

# ZEE TELEFILMS LIMITED



*Zee Telefilms is India's largest vertically integrated media and entertainment company.*

## Background

Zee Telefilms is the pioneer of satellite broadcasting in India and is one of the first private-sector entrants to the Indian broadcasting industry. It launched its flagship television channel Zee TV, in the year 1992. Since then, it has transformed itself into an integrated media conglomerate with operations spanning the entire media spectrum, including television programming, satellite broadcasting, cable distribution, production and distribution of films, music publishing, long distance education and creation of animation software.

The company currently broadcasts 22 television channels in seven languages in India and abroad and reaches out to more than 250 million people across 120 countries. The company's channels are beamed either from its fully owned facility in Singapore or from Hong Kong. It has its operations spread across more than 10 countries world-wide including India, USA, Europe, Africa, Caribbean, Canada, Australia, Middle East and many South-east Asian countries. The company is headquartered in Mumbai (Maharashtra) and apart from India it has global offices in USA, South Africa, Singapore, United Arab Emirates, United Kingdom and Mauritius. It has recently formed a new company,

Zee Telefilms Middle East F.Z.L.L.C to handle broadcasting operations for the Middle East from the Dubai Media City.

The promoters currently hold 46.67 per cent stake in the company. Foreign institutional investors, overseas corporate bodies and non-resident Indians hold 41.60 per cent stake while the mutual funds, banks and financial institutions hold 6.46 per cent stake. Individuals including public holds 4.18 per cent stake while the domestic companies hold the remaining stake of 1.09 per cent.

## Products and brands

The operations of the company consist of four main segments viz. Content and Broadcasting, Access, Education and Film Production and Distribution.

The company's Content and Broadcasting segment, which comprises production and aggregation of TV Software and syndication, accounts for almost 83 per cent of the total revenues of the company. The Access segment, which consists of Multi System Operations (MSO) for distribution of satellite channels and internet, over cable contributes about 11 per cent of the total revenues. The rest comes from Education, which includes distance learning programs and ground learning centres, and Film Production and Distribution.

Company	Products	Established	Founder	Distribution
Zee Telefilms	Media and	1992	Subhash Chandra	120 countries

## Zee's portfolio of brands

Zee TV	Hindi entertainment channel
Zee Cinema	Hindi movie channel
Zee News	Hindi news channel
Zee Muzic	Music channel
Zee Café	English channel targeted at the urban and young audiences
Zee Studio	English movie channel
Zee Marathi	Marathi language channel
Zee Punjabi	Punjabi language entertainment channel
Zee Bangla	Bengali language channel
Zee Gujarati	Gujarati language channel
Zee Trendz	24-hour premium fashion and style channel
Siticable	Largest cable network in India with a reach of 7 million homes
Zed	Learning solutions network, with many ground learning centres across the country
ZICA	Leading animation studio in India
etc	Music channel
etc Punjabi	Punjabi language channel
Kidzee	Leader in pre-primary segment having 225 + centres across 100 cities in India, Middle East, Singapore and Indonesia
Zee Action	24-hour Hindi action movie channel
Zee Smile	A light entertainment channel
Zee Classic	A movie channel for black and white classic movies
Zee Premiere	A 24-hour movie channel featuring the latest Hindi movies
Zee Telugu	A Telugu language channel
Zee Business	Business news channel
Zee Sports	Sports channel
Zee Jagran	Channel for spiritual programmes
Zee Arabiya	Channel in the Middle East
ZIMA	Media education in the field of Direction, Acting, Writing, Cinematography, Editing, Sound, Production, Film Animation & Visual Effects

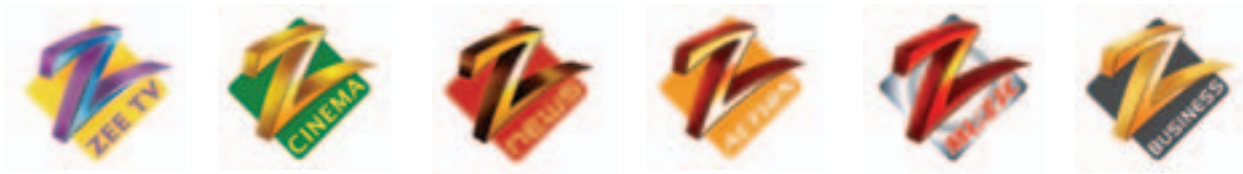
Source: Company website, IMAcS analysis

Zee has over the last one decade launched and successfully created many strong televisions channels in its bouquet. The company today has 22 channels, each with a distinct identity of its own though Zee TV still remains the leading channel from Zee.

### Financial analysis

Zee has witnessed a CAGR of 12.3 per cent in its gross sales between 2002 and 2005, with gross

sales reaching US\$ 299 million in 2005. Net profits have grown at a much higher CAGR of 21 per cent in the same time period. Share of advertisement income in the gross sales has gone down from 57.4 per cent in 2002 to 43.6 per cent in 2005 while the share of subscription income in gross sales has gone up from 31.9 per cent in 2002 to almost 50 per cent in 2005. This indicates that the company has been able to successfully increase its subscription numbers and also subscription charges in the last few years.



## Zee Telefilms' Contribution in making 'Made in India' global

Zee, with a viewership of more than 250 million people spread all over the world is the largest Indian media and entertainment conglomerate. The magnitude of its reach coupled with an impressive growth rate in all its businesses has earned Zee the reputation of being one of the largest multiple distribution media platforms in India. The company has more than 1 million overseas subscribers mainly in the USA, UK, Canada, Middle East, Africa, South East Asia and the Caribbean.

The company beams its channels to over 120 countries through various distribution platforms, and has entered into agreements with direct-to-home (DTH) and local cable operators in each of the countries in which its channels are distributed. Under these agreements, Zee receives subscription or licensing fees from these operators and it retains the advertising revenue it sells from its channels broadcasted internationally.

Zee's first major international foray began with the launch of its flagship channel, Zee TV, in the United Kingdom in February 1995. The company now offers a 4-channel package of Zee TV, Zee Cinema, Zee Music and Zee etc in UK and Europe. It has around 168,000 subscribers both on cable and DTH in UK itself. The company has recently launched a fifth channel (Zee Gujarati) in UK and this new channel has already attracted more than 2000 subscribers.

Zee's UK entry was followed by the launch of Zee TV in South Africa in 1996. It is today available in other African countries including Kenya, Zambia,

Zimbabwe, Tanzania, Nigeria and Mozambique. The company's African operations have been steady with a base of approximately 51,000 subscribers.

Zee started its USA operations in 1998 with the launch of Zee TV focussed on the huge Indian and other South Asian population residing in USA. An impressive programming mix comprising the library of Zee programs interspersed with cricket and the latest blockbuster movies has drawn large number of South Asians living in the USA to the Zee TV channel. Zee's two channels, Zee TV and Zee Cinema have a combined subscriber base of around 227,000 in USA. Two more channels, Zee Gujarati and Zee Punjabi have been launched in US in July 2005. Apart from this, Zee broadcasts Zee TV and Zee Punjabi in Canada, where it has around 53,000 subscribers. The company has an additional 96,000 subscribers in the Caribbean region.

To take its television channels and offerings to more global markets, Zee commenced distribution of its channels in Asia Pacific in July 2001. The Asia Pacific footprint covers the entire region from Singapore to Australia and New Zealand. Zee was the first media company to offer a bouquet of Hindi and Indian regional channels to the Asia-Pacific markets and these channels have received an overwhelming response from viewers across the





region with Zee now enjoying a subscriber base of about 224,000 in South East Asia alone.

Zee TV is being broadcast in the Middle East for eight years and has been the number one Hindi channel since its launch. It currently distributes Zee TV International, Zee News, Zee Cinema and Zee Muzic in the Middle East through DTH and cable. Zee has a subscriber base of around 172,000 in the Middle East.

### Factors fuelling Zee Telefilms' global initiatives

Zee is viewed as the pioneering company responsible for the satellite TV revolution in India. The company has over the years transformed itself into an integrated media conglomerate with operations spanning the entire media spectrum.

The company has from the very beginning paid special attention to the Indian diaspora spread all over the world and has over the years launched many channels and programmes keeping in mind their preferences. The company has followed a very structured approach in its overseas expansion starting with the launch of Zee TV in the UK market in 1995 to entering the US market, Asia Pacific market, African market and Middle Eastern market, all of which have a sizeable population of Indians and South Asians. This has also helped the company to gauge the acceptance of various channels in one market before venturing into a new market. Today, its viewers in India and overseas markets can choose from 22 channels offering various genres of programmes in 7 languages.

The company has been proactively embracing the new broadcast technologies like DTH. This has



been especially helpful in increasing its penetration in the overseas markets. The company has signed agreements with various overseas DTH and cable operators to distribute its channels in other countries. As of result of these efforts, the company's channels are now available in more than 120 countries with an overseas subscriber base of more than 1 million.

### Future plans

Zee's future business strategy revolves around strengthening its position as a leading media and entertainment company in India by continuously creating and aggregating high quality content for viewers in India as well as the South Asian diaspora. The company plans to enhance its channel bouquet offerings, build high quality distribution networks through cable as well as DTH and increasing its presence in markets with high potential for its channels. Its strategy of launching regional language channels in overseas markets, like launching Zee Gujarati and Zee Punjabi in the US and Zee Gujarati in the UK and its acquisition of ETC Networks significantly points to this strategy. As part of its expansion plans in India, Zee has recently launched a business channel and a sports channel.

Apart from the above, Zee has recently announced other aggressive plans, including configuring its existing programs and content, to better suit the tastes and lifestyles of the Middle East audience in a bid to emerge as the leading media company in this region.

On the satellite channel distribution front, the company is planning to focus on DTH. It is currently subsidising the cost of DTH by not charging for its bouquet thereby pursuing a Loss Leader strategy in this segment. It is adding about 2500 DTH subscribers per day and hopes to have more than 1 million subscribers by the end of 2006. The company is also open to alliances in the



DTH space. In India, DTH will not be characterised by differentiated content due to regulatory issues thus the subscriber acquisition would be the key imperative for future growth in DTH space. This market reality will give Zee a headstart over other players in the Indian DTH space. According to Subhash Chandra, Chairman, “Zee is strongly positioned to succeed in this new environment. We have robust strategies that have been tested under a variety of market conditions. We are committed to achieving and maintaining world-class levels of governing, operating and capital discipline. We are focused on creating operating efficiencies in the near term and developing promising new revenue sources for the long term”.

#### Globalisation at a glance

- Largest producer and aggregator of Hindi programming in the world
- Global offices in USA, UK, South Africa, UAE, Singapore, Mauritius
- More than 1 million overseas subscribers in the US, UK, Canada, Middle East, Africa, South East Asia and the Caribbean
- Company's channels beamed from its own fully owned facility in Singapore and from Hongkong
- New company Zee Telefilms Middle East F.Z.L.L.C formed to handle broadcasting operations for the Middle East from the Dubai Media City

[www.zetelevision.com](http://www.zetelevision.com)