people across Tamil Nadu.

Zee Café and Zee Studio continued showcasing the best and latest of popular American content including Hollywood movies, shows and live mega events like Miss Universe 2011 and Miss World London 2012.

In the sports genre, Ten Sports completed 10 successful years of operations during the year and 'Ten Golf' - a dedicated 24-hours Golf Channel was launched with several medium-term licensing arrangements in place.

As a dominant player in South Asian (SA) Entertainment across international markets, besides entering into newer markets and launch of new channels, your Company continues to dominate the International South Asian Business globally with 50% share with Zee TV continuing its leadership position in US, Middle East & Africas in terms of viewership within the SA channels. Zee Africa received the Diamond Arrow Award for outstanding performance and 'Zee Mega Challenge' - a local Talent Hunt leading to Mega Auditions of Sa Re Ga Ma Pa & Dance India Dance were conducted in Mauritius.

As part of leveraging digital delivery opportunities, your Company launched 'Ditto TV' - an unique television viewing experience through mobile and through its subsidiary, created a webportal called India.com, with accumulated traffic of 13.5 million (GA) Unique Users Per Month Worldwide, which has house of brands such as Bollywoodlife.Com, Oncars.In and Indiancolleges.Com

SUBSIDIARIES

During the year under review, subsequent to the amalgamation of ZES Holdings Limited, Mauritius and Zee Multimedia Worldwide Limited, BVI with the Company pursuant to a Scheme of Amalgamation approved by Hon'ble Bombay High Court vide order passed on June 10, 2011, Zee Sports International Limited, Mauritius - another overseas subsidiary merged with its holding company Asia Today Limited, Mauritius in August 2011. Consequently, as at March 31, 2012, the Company has 18 subsidiaries in India and Overseas.

As the Members are aware, the Ministry of Corporate Affairs, has provided general exemption to companies from complying with Section 212 (8) of the Companies Act, 1956, provided such companies publish the audited consolidated financial statements in the Annual Report. Your Board has decided to avail the said general exemption from applicability of provisions of Section 212 of the Companies Act, 1956, and accordingly, the annual accounts of the subsidiaries of the Company for the financial year ended March 31, 2012 are not being attached with the Annual Report of the Company and certain financial highlights of the subsidiaries are disclosed in the Annual Report, as part of the Consolidated financial statements. The audited Annual Accounts and related information of the subsidiaries will be made available, upon request by any shareholder of the Company, or for inspection at the registered office.

In accordance with Accounting Standard AS 21 – Consolidated Financial Statements read with Accounting Standard AS 23 – Accounting for Investments in Associates, and Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures, the audited Consolidated Financial Statements are provided in the Annual Report.

BUYBACK OF EQUITY SHARES

The Members of the Company had approved, through a Postal Ballot Special Resolution passed on March 25, 2011, buyback of its equity shares by the Company by using funds upto a limit of ₹ 7,000 million i.e. upto 25% of the networth of the Company as at March 31, 2011, at a maximum market price of ₹ 126 per share. During the financial year under review, commencing from July 27, 2011 until closure on March 23, 2012 (i.e. upon conclusion of one year from the date the Postal Ballot resolution was passed) 19,372,853 Equity shares of ₹ 1 each were bought back by the Company from the open market at an aggregate value of ₹ 2,319.2 million. These equity shares were subsequently extinguished resulting in reduction of the paid-up share capital of the Company to 958,770,077 equity shares of ₹ 1 each.

Subsequent to closure of the said buyback in March 2012, as allowed under the extant

regulations, on April 4, 2012 your Board had approved a fresh buyback of equity shares at a maximum market price of ₹ 140 per Equity share subject to a limit of ₹ 2,800 million i.e. upto 10% of Net Worth of the Company as at March 31, 2011. Under this fresh buyback which commenced on April 23, 2012, your Company has bought back 3,058,119 Equity Shares till the date of this report at an aggregate consideration of ₹ 374.46 million, of which 264,794 Equity Shares have been extinguished, resulting in reduction of the paid-up Share Capital of the Company to 958,505,283 Equity Shares of ₹ 1 each.

EMPLOYEES STOCK OPTION SCHEME

Your Company had not granted any stock options during the year. Details of options granted till March 31, 2012 and other disclosures as required under Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('SEBI Guidelines') are set out in the Annexure to this Report. During the year under review, your Company had allotted 66,800 Equity Shares at a price of ₹ 119.90 per Equity Share upon exercise of the Stock Options by the Option Grantee's.

The Statutory Auditors of the Company M/s. MGB & Co., Chartered Accountants have certified that the Company's Stock Option Scheme has been implemented in accordance with SEBI Guidelines and the resolution passed by the shareholders.

PUBLIC DEPOSITS

During the year, your Company has not accepted any Deposits under Section 58A and Section 58AA of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

CORPORATE GOVERNANCE

Your Company has been constantly reassessing and benchmarking itself with well-established Corporate Governance practices besides strictly complying with the requirements of Clause 49 of the Listing Agreement. Your Company has documented internal governance policies and put in place a formalised system of Corporate

Directors' REPORT

Governance which sets out the structure, processes and practices of governance within the Company and its subsidiaries. Given the emerging pivotal role of Independent Directors in bringing about good governance, your Company continues its efforts in seeking optimum utilisation of their expertise and involving them in all critical decision making processes.

Based on the provisions of 'Corporate Governance Voluntary Guidelines 2009' issued by the Ministry of Corporate Affairs in December 2009 upon recommendation of the Nomination Committee of your Board, the tenure of Independent Directors in the Company was restricted to 6 (Six) years. However, the Companies (Amendment) Bill 2011 introduced at the Parliament provides for tenure of Independent Director(s) – initially for a period of 5 (Five) years and if approved by the Members of the Company by a Special Resolution for another period of 5 (Five) Years. Pending enactment of the said Companies (Amendment) Bill, 2011 and further clarity on statutory / regulatory provisions, your Board has decided that the Independent Directors who have completed 6 years may continue on the Board of your Company. Pursuant to this decision, Lord Gulam Noon and Dr M Y Khan who have completed 6 (Six) years as Independent Directors during the last quarter of year under review, continue their directorship in the Company.

During the year under review, as approved by the Board and the Members of the Company at the Extra Ordinary General Meeting held on April 27, 2012, certain clauses of Articles of Association of the Company have been amended, including Clause 72A which provides the right of nomination of Directors to M/s Essel Media & Entertainment Ltd ('EMEL') to nominate and/or replace such number of Directors equivalent to the number of Independent Directors on the Board of the Company, so long as EMEL directly or through any of its Indian or Overseas Subsidiaries holds or continues to hold minimum of 30 (thirty)% of the shareholding in the Paid-up Equity Share Capital of the Company entitled to voting rights in the Company. Till the date of this report, the said right has not been exercised by EMEL.

A separate detailed report on Corporate Governance together with the Statutory Auditors' Certificate on compliance is attached to this Annual Report. Management's Discussion

and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented in a separate section forming part of the Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

As part of the Essel Group of Companies, your Company has at a unified and centralised level, put in place a Corporate Social Responsibility (CSR) policy which is based on a belief that a Business cannot succeed in a society that fails and therefore it is imperative for business houses to invest in the future by taking part in social building activities.

During the year under review, Essel Group continued to support cause of Ekal Vidyalaya Foundation, an NGO that works to bring about basic literacy and health awareness amongst the tribal and rural population of India; Global Vipassana Foundation which helps propagate Vipassana, the non-sectarian rational process of self-purification with the aim of bringing about peace both within the individual and the society in general; and Global Foundation for Civilizational Harmony, a body which aims to create a peaceful and harmonious society.

DIRECTORS

Mr. Rajan Jetley resigned from the Board as an Independent Director of your Company at the close of business hours on June 30, 2011 upon completion of 6 (Six) years as per the earlier decision taken to restrict the tenure of Independent Directors in the Company.

Mr Subhash Chandra and Dr. M.Y. Khan, Directors, retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. Your Board has recommended their re-appointment.

AUDITORS

The Statutory Auditors M/s MGB & Co., Chartered Accountants, Mumbai, having Firm Registration No 101169W, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

Your Company has received confirmation from the Auditors to the effect that (i) their reappointment, if made would be within the limits prescribed under Section 224(1B) of the

Companies Act, 1956; (ii) that they are not disqualified for reappointment within the meaning of Section 226 of the said Act and (iii) they have been provided a valid certificate from the Peer Review Board of the Institute of Chartered Accountants of India.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Company is into the business of Broadcasting of General Entertainment Television Channels. Since this do not involve any manufacturing activity, most of the Information required to be provided under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable.

However the information, as applicable, are given hereunder:

Conservation of Energy

Your Company, being a service provider, requires minimal energy consumption and every endeavor is made to ensure optimal use of energy, avoid wastages and conserve energy as far as possible.

Technology Absorption

In its endeavor to deliver the best to its viewers and business partners, your Company is constantly active in harnessing and tapping the latest and best technology in the industry and during the year, your Company had launched several High Definition Television Channels.

Foreign Exchange Earnings and Outgo

Particulars of foreign currency earnings and outgo during the year are given in Note 39 to 42 of the Notes to the Accounts forming part of the Annual Accounts.

PARTICULARS OF EMPLOYEES

Your Company had 1,628 employees as of March 31, 2012. The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are set out in an annexure to this Report. However, in terms of Section 219(1)(b)(iv) of the Act, these details are not being sent as part of this Report and any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

ACKNOWLEDGEMENTS

Employees are our vital and most valuable assets. Your Directors value the professionalism and commitment of all employees of the Company and place on record their appreciation of the contribution made by employees of the Company and its subsidiaries across the world at all levels that has contributed to your Company's success and remain in the forefront of media and entertainment business. Your Directors thank and express their gratitude for the support and co-operation received from the Central and State Governments / regulatory authorities viz. the Ministry of Information & Broadcasting, the Department of Telecommunication, Ministry of Corporate Affairs, Reserve Bank of India, Securities and Exchange Board of India, Foreign Investment Promotion Board, the Stock Exchanges and Depositories, and other stakeholders including viewers, producers, vendors, financial institutions, banks, investors and service providers.

For and on behalf of the Board of Directors

Punit Goenka
Managing Director & CEO

M Y Khan
Director

Place : Mumbai
Date : 21 May 2012

ANNEXURE TO THE DIRECTORS' REPORT

Statement as at March 31, 2012 pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

a)	Details of Options Granted and Exercise Price per Option	No options were granted during the Financial Year 2011-12
b)	Pricing Formula	The pricing formula as approved by the Shareholders of the Company, shall be the "market price" as per the SEBI Guidelines i.e. the latest available closing price prior to the date of grant of option at the Stock Exchange where there is highest trading volume
c)	Total number of Options vested	5,801,420
d)	Total number of Options exercised	66,800
e)	Total number of Equity Shares of ₹ 1/- each arising as a result of exercise of Options	66,800
f)	Total number of Options lapsed (during the year)	611,600
g)	Variation of terms of Options	Nil
h)	Money realised by exercise of Options (₹ in million)	₹ 8 million
i)	Total number of Options in force	6,825,200
j)	Details of Options granted to	No options granted during the year
	(i) Senior Managerial Personnel	None
	(ii) Any other employee who received a grant in any one year of Options amounting to 5% or more of the Options granted during that year	None
	(iii) Identified employees who were granted Options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	None
k)	Diluted Earnings Per Share pursuant to issue of Ordinary Shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	₹ 5.05 (Diluted EPS after exceptional item)

l) Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock option) and the employee compensation cost (calculated on the basis of fair value of options)	The issuance of the equity shares upon exercise of option shall not affect the Profit & Loss account of the Company, as the Pricing formula as approved by the Shareholders of the Company is the Market Price as per SEBI Guidelines i.e. latest available closing price prior to the date of grant of option at the Stock Exchange where there is highest trading volume.
m) Weighted-average exercise prices and weighted-average fair values of options, separately for options whose exercise price either equals or exceeds or is less than the market price of the stock	Not Applicable
n) A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted-average information <ul style="list-style-type: none"> (i) Risk-free interest rate (ii) Expected life (iii) Expected volatility (iv) Expected dividends (v) The price of the underlying share in market at the time of option grant 	Not Applicable

A certificate received by the Company from the Statutory Auditors of the Company M/s MGB & Co., Chartered Accountants, Mumbai to the effect that the Stock Option Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders, will be placed before the Annual General Meeting and a copy of the same shall be available for inspection by the Members at the Registered Office of the Company on all working days (other than Saturdays) upto the date of the ensuing Annual General Meeting.

For and on behalf of the Board of Directors

Punit Goenka
Managing Director & CEO

M Y Khan
Director

Place : Mumbai
Date : 21 May 2012

Annexure TO THE DIRECTORS' REPORT

Statement Pursuant to Section 212 of The Companies Act, 1956 relating to Subsidiary Companies

Name of the Subsidiary Company	The financial Year of the Subsidiary Company ended on	Holding Company	Extent of Holding Company's Interest	Face value of equity shares (per share)	Number of equity shares held by the holding Company and/or its subsidiaries	Net aggregate amount of profits / (losses) of the subsidiary so far as it concerns the members of the holding Company and is dealt with in accounts of holding Company	Net aggregate amount of profits / (losses) of the subsidiary so far as it concerns the members of the holding Company and is not dealt with in accounts of holding Company		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Taj Television (India) Private Limited	31/03/2012	ZEEL	100%	₹ 100/-	10,000	₹ 16	₹ 110		
Zee-Turner Limited	31/03/2012	ZEEL	74%	₹ 10/-	74,000	₹ 328	₹ (357)		
Zee Sports Limited	31/03/2012	ZEEL	100%	₹ 10/-	50,000	₹ (1)	₹ (45)		
ITM Digital Private Limited	31/03/2012	ZEEL	100%	₹ 10/-	1,010,000	₹ (1)	₹ (1)		
India Webportal Private Limited	31/03/2012	ZEEL	51%	₹ 1/-	113,939,453	₹ (104)	₹ (35)		
Asia Today Limited (ATL)	31/03/2012	ZEEL	100%	US \$ 1	583	US\$ 6	US\$ 92		
Apac Media Ventures Limited	31/03/2012	ATL	100%	HK \$ 1	10,000	HK\$ (0)	HK\$ 0		
Expand Fast Holdings (Singapore) Pte. Limited	31/03/2012	ATL	100%	US \$1	100,000	US\$ 0	US\$ 1		
Zee Multimedia (Maurice) Limited	31/03/2012	ATL	100%	Mauritius Rs. 1	1,000	Mauritius Rs. 1	Mauritius Rs. 8		
Zee TV South Africa (Proprietary) Limited	31/03/2012	ATL	100%	RAND 1	1	RAND (4)	RAND 25		
Zee Telefilms Middle East FZ-LLC	31/03/2012	ATL	100%	AED 1000	2,500	AED 9	AED 2		
Zee Technologies (Guangzhou) Limited	31/03/2012	ATL	100%	YUAN 1	-	YUN 0	YUN (11)		
Zee Sports International Limited		ATL	100%	*	*	US\$ 1	US\$ (1)		

Name of the Subsidiary Company	The financial Year of the Subsidiary Company ended on	Holding Company	Extent of Holding Company's Interest	Face value of equity shares (per share)	Number of equity shares held by the holding Company and/or its subsidiaries	Net aggregate amount of profits / (losses) of the subsidiary so far as it concerns the members of the holding Company and is dealt with in accounts of holding Company	Net aggregate amount of profits / (losses) of the subsidiary so far as it concerns the members of the holding Company and is not dealt with in accounts of holding Company
						For the financial year ended on March 31, 2012 (Amt. In million)	For the previous financial years of the subsidiary since it became a subsidiary (Amt. In million)
Taj TV Limited	31/03/2012	ATL	100%	US\$ 1000	16,950	US\$ 6	US\$ (24)
Zee Multimedia Worldwide (Mauritius) Limited, (ZMWL)	31/03/2012	ZEEL	100%	US \$ 1	56,796,292	US\$ 0	US\$ 15
Asia TV Limited (Asia T.V.)	31/03/2012	ZMWL	100%	GBP 1	16,438,900	GBP 0	GBP (9)
Zee CIS LLC	31/03/2012	Asia TV & Zee CIS Holdings	100%	RUB 1	12,000	RUB (5)	RUB (11)
Zee TV USA, Inc.	31/03/2012	ZMWL	100%	US \$.01	2	US\$ 0	US\$ (3)
Zee CIS Holding LLC	31/03/2012	Asia TV	100%	-	-		

Notes:

* Merged During the Year

For and on behalf of the Board

Punit Goenka
Managing Director & CEO

M Y Khan
Director

Place : Mumbai
Date : 21 May 2012