Management Discussion and **ANALYSIS**

"In FY2012, 10.5 million subscribers have adopted satellite based television services via DTH, taking the gross DTH subscriber base to 44.6 million strong."

The figures have been stated in ₹/million in the MD&A for better readability.

Investors are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties including, but not limited to, risks inherent in the Company's growth strategy, acquisition plans, dependence on certain businesses, dependence on availability of qualified and trained manpower and other factors. The following discussion with the Company's financial statements included herein and the notes thereto:

OVERVIEW

Zee Entertainment Enterprises Limited (ZEE) (BSE Code: 505537, NSE Code: ZEEL.EQ) is one of India's largest vertically integrated media and entertainment company. The Company was formed in 1982. ZEE was the first company to launch a satellite channel in India and from being a single channel for a single geography today operates multiple channels across multiple geographies in different languages and genres. The Company's programming reaches out to over 650 million viewers across 168 countries.

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

i. Hindi Entertainment: Zee TV, Zee Smile, 9X

ii. Hindi Movies: Zee Cinema, Zee Premier, Zee Action, Zee Classic

iii. English Entertainment, Movies and Life style: Zee Studio, Zee Café, Zee Trendz

11.7%

growth of the Indian Media and Entertainment Industry in 2011

The Indian Media and Entertainment Industry witnessed steady growth in 2011. **The industry grew from ₹ 652 billion in 2010 to ₹ 728 billion in 2011**

iv. Regional Language Entertainment: Zee Marathi, Zee Bangla, Zee Talkies, Zee Telegu, Zee Kannada, ETC Punjabi, Zee Tamil

v. Sports: TEN Cricket, TEN Action, TEN Sports, TEN Golf

vi. Religious and Alternate Lifestyle: Zee Jagran, Zee Salaam

vii. Music: Zing, ETC

viii. Niche and Special Interest: Zee Khana Khazana

ix. HD: Zee TV HD, Zee Cinema HD, Zee Studio HD, TEN HD

Apart from the channels listed above which are available in India, the Company also broadcasts 22 channels in the international markets.

MEDIA AND ENTERTAINMENT INDUSTRY

The Indian Media and Entertainment Industry witnessed steady growth in 2011. The industry grew from ₹ 652 billion in 2010 to ₹ 728 billion in 2011, registering a growth rate of 11.7%. Television sector grew from ₹ 297 billion in 2010 to ₹ 329 billion in 2011, registering a growth of 10.7%. (Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2012).

Total advertising revenue growth has seen a much sharper slowdown, with advertising spends across all media accounting for ₹ 300 billion in 2011, contributing to 41% of the overall M&E industry revenues. Total advertising revenues witnessed a growth of 13% in 2011 against 17% observed in 2010. (Source: FICCI-KPMG Indian Media and Entertainment Industry Report 2012).

Despite the slowdown, Television industry posted high growth due to its high reach & cost-effectiveness. Regionalisation / Localisation drove the reach of media as well revenue, thereby improving the revenue share in the ad pie. Advertisers' also showed a higher preference for Impact properties on leading channels.

FY2013 is expected to be a landmark year for the television media industry. The industry is on the cusp of a big change with the implementation of Digital Addressable System (DAS) starting with the four metros. Implementation of digitisation is expected to significantly improve transparency in the pay-TV ecosystem resulting in more choice to the consumers, better quality of viewing and improved business economics for all players. In FY2012, 10.5 million subscribers have adopted satellite based television services via DTH, taking the gross DTH subscriber base to 44.6 million strong.

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 30 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 22 channels serving Indian content across 168 countries.

Management Discussion and **ANALYSIS**

Zee TV continued to have a leading share in the Hindi General Entertainment genre (GEC) with an average weekly channel share of 20% and average weekly Gross Rating Points (GRPs) of 186.

Leadership across different Genres:

In the Hindi GEC genre, Zee TV is the flagship product from ZEE. The Hindi GEC genre moved from a 3 player to a 4 player market last year and grew at a fair pace. Last year also saw some consolidation in the Hindi GEC market.

Subscription revenues increased robustly with increased DTH penetration and healthy improvement in revenues from Cable.

Zee TV continued to have a leading share in the Hindi General Entertainment genre (GEC) with an average weekly channel share of 20% and average weekly Gross Rating Points (GRPs) of 186. Key shows like Pavitra Rishta successfully completed 700+ episodes and Yahan Mein Ghar Ghar Kheli over 600+ episodes.

During the year, the channel launched various new successful shows with its core promise of 'Umeed'. Afsar Bitiya, launched against the No 1 show in Hindi GEC at 7 pm has still grown healthily & touched avg. weekly TVR of 2+. Punarvivah has more than doubled the slot ratings for traditionally weak 22:30 slot for Zee TV.

In March 2012, Dance India Dance created a Guinness World Record for the 'Largest Bollywood Dance' with participation of 4,428 dancers.

In the Hindi Movie Genre, ZEE has 5 channels viz. Zee Cinema, Zee Premier, Zee Action, Zee Classic and Zee Cinema HD. ZEE has the largest film library in the country and its movie channels are a strong favourite with the viewers as well as advertisers. This was also the year when Zee Cinema underwent a packaging change for the first time in 5 years. Zee Cinema won International recognition for its promos of Peepli Live at the PromaxBDA Asia Awards 2011 held in Singapore recently and 2 silvers at the prestigious Mirchi Kaan 2011 for their radio spots for Lady Raaj.

The Company's sports offerings include 5 channels viz. TEN Cricket, TEN Action, TEN Sports, TEN Golf and TEN HD. Last year saw the launch of TEN HD & TEN Golf, ZEE's latest premium offering targeted at urban up-market audiences. With telecast rights to 5 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 etc., the sports business has contributed close to 13% of the Company's top line this year. This year, TEN also completed 10 successful years of operations.

Zee Café, Zee Studio and Zee Trendz are Company's English language offerings. Zee Café has the rights to the latest series programming of super-hit shows while Zee Studio has tied up with leading studios from across the globe. The channels continue to strengthen the network subscription bouquet. During the year, the channels showcased popular international shows and live mega events like Miss Universe 2011 and Miss World London 2012.

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.

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

- Zee Marathi garnered average weekly GRPs of 179 and market share of 28% for FY12 inspite of intense competition in the Marathi genre. True to its brand value, ZM brought to the audiences fresh and appealing shows through Marathi Payul Padate Pudhe, Guntata Hriday He, Eka Lagnachi Doosri Goshta. These properties have created buzz value and also contributed to the ratings of the Company.
- Zee Bangla was the No.1 channel ahead of all competition in the key Target Group of CS 15+ABC, and continued to be the audience's preferred channel with a share of 36%. Dance Bangla Dance entered the Limca Book of Records for being the first regional channel to complete 100 episodes with the same set of participants.
- Zee Kannada GRPs moved from 181 (FY11) to 253 (FY12) thereby securing the No. 3 position in the Karnataka market with top performing shows like Radha Kalyana & Paravathi Parameshwara.

Zee Khana Khazana, the Company's 24-hour food channel, was launched in December 2010. The channel brings in a rich programming mix from across India and abroad featuring shows that define and refine the culinary expertise that has become synonymous with "food". The top properties showcased on the channel were 'Khana Khazana', 'Mirch Masala' and 'Rasm-e-Rasoi'.

Global Presence

The Company reaches more than 650 million viewers globally and in 168 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 the US, 4 new channels (Zee Marathi, Zee Kannada, Zing & Zee Smile) were launched on Charter LA, CenturyLink and channels were launched in new markets like Aruba, Curacao, Grenada.
- In Middle East, Zee Aflam reached an all time high of 49.7 GRPs with a share 12.8% (All Adults TG) and 57.6 GRPs with a share of 17.7% (Local Females TG).
- In APAC, Zee Cinema International launched in Indonesia, Myanmar & Hong Kong with English sub-titles and received landing rights in China. Zee also successfully conducted Zee Nite in Durban, Mauritius and Reunion and Zee Bollywood Nite in Malaysia. In Malaysia, Zee Variasi is now the No.1 international channel among Malays.
- In UK/Europe, Zee TV was the only Asian channel to start product placement digitally bringing in additional sales revenue.

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 digital pay platforms (iii) Build presence on new / alternate media platforms (iv) Rationalise on costs

Management Discussion and **ANALYSIS**

ZEE launched India's first and only OTT (over-the-top) platform, Ditto TV, with an aim to offer Live TV Channels and On Demand Video Content to consumers on multiple platforms

across different heads (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 launch of new shows across network channels along with the tie up of cricket rights and current series rights of programs has helped ensure that in a highly fragmented environment, the network maintained and grew its dominance. The Company aims to further enhance the market share through a planned content lineup and continue to grow business profitability in a sustained manner.

(ii) **Concentrate on additional revenues from digital pay platforms:**
India is a fast digitising market and the consumer shift towards digital services is exhibited through the rampant expansion from 34 million pay DTH households at the beginning of the fiscal to 44.6 million pay DTH households at the end of it. Key initiatives in the last fiscal include the launch of HD channels and launch of TEN Golf - ZEE's latest premium offering targeted at urban upscale pay-TV audiences.

(iii) **Build presence on new / alternate media platforms:**
In line with the strategy of growth through focused disciplined investments, ZEE launched India's first and only OTT (over-the-top) platform, Ditto TV, with an aim to offer Live TV Channels and On Demand Video Content to consumers on multiple platforms including mobile phones, tablets, laptops, desktops and connected TVs.

(iv) **Rationalise on costs across different heads:**
The belief at the Company has always been that higher spends will not necessarily result in sustained incremental viewership. Even in the wake of competition, the network maintained its cost structures though with increased competition our costs also moved up. Better negotiations with suppliers and stricter control on distribution spends will help in further keeping costs under check.

(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 in some of the geographies. The success of these initiatives has given the management confidence that low cost experiments such as these are an innovative way of enhancing network strength in international markets.

(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 utilised 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 endeavours to improve on these aspects on an ongoing basis. While the increasing emphasis on transparency and accountability, standards have been set by various governing bodies on disclosure as well as judiciousness in conduct. ZEE has always tried to go a step further in this direction.

RISK FACTORS

Competition from other players:

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

Ever changing trends in Media sector:

It may not be possible to consistently predict changing audience tastes. People's tastes vary quite rapidly along with the trends and environment they live in. 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 failures would have an adverse impact on the bottom line of the Company.

Cost of programming mix might affect its bottom line:

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

Investments in new channels:

The Company may from time to time launch new channels. Content for these channels is obtained from its existing library as well as from programmes acquired in the normal course of its business. The success of any new channel depends on various factors, including the quality of programming, price, extent of marketing, competition etc. There can be no assurance that the Company will be as successful in launching new channels as it has been the case of its existing channels.

Macroeconomic environment:

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

Slowdown in DTH/Digital rollout:

The uptake of pay digital services by subscribers has been a very encouraging sign for all broadcasters. Internationally most broadcasters derive a greater share of their revenues from the subscription revenues whereas in India the under-declaration in the analogue cable system has led to broadcasters being more dependent on advertising revenues, which tend to cyclical in nature and more affected by the macro economic factors. The industry expects pay digital services to grow at a rapid pace in the next three years and ZEE is likely to benefit heavily from this rapid growth. A slowdown in growth of digital services may lead to incremental profit margins being impacted.

Increased competitive environment in the Hindi General Entertainment Space:

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

Management Discussion and **ANALYSIS**

Subscription revenue has recorded a growth of 23% from ₹ 5,071 million in FY 2011 to ₹ 6,239 million in FY 2012

Sluggish consumer uptake in the international markets:

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

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

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

The Company may be exposed to foreign exchange rate fluctuations:

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

STAND-ALONE FINANCIALS

A. RESULTS OF OPERATIONS

Non-Consolidated Financial Information for the Year Ended March 31, 2012 compared to the Year Ended March 31, 2011.Previous Year figures have been reclassified and regrouped to comply with revised Schedule VI requirements.

Total Revenue

Total revenue increased by ₹ 1,019 million, or 4.57 % from ₹ 22,310 million in FY 2011 to ₹ 23,329 million in FY 2012 due to higher Broadcasting Revenue and Other Income.

Revenue from Operations

Operating revenue increased by ₹ 340 million or 2 % from ₹ 21,700 million in FY 2011 to ₹ 22,040 million in FY 2012. Subscription revenue has recorded a growth of 23% from ₹ 5,071 million in FY 2011 to ₹ 6,239 million in FY 2012 partly offset by decrease in Advertisement revenue by 5% to ₹ 13,609 million in FY 2012 as against ₹ 14,383 million in FY 2011. Other Sales and Services decreased to ₹ 1,686 in FY 2012 from ₹ 1,791 in FY 2011. Revenue from Other Sales & Services for FY 2012 is not comparable with FY 2011 as last year includes receipt of a non-recurring one time fees of ₹ 700 million towards premature termination of sporting events rights.

Interest & Other Income

Interest & Other income increased by ₹ 679 million from ₹ 610 million in FY 2011 to ₹ 1289 million in FY 2012. It includes Foreign Exchange Loss of ₹ 33 million regrouped and transferred from Finance Cost and respective line item to Other Income in compliance to revised Schedule VI guidelines. It also includes balance written back ₹ 138 million being non-recurring in nature.

Total Expenditure

Total Operational expenditure increased by ₹ 1,907 million or 13.76 % from ₹ 13,864 million in FY 2011 to ₹ 15,771 million in FY 2012. The increase in operational cost was principally result of increase in Programming & Other Expenses.

Operational Cost / Cost of Goods

Operational cost/Cost of Goods increased by ₹ 1,330 million, or 15.09 %, from ₹ 8,814 million in FY 2011 to ₹ 10,144 million in FY 2012, increase is mainly attributable overall increase in programming cost.

Personnel Cost

Personnel cost has remained flat from ₹ 1,568 million in FY 2011 to ₹ 1,573 million in FY 2012. This is mainly due to salary rationalisation and right sizing of manpower affected during the year. As a % of sales, manpower cost remained at 7%.

Other expenses

Other expenses increased by ₹ 572 million or 16.43 % from ₹ 3,482 million to ₹ 4,054 million. The increase in administrative and other expenses was principally a result of higher spend on advertising, marketing and increase in cost of Carriage Fees paid by the Company to cable networks and increase in provision doubtful debts during the year.

Operating Profit

Operating profit decreased by ₹ 888 million, or 11.75%, from ₹ 8,446 million in FY 2011 to ₹ 7,558 million in FY 2012. The operating margin is at 32 % for FY 2012. Reduction in Operating profit is due to higher investment in Content and Marketing spends to build the business, further last year operating profit includes receipt of one time fees of ₹ 700 million towards premature termination of sporting right events, hence is not comparable.

Financial Expenses

Financial expenses decreased by ₹ 29 million to ₹ 5 million in FY 2012 to ₹ 34 million in FY 2011.

Depreciation and Amortisation

Depreciation increased by ₹ 48 million, or 29%, from ₹ 167 million to ₹ 215 million.

Profit Before Tax

Profit before tax decreased by ₹ 907 million or 12.36 % from ₹ 8,245 million in FY 2011 to ₹ 7,338 million in FY 2012. Previous year profit before tax excludes exceptional income on sale of Long term investment ₹ 197 million.

Provision for Taxation

Provision for taxation was ₹ 2,441 million, representing effective tax rate of 33%.

Profit After Tax for the Period

Profit after tax for the year decreased by 15.04 % to ₹ 4,897 million from ₹ 5,764 million.

B. FINANCIAL POSITION

Non-Consolidated Financial Position as on March 31, 2012 as compared to March 31, 2011.

Sources of Funds

Share Capital, Reserves & Surplus

During the year, Company bought back 19.37 million equity shares through open market route,

Management Discussion and **ANALYSIS**

further under ESOP 66,800 number of equity shares were allotted and issued during the year. Consequently the Paid-up Share Capital of the Company as at 31 March 2012 stands reduce to ₹ 959 million shares of ₹ 1 each as against ₹ 978 million in FY 2011.

Loan Funds

Total loan funds as on March 31, 2012 stood at ₹ 10 million up from ₹ 6 million. These loan funds are related to vehicle loan taken by the Company.

Long-term Provisions

Long term provisions pertaining to retirement benefits have gone up from ₹ 146 million as on March 31, 2011 to ₹ 160 million as on March 31, 2012.

Current Liabilities and Provisions

Current Liabilities and Provisions,mainly representing Trade Payables, Deposits received , Statutory Dues etc. have reduce by ₹ 1,423 million to ₹ 5,098 million in FY 2012 from ₹ 6,521 million in FY 2011.

Application of Funds

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 364 million. The Net Block increased by ₹ 224 million from ₹ 1,548 million as on March 31, 2011 to ₹ 1,772 million as on March 31, 2012. Increase in Fixed assets was partly offset by impairment / discard of obsolete assets.

Capital Work in progress increased by ₹ 193 million to ₹ 201 million as on March 31, 2012. Increase in CWIP is mainly on account of purchase of HD and other digital equipments, which were yet to be made operational/installed as on March 31, 2012.

Non-Current Investments

Non current Investments have increased from ₹ 5,823 million in FY 2011 to ₹ 5,923 million in FY 2012. This increase is towards the investment in Subsidiary company "India Web Portal Private Limited".

Long-term Loans, Advances and Other Non-Current Assets

There is marginal decrease in the long term loans and advances from ₹ 658 million as on March 31, 2011 to ₹ 655 million as on March 31, 2012.

Current Assets

Current Assets mainly representing current investment, Inventories, Trade Receivables, Cash & Bank Balances and Other Current Assets have gone down by ₹ 1,011 million to ₹ 26,532 million in FY 2012 as against ₹ 27,543 million in FY 2011.

Current Investment

Current Investment increased by ₹ 647 million to ₹ 4,679 million in FY 2012 on account of increased in Treasury investment as compared to last year.

Inventories

Program, Film and Sports rights held by the Company decreased from ₹ 11,030 million on March 31, 2011 to ₹ 9,930 million on March 31, 2012.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts & Bad Debts written off, stood at ₹ 6,624 million in FY 2012 as against ₹ 6,191 million in FY 2011. The age of trade receivables is 110 days of sales in FY 2012 as against 104 days of sales in FY 2011.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on March 31, 2012 was ₹ 761 million as against ₹ 1,539 million on March 31, 2011. Cash surplus during the year have been invested in Liquid Funds, CPs and Fixed deposits as a part of treasury operations.

Loans and Advances and other current assets (Current)

There was decrease in current portion loans, advances and other current assets from ₹ 4,751 million on March 31, 2011 to ₹ 4,538 million on March 31, 2012.

Total revenue increased by ₹ 819 million, or 2.65% from ₹ 30,970 million in 2011 to ₹ 31,789 million in FY 2012 on account of higher broadcasting income and other sales and services. It also includes ₹ 523 million as Company's share of net revenue from JV MPEIPL.

CONSOLIDATED FINANCIALS

A. Results of Operations

We have provided a comparison between Audited figures for FY 2012 and Audited regrouped figures as per revised Schedule VI for FY 2011. FY 2012 financials result includes 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 ₹ 819 million, or 2.65% from ₹ 30,970 million in FY 2011 to ₹ 31,789 million in FY 2012 on account of higher broadcasting income and other sales and services. It also includes ₹ 523 million as Company's share of net revenue from JV-MPEIPL.

Revenue from Operations

Operating revenue increased by ₹ 318 million or 1.05 % from ₹ 30,088 million in FY 2011 to ₹ 30,406 million in FY 2012. Subscription Revenue has recorded a growth of 18% from ₹ 13,244 million to ₹ 13,246 million (Including Company's share of JV MPEIPL ₹ 505 million) which is partly offset by decrease in Advertisement revenues by 7% to ₹ 15,841 million in FY 2012 as against ₹ 17,010 million in FY 2011 however advertisement revenues in non-sports business have increased , though marginally. Other Sales and Services representing Syndication sale of Sports right, Program and Film rights, Commission income and other services, decreased to ₹ 1,320 million in FY 2012 (Includes Company's share of JV MPEIPL ₹ 7 million) from ₹ 1,819 million in FY 2011. Syndication sale of Sports rights are mainly event specific and are not comparable on Y-o-Y. FY 2012 Revenue is also not comparable as the numbers for FY 2011 includes receipt of a non-recurring one time fees of ₹ 700 million towards premature termination of sporting events rights.

Other Income

Other income increased by ₹ 502 million or 57% from ₹ 882 million in FY 2011 to ₹ 1,384 million in FY 2012 (Including Company's share of JV MPEIPL ₹ 11 million). Increase in Interest and Other Income also includes interest on income tax refund ₹ 145 million and balance written back ₹ 174 million being non-recurring in nature. It also includes Foreign Exchange Loss of ₹ 19.7 million regrouped and transferred from Finance Cost and respective line item to Other Income in compliance to revised Schedule VI guidelines.

Management Discussion and **ANALYSIS**

Operational cost/Cost of Goods remained almost flat at ₹ 14,311 million in FY 2012 against ₹ 14,370 million in FY 2011. Though, spends on non-sports programming has remained higher, major reason for lower / flat programming and operating cost is that FY 2012 had less sports properties as compared to FY 2011.

Expenditure

Total Operational expenditure increased by ₹ 1,142 million or 5.22 % from ₹ 21,868 million to ₹ 23,010 million. This increase in cost was due to increase in Administrative & Marketing Spends.

Operational Cost / Cost of Goods

Operational cost/Cost of Goods remained almost flat at ₹ 14,311 million in FY 2012 against ₹ 14,370 million in FY 2011. Though, spends on non-sports programming has remained higher, major reason for lower / flat programming and operating cost is that FY 2012 had less sports properties as compared to FY 2011.

Employee Benefit Expenses

Employee cost increase by ₹ 188 million, or 6.87 %, from ₹ 2,737 million in FY 2011 to ₹ 2,925 million in FY 2012 (FY 2012 Includes Company's share of JV MPEIPL ₹ 179 million). Other than increase due to share of JV - MPEIPL employee cost has remain flat for the year.

Other Expenses

Administrative and Other expenses increase by ₹ 1,013 million or 21.28% from ₹ 4,761 million in FY 2011 to ₹ 5,774 million in FY 2012. FY 2012 include Company's share of Interest in JV ₹ 335 million. Further increase in mainly due to higher spend on advertising , marketing and increase in cost of Carriage Fees paid by the Company to cable networks and increase in provision for doubtful debts during the year.

Operating Profit

Operating profit reduce by ₹ 323 million, or 3.67%, from ₹ 9,102 million in FY 2011 to ₹ 8,779 million in FY 2012. The operating margin is at 28% for FY 2012. Reduction in Operating profit is due to higher investment in Content and Marketing spends to build the business, further last year operating profit includes receipt of one time fees of ₹ 700 million towards premature termination of sporting right events , hence is not comparable.

Financial Expenses

Financial expenses decreased by ₹ 38 million or 43.18%, from ₹ 88 million to ₹ 50 million.

Depreciation and Amortisation

Depreciation increased by ₹ 34 million, or 11.76%, from ₹ 289 million in FY 2011 to

₹ 323 million in FY 2012. Current year includes ₹ 99 million (LY ₹ 71 million) charge towards impairment/discard of fixed assets.

Profit Before Tax (after exceptional item)

Profit before tax decreased by ₹ 516 million or 6%, from ₹ 8,922 million in FY 2011 to ₹ 8,406 million in FY 2012. FY 2011 Profit before tax includes exceptional income on sale of Long term investment ₹ 197 million.

Provision for Taxation

Provision for taxation decreased to ₹ 2,500 million in FY 2012 from ₹ 2,671 million in FY 2011. Effective Tax Rate for FY 2012 is 30% as against 30% in FY 2011. One of the subsidiary has made provision of tax under Minimum Alternate Tax (Mat) as per provisions of Section 115JB of Income Tax Act, 1961.

Share of Results of Associates

Share of profit in Aplab Limited as Associate company (26.42% holding) is profit of ₹ 2 million in FY 2012 as against ₹ 0.2 million in FY 2011.

Minority Interest

Minority interest payable was at ₹ 17 million in FY 2012. This includes share of minorities of Zee Turner Limited (26%) and India Web Portal Private Limited (49%).

Net Profit After Tax for the Period

Profit after tax for the year decreased by 8 % to ₹ 5,891 million from ₹ 6,369 million. The Net Profit margin in FY 2012 was 19% against 21% in FY 2011.

B. FINANCIAL POSITION

Consolidated Financial Position as on March 31, 2012 as compared to March 31, 2011.

Sources of Funds

Share Capital, Reserves & Surplus

During the year, Company bought back 19.37 million equity shares through open market route, further under ESOP 66,800 number of equity shares were allotted and issued during the year. Consequently the Paid-up Share Capital of the Company as at 31 March 2012 stands reduce to 959 million shares of ₹ 1 each as against 978 million in FY 2011.

Loan Funds

Total loan funds as on March 31, 2012 stood at ₹ 12 million from ₹ 9 million. These loan funds are related to vehicle loan taken by the Company.

Long term Provisions

Long term provision consisting of retirement benefits have increased by ₹ 38 million from ₹ 190 million to ₹ 228 million as on 31 March 2012.

Current Liabilities and Provisions

Current Liabilities and Provisions have increased by ₹ 921 million during the year mainly due to increase in Trade Payables.

Current liabilities and provision on March 31, 2012 are at ₹ 8,591 million down from ₹ 7,670 million on March 31, 2011.

Management Discussion and **ANALYSIS**

Application of Funds

Fixed Assets

During the year, the Company's Gross Fixed Assets block increased by ₹ 1,440 million. This increase is mainly on account of creation of additional goodwill of ₹ 208 million on purchase of balance 5% share of minority in Taj TV Limited. Foreign Exchange translation of foreign subsidiary assets (Including Goodwill) ₹ 817 million, Purchase of Other Fixed Assets ₹ 653 million (mainly Plant & Machinery) which was partly offset by Impairment and Sale of Gross Value of fixed assets to the extent of ₹ 239 million. (Including Company's share in JV- MPEIPL ₹ 17 million).

The Net Block increased by ₹ 1,101 million from ₹ 8,098 million as on March 31, 2011 to ₹ 9,199 million as on March 31, 2012. This increase is mainly on account of increase of Gross block of Fixed Assets as mentioned above. (Including Company's share in JV- MPEIPL ₹ 16 million).

Capital Work in progress increased by ₹ 193 million from ₹ 8 million in FY 2011 to ₹ 201 million as on March 31, 2012. Increase in CWIP is mainly on account of purchase of HD and other digital equipments, which were yet to be made operational/installed as on March 31 2012.

Non Current Investments

The Non Current Investment of the Company were valued at ₹ 675 million on March 31, 2012 as compared to ₹ 623 million on March 31, 2011, an increase of ₹ 52 million over FY 2011.

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

The long term loans, advances and other non current assets consisting of capital advances, claim receivables and other assets have decreased by ₹ 181 million to ₹ 1,173 million in FY 2012 as against ₹ 1,354 million in FY 2011. (FY 2012 includes Company's share in JV – MPEIPL ₹ 115 million).

Current Assets

The current assets have increased from ₹ 28,457 million in FY 2011 to ₹ 31,568 million in FY 2012 largely due to increase in inventory and current investments. (FY 2012 includes ₹ 2,632 million towards Company's share in JV – MPEIPL).

Current Assets

Inventories

Program/Film rights held by the Company increased from ₹ 5,396 million on March 31, 2011 to ₹ 7,339 million on March 31, 2012. The increase is due to acquisition of film rights and other high cost programming.

Trade Receivables

Trade receivables net off provision for bad and doubtful debts & Bad Debts written off, stood at ₹ 8,690 million in FY 2012 (Including Company's share in JV MPEIPL ₹ 1,011 million) as against ₹ 8,704 million in FY 2011. The age of Net Debtors is 104 days of sales in FY 2012 as against 105 days of sales in FY 2011.

Cash and Bank Balances

The cash and bank balances lying with the Company, as on March 31, 2012 was ₹ 3,283 million (including Company's share in JV MPEIPL ₹ 1,253 million) as against ₹ 3,856 million on March 31, 2011.

Loans, Advances and Other Current Assets

There was an increase in loans, advances and other current assets from ₹ 4,160 million as on March 31, 2011 to ₹ 4,932 million on March 31, 2012. Loans given during the year have reduced due to repayment by ₹ 800 million from ₹ 2,500 million in FY 2012 to ₹ 1,700 million in FY 2011. Increase of ₹ 770 million in Other Advances and current assets is mainly due to increase in deposits, advances taxes, prepaid expenses, also due to Company's share of interest in JV-MPEIPL ₹ 368 million.

Current Liabilities and Provisions

Current Liabilities and Provisions have increased by ₹ 921 million during the year mainly due to increase in Trade Payables.

Current liabilities and provision on March 31, 2012 are at ₹ 8,591 million down from ₹ 7,670 million on March 31, 2011.