

Management Discussion and Analysis

INDIAN MACROECONOMIC REVIEW

India is the sixth largest economy in the world. The National Statistical Office (NSO) estimated India's real GDP growth to be 8.7% in FY22, down from the 9.2% projected earlier. This is on a low base, as GDP in FY21 had contracted by 6.6% primarily due to COVID-19 induced disruptions.

Table 1: Nominal GDP in US\$ and PPP dollar terms: cross country comparison

Country	GDP 2023			
	Nominal (\$ bn)	Rank	PPP (\$ bn)	Rank
United States	25,938	1	25,938	2
China	19,994	2	31,661	1
Japan	5,735	3	6,200	4
Germany	4,774	4	5,412	5
United Kingdom	3,582	5	3,689	10
India	3,515	6	12,387	3
France	3,282	7	3,699	9

Source (basic data): IMF

INDIAN MEDIA AND ENTERTAINMENT INDUSTRY

With India's COVID-19 vaccination drive witnessing an unprecedented response of over 1.9 billion doses administered and more than 87 crore people fully vaccinated, lockdown norms were gradually relaxed.

While nominal GDP grew by 19.5% in FY22, M&E advertising revenue grew 25.4% in CY21, outpacing GDP growth. Advertising-to-GDP ratio saw an increase from 0.30% to 0.32% in CY21, and is expected to reach 0.36% by CY24, as per the FICCI:EY report.

Post a pandemic-hit CY20, the revenue of the M&E industry grew by 16.4% YoY, to ₹ 1,614 billion in CY21, but was still 11% below CY19 levels. Apart from digital media, revenue from all other media came in below CY19 levels. With continued social distancing norms for a large part of CY21, the movie exhibition and live events segment remained ~50% below CY19.



TELEVISION

Television viewership in FY22, as per BARC, gave up most of the gains made during the pandemic, and reverted to normal levels of FY20. Ease of travel restrictions, reopening of schools and offices led to TV losing the surplus 7% viewership gained in FY21. The television segment, however, saw a 5% YoY growth in revenues, led by a 25% gain in advertising revenues, touching near-2019 levels. Subscription revenue, however, continued to decline for the second consecutive year, despite continuing growth in TV penetration. As a result, television revenue was still 9% down from CY19.



M&E Sector: Key Trends

Revenue in ₹ bn	CY19	CY20	CY21	CY21 vs CY20	CY21 vs CY19
Television	787	685	720	5%	-9%
Digital Media	221	235	303	29%	37%
Print	296	190	227	19%	-23%
Film & Music	206	87	112	29%	-46%
Live Events	83	27	32	19%	-61%
Others	313	189	252	36%	-5%
Total	1,823	1,386	1,614	16%	-11%

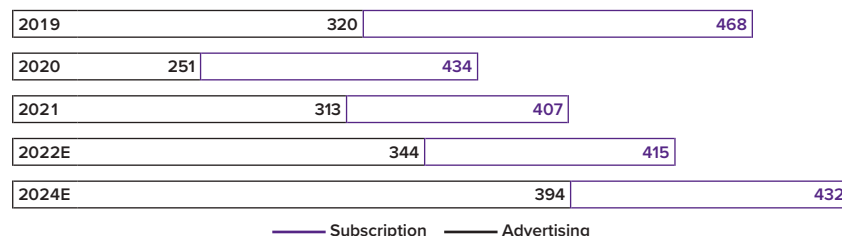
Source: FICCI:EY

Given the continued recovery in M&E revenue in CY21, COVID-19 is not expected to have a lasting impact on the sector's growth. Structural drivers such as low per capita entertainment consumption and spends, rising disposable income, increasing device penetration and content availability bode well for the long-term growth of the industry. As per the FICCI:EY report, the Indian M&E industry is poised to record a CAGR of 13% over the next three years to ₹ 2,320 billion, with growth expected in each segment.

The TV industry is expected to record a CAGR of 5% to ₹ 826 billion by 2024

TV revenues

₹ bn (gross of taxes)



Source: FICCI:EY estimates

Number of TV households growing steadily

According to industry body BARC, the number of households in India with a TV set grew 7% to reach 210 million in CY21. There is room for more growth as TV penetration is still low at 70% compared to 90-95% for most developed and developing countries. However, subscription revenue continued to decline as TV penetration has primarily been driven by the DD FreeDish platform. COVID-19-related financial stress, the return of top Hindi channels on FreeDish, and the launch of new free-to-air channels have led to the accelerated growth of the FreeDish universe. According to BARC, the growth in the number of TV households in India has been led by the FreeDish households which has grown by 37% since FY20 to 44 million.



Source: BARC Household Data

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NTO 2.0

In January 2020, the industry regulatory body TRAI had issued a set of amendments to the tariff order (NTO 2.0).

This was legally challenged by various broadcasters, Distribution Platform Operators (DPOs) and industry bodies in the Bombay High Court (HC). The HC order required status quo to be maintained on channel/bouquet pricing, pending outcome of the Petition by broadcasters. This limited the ability of broadcasters to grow their subscription revenues. HC had delivered its verdict in favour of TRAI, except for one condition, which was deemed arbitrary. Subsequently, legal proceedings continued in Supreme Court (SC). During February 2022, broadcasters have withdrawn their petition in SC.

Following the court proceedings, TRAI notified the implementation date for NTO 2.0 as 28th February 2023. Meanwhile, a consultation paper has been issued by TRAI seeking stakeholders views on certain issues on NTO 2.0 regulation. In absence of a clear way ahead on NTO 2.0, near-term outlook for subscription growth remains subdued. However, longer-term growth outlook continues to be strong.

Industry outlook

The FICCI: EY report states that India is expected to add more than 40 million TV households by CY25, comprising Pay TV, DD FreeDish homes, and internet-connected TV. Factors like higher penetration and growing engagement levels are expected to drive television advertising, recording a CAGR of 8% till CY24 to ₹ 394 billion. While the underlying demand for advertising continues to be robust, driven by India's secular consumption growth story, economic recovery is key to realising this potential. At about ₹ 220 ARPU, television subscription revenue has long-term growth potential, with increasing television penetration, rise in HD channels and the continued reduction in the under-declared subscriber base. In April 2022, Zee Anmol did not participate in the FreeDish license bidding. The FreeDish category saw a reduction in GEC channel availability with the leading free-to-air channels exiting this space. This will be an impetus for the pay TV subscriber even as ZEE continues to have the most number of free-to-air channels in its portfolio. ZEE further plans to improve the TV reach by tapping into the unpenetrated markets.

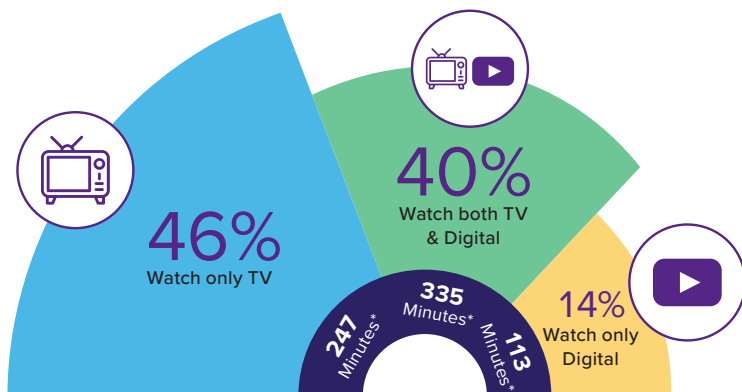
Connected TV sets

As per the FICCI: EY report, smart connected TVs are expected to exceed 40 million by CY25, leading to around 30% of content consumed to be social, gaming, digital, etc.

It's an "AND" world, with TV having an 86% share of the videoverse

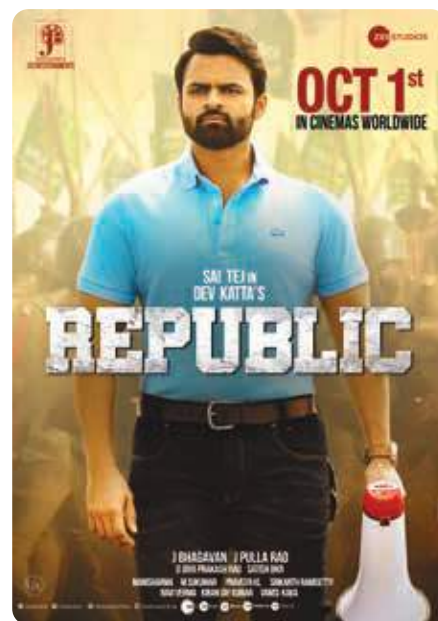
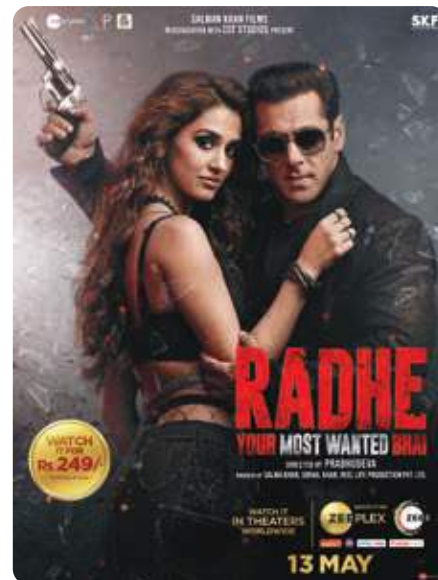
TV continues to be the largest video consumption medium even as consumers are adding screens and adding viewing time.

The "hybrid" or the "AND" consumer segment, who watch both TV and digital video, and is 40% of the video verse currently, is going to expand to a large extent and hence need and appetite for content/stories across screens would enhance in the future.



Source: Video U&A study by Kantar + ZEE ; 13,300+ respondents, Sep-Oct'21

* Time spent consuming content per day





Viewership trend across demographics

Due to the growing affluence in the country, there are more NCCS AB viewers with higher purchasing power, making TV an attractive medium for advertisers.

TV Viewership across Target Groups (AMAs in bn)

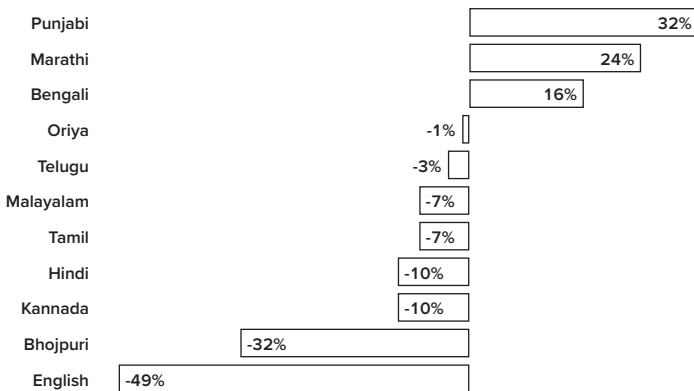


Source: BARC; India Urban+Rural

Change in viewership based on language

Other language markets continue to be the growth driver in TV viewership, with Punjabi, Marathi and Bengali being the fastest-growing languages.

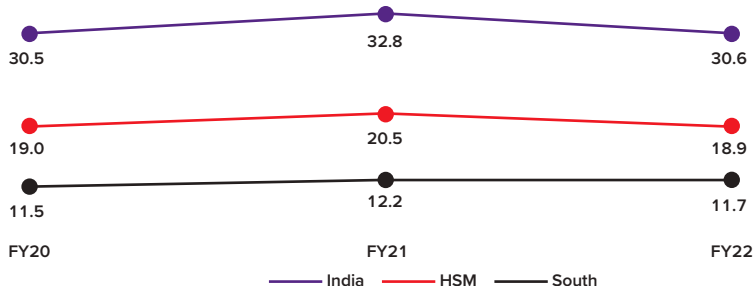
Change in viewership (AMAs Q4FY22 vs Q4FY19)



Source: BARC; 2+; India Urban+ Rural

Weekly average AMAs (in billions)

Television viewership in FY22 as per BARC shed COVID-19 gains, to reach pre-pandemic levels



AMA: Average Minute Audience

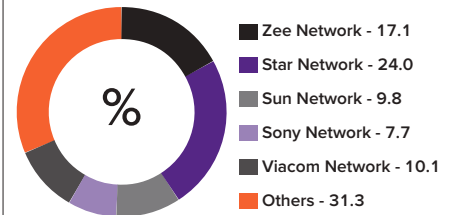
Source: BARC; 2+; Urban+Rural markets



DOMESTIC BROADCAST BUSINESS: THE YEAR IN REVIEW

ZEE continued to be amongst India's leading TV entertainment networks. ZEE exited the year with an all India viewership share of 17.1% in the fourth quarter. The first quarter faced the impact of the second wave of COVID-19 and saw a dip in viewership due to the lack of original content. The network, however, bounced back in the second and third quarters of FY22.

FY22 exit quarter network share



Source: BARC (Star and Sony do not include sports, Sun and Viacom do not include news)

With a bouquet of 48 channels in 11 languages—the highest for any network—ZEE is the first choice of entertainment for viewers across the country. In FY22, the ZEE network had the leadership in Hindi movies, Kannada GEC, Oriya GEC, Marathi movies, Bhojpuri and in lifestyle genres. Zee Punjabi, which is the only Punjabi GEC from top national broadcasters, leads in monetisable Gross Rating Point (GRPs) in the genre.

ZEE's decision to expand into other language markets has been an important growth driver. In FY22, 56% of ZEE's viewership came from other language markets, up from 55% in FY21. The launch of these channels also aided in the growth of other language markets due to the higher availability of quality content.

New channels

Six of ZEE's existing channels were launched since the fourth quarter of FY20 namely Zee Biskope (Bhojpuri movies), Zee Punjabi (Punjabi GEC), Zee Thirai (Tamil movies), Zee Picchar

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(Kannada movies), Zee Zest (Lifestyle), and Zee Chitramandir (Marathi movies). The year also saw Big Ganga being rebranded to Zee Ganga—the only Bhojpuri GEC channel from a major national network.

Except for Zee Zest, the channels launched are in other language markets. While Zee Zest is a category leader, 5 of the remaining 6 channels are strong challengers in their respective genres, and Zee Thirai is among top 3. The introduction of new channels has contributed in gaining network share of ZEE.

Zee Vajwa (Marathi music) ceased operations while having reached a leadership position, given its genre size and limited revenue opportunity.

ZEE's growth in southern markets

Nothing illustrates the pan-India appeal of ZEE better than the consistent growth it has witnessed in the southern markets. ZEE, whose first launch was a Hindi-language GEC in 1992, forayed into the southern market in 2004 with Zee Telugu. Since then ZEE has made inroads into all the 4 southern markets and has seen a steady growth in viewership & share in the last four years. This is on the back of two movie channels that were launched in FY21—Zee Picchar and Zee Thirai—and the continuous production of quality content for these markets.

ZEE's market share in South India

FY19	14.4
FY20	14.7
FY21	14.8
FY22	15.3

Source – BARC South 2+

In the southern markets, Zee Kannada dominates the Kannada GEC genre, while Zee Telugu has cemented its position as a strong challenger with a gain in market share in the Telugu GEC genre. Also, the newly launched Zee Picchar has performed remarkably well in the Kannada movies genre.

A leader across movie genres

In FY22, ZEE's movie channels constituted 23% of movie-channel viewership. This is aided by ZEE's massive portfolio that is backed by an expansive multilingual library with the latest blockbusters as well as the evergreen classics. ZEE has leadership in Hindi movies and Marathi movies and is the second largest network in Bangla, Bhojpuri and Kannada movies.

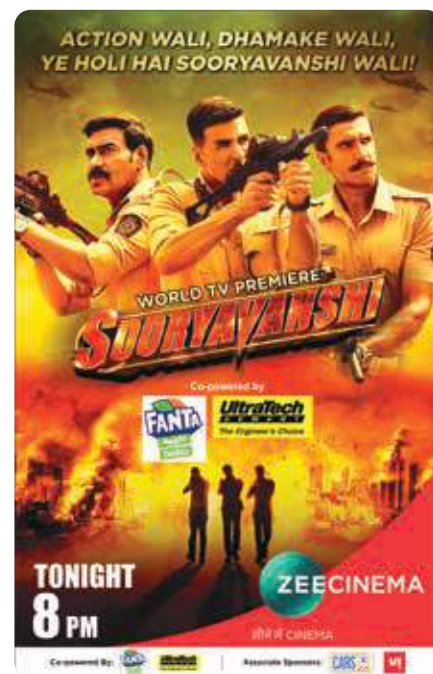
Hindi General Entertainment

Zee TV gained ground in the Pay Hindi GEC genre to be the #4 channel in the second half of FY22, from FY21's #5 spot. This is owing to the success of shows such as *Bhagya Lakshmi*, *Meet*, etc., that were launched in this period. These titles helped the channel retain its position as the 3rd largest Pay Hindi GEC in weekday primetime.

&TV continued to engage viewers in the Hindi heartland with specifically curated content like *'Bhabhiji Ghar Par Hain'*.

Zee Anmol made its comeback to FreeDish in FY21 and witnessed constant growth in rural Hindi Speaking Markets (HSMs). However, to support growth of Pay TV subscription, Zee Anmol has been removed from DD FreeDish platform.

Big Magic saw a decline in viewership in FY21 and FY22 due to higher competition. However, with the withdrawal of Big 4 channels from DD FreeDish platform on 1st April 2022, Big Magic is seeing a growth in viewership.





Hindi movie cluster

The Hindi movie cluster of the Company has 9 channels—Zee Cinema, &pictures, Zee Bollywood, Zee Action, Zee Classic, Zee Anmol Cinema, Zee Cinema HD, &pictures HD and &Xplor HD. It is the widest bouquet of Hindi movie channels in the country that offers a whole gamut of titles from new releases to classics. ZEE’s Hindi movie portfolio has been a market leader and has maintained its position this year as well.



Movie viewership on TV was affected in the last 2 years due to the dearth in supply of new titles and theatrical releases. However, with movie releases back on track, ZEE’s movie cluster has a strong pipeline of premieres planned in FY23, including blockbusters such as *RRR*, *Kashmir Files*, *Gangubai Kathiawadi*, etc., which augurs well for viewership and share growth.



Regional entertainment channels

Zee Marathi is the second biggest channel in the Marathi GEC genre. It launched 11 new shows in FY22, including the Shreyas Talpade-starrer *Majhi Tujhi Reshimgath*.

Zee Marathi is a strong challenger and is continuously evolving, with an assortment of content in fiction and non-fiction categories.

Zee Bangla gained market share in FY22 and reduced the gap with the market leader on a full-year basis, while earning the leadership position for 7 months in the year. Further, it is the leader in the coveted primetime band, in West Bengal, and leader in the key Kolkata market, and also among NCCS AB viewers as well. With five new shows launched in fourth quarter of FY22 and more in the pipeline, the channel is working on keeping this momentum going.

Zee Sarthak became the market leader in Oriya GEC with its relative share hitting 50% in fourth quarter of FY22. The channel’s strong market position comes from its constant reinvention, including the 10 new launches in FY22.

Zee Punjabi has seen constant growth quarter on quarter and went on to achieve an all-time high viewership in the fourth quarter of FY22. It is the leading Punjabi channel when it comes to monetisable viewership and takes on an active role in shaping the Punjabi language market through relevant and engaging content.

Zee Ganga was rebranded in FY22 with a fresh line-up of content. Furthermore, with the exit of 4 key FTA channels from the DD FreeDish platform, Zee Ganga has extensive plans to win over FreeDish viewers in the key Bhojpuri markets—Bihar and UP.

Zee Kannada consolidated its position as the leader in the Kannada GEC genre. It continues to win over audiences with its engaging non-fiction and fiction shows, further aided by the success of its show *Puttakkana Makkalu*, which had the biggest launch in viewership in the history of Kannada TV.

Zee Telugu gained share and further cemented as a strong challenger channel in the Telugu GEC genre. Zee Telugu maintains a strong leadership in the key Hyderabad market.

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Zee Tamil remains in top 3 in the Tamil GEC space in FY22. To grow the channel, there are plans to launch a host of new fiction and non-fiction shows in FY23.

Zee Keralam has improved its position in the market, while climbing to a challenger position for a short period of time. It is expected to become a strong challenger in Malayalam GEC genre on the back of more original content.

Regional movie channels

Zee Marathi Movies cluster dominates the Marathi movies language market, with a nearly two-thirds share. The addition of Zee Chitramandir, an FTA movie channel, has introduced a diverse portfolio of movie channels that cater to both urban and rural markets.

Zee Bangla Cinema remained a strong challenger in the West Bengal urban market.

Zee Picchar is a stable challenger in the Kannada movies genre.

Zee Cinemalu is in top 3 in the Andhra Pradesh and Telangana market for FY22. However, with the addition of numerous Telugu blockbusters this year, the channel is expected to grow.

Zee Thirai stays in the top 3 in the Tamil market and is building a stronger library to compete with the older and more dominant players.

Zee Biskope continues to be a strong challenger brand in the Bhojpuri genre with 4 months of leadership in FY22.



Niche cluster

Zee Café, &flix and &privé continued to put forth the best English movies and shows from around the world. **Zee Zest**, which was launched in CY20, is known for its innovative mix of culinary and travel shows and has grown to become the leader in the lifestyle genre in urban India.



Hindi General Entertainment



Hindi Movie



Regional Entertainment



Regional Movies



Niche Cluster





INTERNATIONAL BROADCAST BUSINESS

With a broadcast portfolio of 41 dedicated channels and 102 passthrough channels that reach over 170+ countries, ZEE's international business has disseminated Indian content across the world. The content produced by the parent network in India is broadcast overseas, and ZEE is the first media and entertainment company to achieve this. ZEE's international business has grown to include more than just the broadcast business, with syndication, ZEE5 AVOD (Advertisement supported video on demand) sales and B2B partnerships being the latest additions to its portfolio. The ZEE5 AVOD and B2B sales initiative has already shown substantial success in just over 6 months. With 2 new co-productions in the Middle East in FY22, and 4 more planned in FY23, the co-production business vertical is expected to be a significant contributor in the overall international business. The syndication business, banking on tapping into new markets and new partner tie-up, is pegged to see a gain in revenue.

- Viewership share for channels catering to South Asian diaspora grew from 18.2% in FY21 to 18.6% in FY22 for all international markets.
- With a viewership share of 31% in FY22, Zee TV MENA continues to be the leader in Hindi GEC over a decade in UAE.
- With a viewership share of 22% in FY22, Zee Cinema UK continues to be the leader in Hindi movie channel for the 2nd consecutive year in the UK.
- Viewership for Zee Tamil in Malaysia increased by 26% in FY22, increasing its viewership share from 5% in FY21 to 7% in FY22.

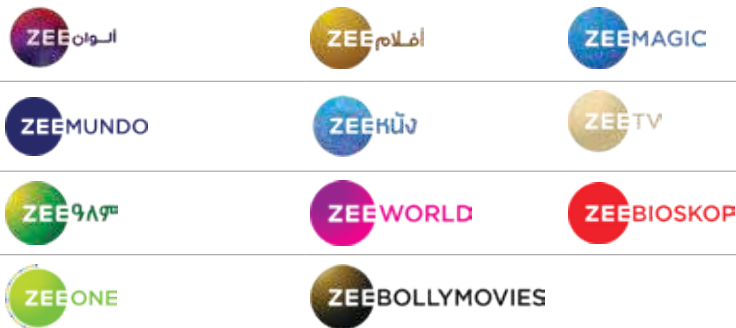
International Footprint

- Zee One, a Free-To-Air English GEC channel, was launched in South Africa in November 2021 which now ranks among the top 10 channels on the (OVHD – Open View HD) platform.
- The strategy for the Thai-dubbed channel Zee Nung changed from linear to digital.
- The Bahasa language channel Cinta Bolly as well as Zee Mundo, a Spanish dubbed channel, exited their respective markets in Indonesia and the Americas.

Local Content and Co-Productions

- Dance Africa Dance, the first-ever reality show in Africa, was launched.
- Original content creation in Asia Pacific in Tamil—'Sattu Puttu Samaya Season 3', and Advertiser Funded Programmes in association with Hideout, D3 Diamonds, Club Med Resorts and Farm Fresh.
- Arabic Co-productions adapted for the local MENA market and successfully sold in fourth quarter of FY22— 'Awdet Al Ab Al Dal' ('Hum Paanch') and 'Byout min Waraa' ('Jamai Raja').

11 non-Indian language channels bringing content to our audiences in their local languages





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CHANNELS ACROSS REGIONS



AMERICA 18



EUROPE 3



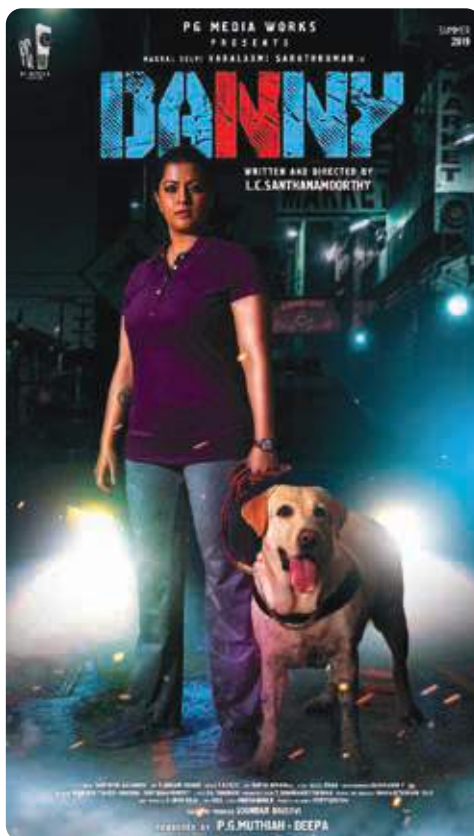
MENA 5



APAC 7



SUB SAHARAN AFRICA 8



DIGITAL VIDEO

India's digital media revenues grew by 29% YoY in CY21. The year saw the M&E industry's revenue recover by 16% but it was still 11% below pre-pandemic levels. As per the FICCI:EY report, digital media revenues are expected to achieve a CAGR of 21% in the next three years.

Digital media was the only segment that grew in CY20 and CY21 and was 37% higher than that in CY19. Consumption of video on digital devices gained traction on the back of rising 4G penetration and increasing content availability across languages.

With digital platforms being an alternate medium for consuming content of choice, and their unique feature of anytime, anywhere entertainment, consumption of digital media is on a rapid rise. As per the FICCI:EY report also states that the time spent on online entertainment has increased 1.5x to 400 billion+ minutes.

Digital infrastructure and growth

As per FICCI:EY, in CY20, internet penetration increased 5% to reach 834 million subscriptions. Only 24 million Indian households had a wired broadband connection. Smartphone users touched 503 million and connected TVs crossed the 10 million mark. Online video viewers, on the other hand, were at 497 million in CY21 up from 450 million a year ago. Ubiquitous mobile internet coverage at affordable prices and an increase in device penetration are the major factors that will drive growth in this segment.

Video viewers continued to grow

Video viewers (in million)

2018	349
2019	406
2020	450
2021	497

Source: FICCI:EY

Video remained the largest-earning segment in CY21, holding on to its gains of CY20 as work-from-home and school-from-home was followed through the year.

Time spent by Indians on entertainment apps grew 52% since the onset of the pandemic. In CY21, 47% of OTT originals and 69% of films released on streaming platforms were

in regional languages. Over 100 films saw a straight-to-OTT release, skipping theatres.

All these factors bode well for online video consumption and the potential opportunity for OTT platforms has never been better. This opportunity will further be amplified with access to faster internet speed across the country with increased adoption of wired broadband and 5G.

Digital remains the second-largest advertising segment

With digital consumption seeing a boom last year, it was the best-performing advertising category in terms of percentage growth. Digital remained the second largest advertising segment. It contributed to 33% of the total advertising in CY21, up from 24% in the previous year (excluding SME and long-tail advertising). Cumulatively, television and digital contributed to 75% of all advertising spends. Digital advertising revenue is likely to grow at a 20% CAGR to reach ₹ 430 billion by CY2024.

In addition to organised sector spending, digital also attracts SME and long-tail advertisers. As per the FICCI:EY report, spends by these advertisers could be around ₹ 117 billion, and the advertiser base is now at 500,000 (as claimed by large ad platforms). Further, this advertiser base is expected to reach a million within three years. Search and social media, across different platforms, continued to provide 69% of digital ad revenues, down from 75% in CY20. OTT platforms of broadcasters and news companies garnered 10% of digital ad revenues.

Barring FMCG, several sectors decreased their spends on digital advertising in CY21 as their spends on TV, print, radio and OOH—which had significantly reduced in CY20 due to lockdowns and supply chain constraints—started to recover.



Subscription revenues maintain growth momentum

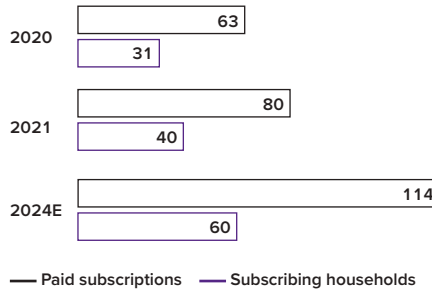
Digital subscription revenue grew by 29% to ₹ 56 billion in CY21.

Paid video subscriptions crossed 50 million for the first time in CY20 and further scaled up to 80 million in CY21, across almost 40 million households in India. Over 2,500 hours of original content were created for OTT platforms—including over 100 direct to digital films—which were extensively marketed, leading to an increased demand for OTT subscriptions.

Video subscription

40 million households paid for 80 million video OTT subscriptions

(in mn)



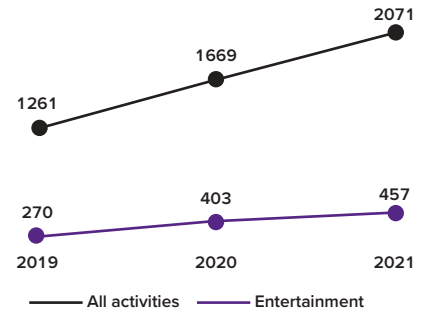
FICCI:EY estimates

Consumers expect effortless end-to-end interactions in their journey, from sign-up and usage to billing. Accordingly, more companies are expected to participate in the streaming value chain. Network owners, broadband providers and connected TV manufacturers will be constantly looking to simplify, optimise and integrate layers and compatibility tools across platforms to improve user experience.

Time spent online on entertainment increased in 2021 by 24%

Total minutes

(Subscriptions and subscribing households)



Sources: Comscore MMX Multi-Platform, Total Minutes, Entertainment Category, Dec '19-Dec '21, India

Content discovery is becoming a challenge for consumers as they switch between streaming services in the search for new series and/or old hits from the vast number of programmes available. In CY22, streamers playing catch-up will refine their recommendation engines based on demonstrated subscriber preferences and usage history, and tailor their marketing (in-platform and over external channels) to make consumers aware of all the viewing options.

The percentage of paying subscribers to total OTT consumers is less than 10% and 2% for video and audio, respectively. As per the FICCI:EY report, digital subscriptions would grow at a CAGR of 24% till CY24.



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ZEE5—ALL-ROUND GROWTH

In the first three years of operations, ZEE5 made major inroads into various consumer segments, expanding its national, regional, and hyper-local reach enabled by its consumer-centric approach to content creation. The platform exited the year with a strong user base of 104.8 million MAUs and 10.5 million DAUs globally. This large user base highlights ZEE5's massive reach and the consumer affinity towards the content on offer. The engagement on the platform is high with an average watch time of 214 minutes per viewer per month in the fourth quarter of FY22.

During FY22, ZEE5 improved its value offering to consumers with its three-pronged approach of expanding content catalogue with focus on quality, consumer experience and reach by effective marketing, improving brand perception and scaling partnerships. On all the three fronts, the platform enhanced consumer sampling, adoption, and stickiness. Along with these initiatives, ZEE5 also revised its annual subscription pack prices to ₹ 599 during the year. ZEE5 continues to expand its partnerships with multiple players across the entire digital ecosystem to widen its reach. It has tie-ups with telecom operators, ISPs, smart TV OEMs, e-commerce players, BFSI, travel and hospitality majors, and payment wallets. In addition to a higher reach and improved convenience, these partnerships also help in joint marketing campaigns.

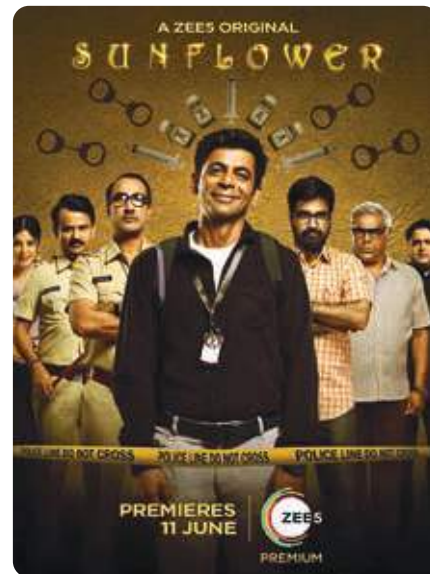
Strong content offering

In line with ZEE's 3-decade strong legacy, ZEE5 too has varied content across genres on offer, with the goal to entertain Indians across all age groups, demographics, and ethnicities. The premium content catalogue of the platform contains ZEE5 Originals—shows and movies created exclusively for digital audience—and a vast library of over 3,500+ movies across 12 regional languages. The platform is also seeded with 500+ hours of television content from networks across 10 languages on a weekly basis and has 100+ live channels covering news and entertainment genres in multiple languages.

Having produced and released close to 200 original shows and movies across 6 languages since its launch, ZEE5 earns the place of being the largest producer of such content.

During FY22, 45+ originals were released across different genres. The platform has been experimenting with unique ideas and is innovating in terms of content formats. ZEE5 has also been creating content IPs with the option of bringing out successive seasons for successful shows. Sunflower was one such series that was critically acclaimed. ZEE5's partnerships with leading production houses have also helped in creating a strong library of content at a very competitive cost.

ZeePlex, the TVOD (Transactional Video on Demand) platform, which was launched on ZEE5 in CY20, gives viewers the flexibility to pay for the content they choose to watch. ZEE5 is the first OTT platform in the country to launch the TVOD option for the consumer. With the pandemic-related shutdown of theatres across the country,



in May 2021, ZEE5 released Salman Khan's blockbuster movie *Radhe* on ZeePlex. In terms of viewership, ZEE witnessed an unprecedented response and achieved new benchmarks.

During the year, ZEE5 bolstered its news offering and with 100+ live, VOD and text news channels across several languages, making it India's top news destination. ZEE5 also has a dedicated section for music videos from Zee Music Company, India's second largest music label, with curated playlists and artist recommendations. Not limited to just entertainment, the streaming platform has partnered with Eduauraa, a premium digital learning platform, to democratise education in the country by improving access and affordability. Along with 300+ hours of kids-centric content, ZEE5 offers parents a unified platform for learning as well as entertainment for children.

Strategic investments in technology to enhance user experience

To drive the ZEE 4.0 digital transformation journey, ZEE's new Technology and Innovation Centre located in Bengaluru commenced operations in March 2022. Despite the pandemic-induced challenges, the Technology and Innovation Centre has already onboarded close to 500 experts with a deep academic and professional pedigree. These new talents bring innovative expertise to various areas including product management, design, engineering, data science, and information security.

Average data consumption per month per smartphone continues to show robust growth driven by rapid adoption of 4G and people working from home during COVID-19



Ericsson Mobility Report, November 2020 and 2021



With this Centre, ZEE plans to make a shift from a service-oriented paradigm, driven by third party providers, to a result-oriented, consumer-centric approach, where all activities and investments will be towards creating measurable business value and consumer satisfaction.

ZEE will continue to focus on driving improvements in a niche digital space. The current depth of the new talent pool allows us to further devise and execute ground-breaking strategies to expand the digital media and entertainment markets.

ZEE5 GLOBAL

In a record year, the international digital business, ZEE5 Global has delivered spectacular growth in FY22 through a sharpened focus on priority markets like UK, UAE, and key APAC countries with targeted marketing initiatives, agile monetisation strategies and scaled up partnerships to effectively reach the scattered diaspora audience.

The year also saw ZEE5 being launched in the U.S. in June followed by a strategic rollout of consumer campaigns and multiple grassroots initiatives to reach South Asian diaspora audiences across the vast country. Within barely eight months of operation, the platform had surged well ahead of any other player in the category, to become the No. 1 South Asian streamer in the market.

Driving over 40% of ZEE5 Global's revenue, the U.S. is the largest revenue contributor to the international digital business and the second-largest market for ZEE5 after India.

As a special initiative to build connects with younger diaspora audiences moving away from



Indian TV content, ZEE5 Global also launched a key initiative to reach out to Indian and Indian-origin students across the U.S. through campus events. The ZEE5xNAAIS Tours went across 50+ campuses across 15 states creating strong brand connects and community impact.

ZEE5 Global closed out the year surging ahead of other players to become the leading South Asian entertainment platform in the U.S., key APAC markets, across the Middle East and one of the leading platforms in UK. (Source: App Annie, Active Users.)

It has, in three years of operations, built out an unprecedented growth story, taking the organisation to the forefront of South Asian entertainment globally and maximising content value in international markets.

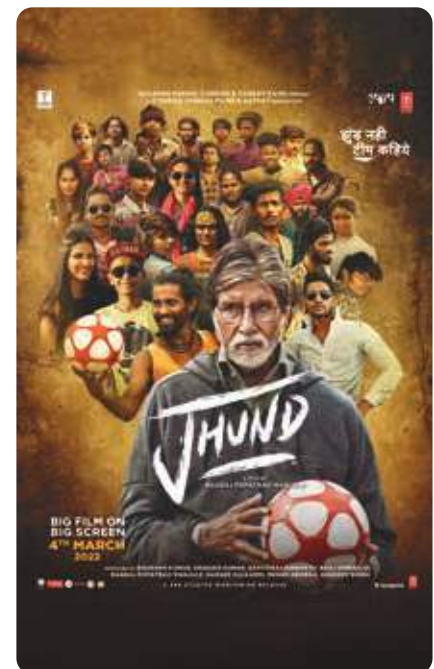


MOVIES

FY22 has again been a challenging year for theatrical and movie industry, as COVID-19 continued to adversely impact the operations. The year started with increased Covid cases across the country, localised lockdowns, shutdown of cinemas and curfews imposed by various state governments during the second wave of COVID-19, i.e. Q1 FY22. As the business started to pick up momentum during second half of the year that recovery was halted with the advent of 3rd wave of COVID-19 in January 2022. Increasing Covid cases again adversely impacted movie industry in January and February 2022 where cinemas were allowed to operate with limited capacity in majority states.

As per the FICCI:EY report, over 100 films released in CY21 directly on streaming platforms without a prior theatrical release.

Over 750 films were released in CY21 compared to only 441 in the previous year. However, this number is still significantly lower than the releases in CY19 which was 1,883 reflecting the impact of COVID-19 on the movie industry. During the year box office revenue were dominated by South Indian films. Many premier Bollywood movies delayed their launch during the year.



Management Discussion and Analysis



Zee Studios

Zee Studios, ZEE's movie production, marketing, and distribution business, has seen one of the most successful streaks in the Company's history.

The year saw Zee Studios release 22 films, in Hindi, Telugu, Tamil, Kannada, Marathi, and Punjabi— the most by any studio in India. *Bangarraju* (Telugu), *Valimai* (Tamil), *The Kashmir Files* (Hindi) and *Qismat II* (Punjabi) are some of the success stories from the studio.

The Kashmir Files, the latest national sensation, is one of the most profitable films in the history of Indian cinema. With a unique marketing and distribution approach, Zee Studios stood true to its operating value of placing audiences above everything else.

Zee Studios also produced and released one of the most popular web series *Abhay 3* on ZEE5. Zee Studios continued its emphasis on releasing path-breaking content, tailored distribution, prudent cost controls on production, with a renewed focus on the 'life-cycle marketing' approach, have ensured an effective and sustainable scale-up of its business.



With a rich slate of content lined up for the coming year, Zee Studios is poised to demonstrate a strong performance in the year ahead.



MUSIC

According to the FICCI:EY report, in CY21, the Indian music segment grew by 24% to reach ₹ 18.7 billion. Of the revenues, 90% were earned through digital means, with the majority being advertising led, with only 3 million paying subscribers. Performance rights too witnessed a recovery and grew by 89% once lockdown restrictions were lifted.

Music segment grew by 24% in 2021

(₹ bn) gross of taxes

2019	15.3
2020	15.1
2021	18.7
2022E	21.4
2024E	28.1

Source : FICCI:EY

As per the IMI Digital Music Study Report 2021, Indian consumers spent an average of 21.9 hours each week listening to music. 38% of the music accessed online was Hindi, while southern languages and international music contributed to another 35%.

There was an increase in the consumption of regional music, even on streaming platforms too, where the share increased to around 40% of the total consumption. The music segment is expected to grow at a CAGR of 15% to reach ₹ 28.1 billion by CY24, owing to an increase in digital revenues, the pay subscriber base crossing 7 million, and the revival of events and activations.





Zee Music Company

Zee Music Company (ZMC), ZEE's music publishing label, is the fastest growing music label in the country. Having acquired an expansive catalogue of music rights across languages, it earned the status of 'second-most listened to' Indian music label in a short period of time. ZMC has been acquiring music rights at a rapid pace in 22 languages, making it a truly a pan-India music label.

Its catalogue now consists of over 10,000 songs across Hindi and regional languages. ZMC has also emerged as a partner of choice for producers in the country. Partnerships with small-to-mid and large movies allow them to leverage ZMC's vast distribution network.

ZMC also supports new talent by way of its production of non-film music under the 'Zee Music Originals' brand name. A strong understanding of listeners' preference has enabled the label to identify music that will resonate well with customers.

With over 85 million subscribers on YouTube, ZMC is one of the most-subscribed channel in India and generates over 5.5 billion views every month.

In India, film music dominates consumption. As movie production and releases were impacted during the year, there was a consequent impact on music release too. ZMC, however, retained its leadership position with acquisitions of new Hindi film music, Regional Music and Zee Music Originals with a 50% share and added 1,500+ songs to its catalogue during the year.



LIVE EVENTS

Organised live events segment revenues recovered 20% in CY21. Subject to no further impact of the pandemic, the segment will recover to pre-COVID levels by the last quarter of CY24/first quarter of CY25, at a CAGR exceeding 30% over the next three years.

Organised live events segment revenues

(₹ mn) gross of taxes

2019	83
2020	27
2021	32
2022E	49
2024E	74

FICCI: EY estimates



Zee Live

Zee Live produces international and Indian live entertainment and live original content and owns Live Intellectual Property in Music, Comedy, Literature & Arts, Poetry and Social Influencer genres within which over 150 Indian and International celebrities have performed. It is one of the top live entertainment IP promoters in the country backed by 360-degree entertainment capabilities—Broadcast, OTT, Digital and Live.

Zee Live IP's Supermoon (Music and Comic), Arth—A Culture Fest (Literature & Arts), IT'S A GIRL THING (Social Influencers), India Shayari Project (Poetry) are the most awarded Live Entertainment IPs in India. Zee Live content in all formats is syndicated on Zee TV, OTT and Digital platforms due to its highly acclaimed national reach. Zee Live Special Projects has curated world events, such as the multi-nation Global Citizen Festival in 11 countries and the International Film Festival of India in Goa.

Collectively, Zee Live IPs as a fan first platform reach over 18 million online views in the year.



Management Discussion and Analysis

FINANCIAL REVIEW

Consolidated Financials

(₹ million)	FY22	FY21	Growth
Operating revenue	81,893	77,299	5.9%
Expenditure	(64,672)	(59,398)	8.9%
EBITDA	17,221	17,901	(3.8%)
EBITDA excluding one-offs	17,221	17,931	(4.0%)
Add: Other income	1,213	1,104	9.9%
Less: Depreciation	(2,459)	(2,649)	(7.2%)
Less: Finance cost	(451)	(571)	(21.0%)
Less: Fair value through P&L	(37)	(1,962)	
Exceptional items	(1,333)	(1,266)	
Add: Share of Profit of Associates	1	(1)	
Profit Before Tax (PBT)	14,155	12,556	12.7%
PBT excl. exceptional and one-offs	15,488	13,852	11.8%
Less: Provision for Tax	(4,597)	(4,625)	(0.6%)
Less: Minority interest	88	70	
Profit after Tax (PAT)	9,646	8,001	20.6%

ZEE consolidated revenues for the year ended 31st March 2022 stood at ₹81,893 million, compared to ₹77,299 million in the previous year—a growth of 5.9%. Excluding the ₹5,512 million on account of content syndication deal in FY21, revenues for FY22 increased by 14.1%.

The growth in FY22 was primarily driven by an increase in advertising revenues and higher revenue from the theatrical business. The lingering impact of the second wave of COVID-19 was seen in the first half of FY22 but as the situation eased, ZEE witnessed improved growth in the second half of the year. Advertising revenues for the year ended 31st March 2022 grew by 17.3% to ₹43,965 million. This growth was led by the domestic linear business. Towards the end of the year, ad revenues faced headwinds caused by challenging macroeconomic factors like high input cost, geopolitical risk and disrupted global supply chain that led to a sharp rise in inflation and muting ad spends by brands. Subscription revenues remained flat YoY at ₹ 32,466 million due to embargo on pricing caused by legal challenges in NTO 2.0. Domestic digital subscription revenues grew at healthy pace on account of increased reach of ZEE5, offsetting pressure on TV subscription revenue.



ZEE's operating expenses increased by 20.1% to ₹ 64,672 million, from ₹53,856 million in the previous year (excluding the one-off programming cost of ₹ 4,730 million related to the content syndication deal and other expenses of ₹ 812 million in FY 21). The programming-related costs (excluding one-offs) increased by 23% YoY to ₹ 36,770 million. This increase was due to rise in prime time hours on linear side. Also, ZEE5 have increased its library strength of the digital business during the year. Advertising, publicity, and other expenses for the year increased by 20.8% YoY to ₹ 15,582 million (excluding one-offs in other expenses ₹ 812 million in FY21) on account of 90+ new launches in linear and 45+ originals in digital business during the year. Higher marketing expenses was also on account of ZEE5. Technology cost saw a 28% increase YoY largely on account of ZEE5. These investments in content, marketing and technology are driving sustained growth in users, watch time and revenues for ZEE5. EBITDA for the year stood at ₹17,221 million, a decline of 4% on a normalised basis vs FY21 EDITDA, excluding one-offs. The decline is largely on account of stepped-up investments in tech, platform, content, and higher marketing. EBITDA margins for the year ended 31st March 2022 stood at 21%, compared to 25% for the year ended 31st March 2021.

Depreciation and amortisation expenses decreased by 7.2% YoY to ₹ 2,459 million. The exceptional expenses incurred during the year were related to one-time bonuses as part of the Talent Retention Plan, payable in two tranches to the extent of ₹ 733 million, legal expenses aggregating to ₹ 73 million in connection with the proposed Scheme of Arrangement and an amount of ₹ 527 million towards DSRA liabilities. Consolidated income tax expense of ₹ 4,597 million witnessed a marginal decrease of 0.6% over the previous year. Consolidated profits after taxes stood at ₹ 9,646 million.

Liquidity and funding

As on 31st March 2022, ZEE had cash and cash equivalents of ₹ 12,733 million and treasury investments of ₹ 242 million. Consolidated long-term debt stood at ₹ 21 million. Consolidated cash flow from operations stood at ₹ 2,799 million for the year ended 31st March 2022, compared to ₹ 15,477 million in the previous year. The decrease in cashflow from operations was largely due to investments in operations.



ZEE redeemed entire outstanding preference share worth ₹ 4034 million from its internal accruals.

RISK FACTORS

Industry Risks

Dynamic trends in the media sector

ZEE’s audience and their entertainment needs driven by new trends and the environment, are constantly evolving. This makes it difficult to predict consumer behaviour with accuracy. Further, multi-video platforms roll out an assortment of content formats that lead to fragmentation of video consumption. Content is an important investment area for ZEE; hence the non-performance of content could affect revenue and profitability to a great extent.

Further, increasing smartphone penetration and affordable data tariffs have caused an uptick in digital content consumption, mainly among males, and younger and affluent viewers, as per Nielsen’s Bharat 2.0 report. This trend is still popular and digital consumption has been largely supplementing TV viewing. If the

migration to digital platforms from TV picks up pace, the impact could reflect in linear business revenue.

Competition—domestic and international

ZEE faces fierce competition from domestic as well as international players, across all businesses. While the broadcasting space remains largely stable with no new major entrants, most of the other markets have players competing for a higher share of the viewership pie. In the digital space, there are over two dozen players vying for consumers’ time. Similarly, in the other businesses as well, there is competition from established and new players. Increased competition intensity or entry of any new competitor could potentially impact the Company’s revenues.

Growing DD FreeDish Platform cannibalising pay TV ecosystem

Pandemic-induced financial stress, the comeback of top Hindi channels to FreeDish in CY21, and the launch of new FTA channels have led to accelerated growth of the FreeDish universe. This has had an impact on the

subscription revenue of the TV industry as well as the advertising revenue of pay Hindi channels. To curtail this, large broadcasters took the decision to remove top 4 FTA channels from the DD FreeDish in April 2022. However, if the DD FreeDish platform continues to grow, it will have a continuous impact on the subscription and advertising revenue of the Pay TV ecosystem.

External Risks

Macroeconomic environment

Advertising revenue is linked to the economic growth of the country. A poor macro-economic environment can adversely impact advertising revenue, which is the largest component of revenue for ZEE.

Global/Local pandemic

COVID-19 caused an extremely volatile macro-economic environment and disrupted business operations. It affected content production to a great extent and the impact of this trickled into every other area. Any future pandemic breakout could affect ZEE’s ability to produce content and monetise it.



Management Discussion and Analysis

Exchange rate fluctuations

ZEE has operations outside India, and with a portion of revenues and expenses in foreign currencies. Thus, the Company is directly impacted by any fluctuation in exchange rates. Any extreme fluctuation will reflect on the revenues and expenses.

IT security threats

COVID-19 has forced organisations to embrace remote working and new technologies. It, however, also provided opportunities for cyber criminals to attack IT infrastructure and applications, leading to increase in user data hacking and cyberattacks. A security breach could lead to disruption in services, loss of sensitive data, legal and regulatory non-compliance, and reputational risk.

Regulatory Risk

Uncertainties in rules and regulations

The M&E industry is governed by the regulations framed by the authorities and regulatory bodies of the different countries it operates in. Further, COVID-19 has forced governments to introduce new regulations that needed to be adopted swiftly and effectively. Any changes in laws and regulations could have a material impact on its revenues and cost of doing business..

Internal Risks

Increase in content costs

ZEE spends a significant amount for creation and acquisition of rights to movies, shows and music across its broadcast, digital and international businesses. With increasing competition, content creation and content acquisition costs could reach a level that is not commensurate with the monetisation potential and estimated cost recovery. Increased inflation will likely also have an impact on cost of content.

Commercial success of creative content is unpredictable

ZEE is continuing to expand its content catalogue, including original shows, TV series, films, music and other new formats across genres. While ZEE believes that original and exclusive content helps differentiate its service from other offerings and attract and retain subscribers, it is difficult to predict commercial success of any creative efforts with certainty. If content investments do not meet its intended objectives, in particular, in terms of costs, viewership and popularity, ZEE's operating performance and brand perception may be impacted.

HUMAN RESOURCE DEVELOPMENT

FY22 was a transformational year for ZEE and the overall industry at large. ZEE kicked off its digital pivot, ZEE 4.0, that is focused on shaping the organisation's next lifecycle, preparing it to succeed in an increasingly digital world. Even as the Company launched this transformation, it had to navigate a once-in-a-lifetime disruption caused by the second wave of the pandemic, which, among other things continues to reshape the talent dynamic in India and globally. Managing business continuity, ensuring employee safety and driving the transformation have been the prominent themes for the Company last year. The key anchors of this effort have been Culture and Capability, Leadership, Employee Experience, Diversity and Employer Brand.

The COVID-19 challenge consisted of two parts: the first focused on ensuring employee safety and delivering the highest levels of medical support to employees during the second wave; and second, to set-up platforms that allowed the Company to make a seamless shift to a hybrid working model without any negative impact on productivity and effectiveness.

Organisation transformations are inside-out, and the Company nudged its organisation culture around the four anchors of Exponential Thinking, Execution Excellence, Hunger for Impact and Seamless Collaboration. These anchors and the ZEE 4.0 digital transformation have been incorporated in the new performance and rewards framework, and rolled out through recognition platforms such as Zeelompics, Cheers4Peers that are intended to nudge the adoption of these new behaviours.

The pandemic severely impacted the Company's ability and plans of delivering traditional formats of capability building and leadership development. To navigate these constraints, the Company executed a year-long virtual learning festival. Further, the platform ZEEcademy ensured that the learning journey of employees was not compromised. By the end of the year, the Company delivered exceptional learning outcomes through this platform. It exceeded expectations as well as on adoption, repeat users, number of learners and social expressions.





Achieving the highest standards of employee experience is not just critical to engage and retain employees but is central to delivering the highest standards of customer experience. Through the year, the Company rolled out a series of initiatives to enhance employee experience by reducing friction in employee transactions, building an enabling policy framework, increasing employee listening and engagement, and overall improving the quality of internal service.

The Company's workforce is an amalgam of diverse mindsets, cross functional talents and boundless energy. Diversity, Equity and Inclusion, therefore, are cornerstones of the Company's success. ZEE won the *Economic Times* award for Best Workplaces for Women

2021, and its Women Leaders Podcast initiative received recognition and went on to win the Pioneering Initiative award at the D&I Summit 2022.

Last year, the Company invested in building a Technology and Innovation centre in Bengaluru as part of its overall digital pivot. This Centre will not only help the Company own IP but also ensure a much better speed to market across all its digital platforms. With over 500 engineers, the Company has an unparalleled edge in the race to become a leader in the digital ecosystem. The Centre was built, staffed and inaugurated last year, and the Company is proud to have successfully built a strong digital employer brand that continues to attract the best and brightest in the digital/engineering world.

INTERNAL CONTROLS

ZEE's internal control systems are in line with its business, and the size and complexity of the operations. ZEE have adequate controls, procedures, and policies in place to ensure a seamless conduct of its business, and this includes adherence to policies, safeguarding assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and timely preparation of reliable financial information. These are routinely tested and certified by Statutory and Internal Auditors. Significant observations and follow-up actions are reported to the Audit Committee. The Audit Committee reviews the adequacy and effectiveness of the internal control processes and monitors their implementation, including those related to the strengthening of risk management policies and systems.