

Zee Entertainment | BUY



On recovery trail

ZEEL's 1QFY25 revenues grew 7.5% YoY, ahead of expectations. Construct of the beat was however mixed. Ad revenues (-3%) were softer than anticipated, as general elections and cricket weighed on GEC's viewership. Subscription revenues growth (+9%) held up. Other sales and services (+71%) drove the beat. Bigger surprise, however, came on the margin front (+275bps QoQ) as the company demonstrated steady progress across its stated objectives. Zee5 losses declined by a third as the company rationalised tech spend, headcount and A&P spend. Content inventory reduced further (-5% QoQ), reflecting prudent content acquisition. Margin expansion despite adverse mix – higher share of other sales and services – indicates even lower core opex. ZEEL appears to be on the right track to achieve its 18-20% EBITDA aspiration by FY26. The impact of such acute cost measures on growth however should be watched closely. ZEEL believes these measures are not counter-productive as it pointed at a better 2H, aided also by seasonality. Besides, the company plans to use the proceeds from recent fund raise (USD 239mn through FCCBs) to augment growth – organic or in-organic route. Our FY25-27E EPS are down 3-4% as better margins are offset by dilution impact. Higher competitive intensity, given impending Viacom18-Star merger, is a key risk. At 14x FY26E EPS however, we see limited downside risk. We continue to value the stock at 15x forward EPS. Our TP is unchanged at INR 170. Retain BUY.

- 1QFY25 – margin surprise:** ZEEL reported revenues of INR 21.3bn (+7% YoY), ahead of JMFe: INR 20.8bn. Ad-revenues (-3%) missed estimates (4% below JMFe) as cricket and general elections diverted ad-spend. Subscription revenues (+9%) were in-line. Other sales and services grew 71% to INR 2,320mn (63% above JMFe) – led by box office success of "Maidaan". OTT revenue growth moderated to 15% (in-line) as the company shifted focus on cost optimisation. OTT losses declined by 33% QoQ to INR 1.8bn. EBITDA margins expanded by 275bps QoQ to 12.4% (JMFe: 10%). Reduction in OTT losses aide, which was partially offset by theatrical release linked rise in A&P spend (+140bps QoQ). Company recorded an exception loss of INR 286mn, related to severance cost. Adjusted PAT grew 1.2x YoY to INR 1.56bn.
- Outlook - Cautiously optimistic:** ZEEL reiterated its aspiration of achieving 18-20% EBITDA margin by FY26. It expect gradual improvement in margins to continue through FY25. The company expects ad-revenues to pick-up in 2H. Better monsoons, FMCG companies' brand marketing and festive season are likely to aid growth acceleration, per the management. That will also determine the extent of margin improvement in FY25. That said, company expects FY25 margins to be meaningfully better than FY24. Management attributed Zee5's sequential revenue decline to seasonality (ILT20 in the base) and general elections. It however noted improvement in subscriber base and engagement metrics.
- EPS down to factor dilution; Retain BUY:** We lower revenues and raise margin estimates as we cut near-term OTT growth but push forward margin recovery. FCCB-led equity dilution however results in 3-5% cut in diluted EPS. We assume straight line dilution due to FCCB draw-down (124mn shares over 3 years). Our TP remains unchanged. BUY.

Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 170 |
| Upside/(Downside) | 14.3% |
| Previous Price Target | 170 |
| Change | 0.0% |

Key Data – Z IN

| | |
|--------------------------|---------------------|
| Current Market Price | INR149 |
| Market cap (bn) | INR142.8/US\$1.7 |
| Free Float | 91% |
| Shares in issue (mn) | 960.6 |
| Diluted share (mn) | 1,002.6 |
| 3-mon avg daily val (mn) | INR2,871.7/US\$34.3 |
| 52-week range | 300/126 |
| Sensex/Nifty | 81,741/24,951 |
| INR/US\$ | 83.7 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|-------|-------|
| Absolute | -2.1 | -14.1 | -38.7 |
| Relative* | -4.8 | -24.7 | -50.1 |

* To the BSE Sensex

Financial Summary

| | (INR mn) | | | | |
|------------------------|----------|--------|--------|--------|----------|
| Y/E March | FY23A | FY24A | FY25E | FY26E | FY27E |
| Net Sales | 81,035 | 86,372 | 88,911 | 95,453 | 1,03,636 |
| Sales Growth (%) | -1.0 | 6.6 | 2.9 | 7.4 | 8.6 |
| EBITDA | 11,029 | 9,071 | 14,402 | 17,203 | 20,952 |
| EBITDA Margin (%) | 13.6 | 10.5 | 16.2 | 18.0 | 20.2 |
| Adjusted Net Profit | 4,074 | 4,872 | 9,119 | 11,028 | 13,633 |
| Diluted EPS (INR) | 4.2 | 5.1 | 9.1 | 10.6 | 12.6 |
| Diluted EPS Growth (%) | -63.0 | 19.6 | 79.4 | 16.1 | 18.9 |
| ROIC (%) | 5.3 | 4.2 | 7.9 | 9.4 | 11.7 |
| ROE (%) | 3.8 | 4.5 | 8.1 | 9.1 | 10.3 |
| P/E (x) | 35.1 | 29.4 | 16.4 | 14.1 | 11.9 |
| P/B (x) | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| EV/EBITDA (x) | 12.9 | 15.0 | 9.2 | 7.3 | 5.5 |
| Dividend Yield (%) | 2.0 | 0.7 | 1.0 | 1.4 | 1.7 |

Source: Company data, JM Financial. Note: Valuations as of 31/Jul/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key conference call takeaways

- **Outlook:** Management remains cautiously optimistic about an improving macroeconomic environment and anticipates growth momentum to increase as the year progresses. Recent budget initiatives, better rural economic prospects, favourable monsoons & upcoming festive season are expected to bode well. Management mentioned encouraging early viewership data for July and remain confident for the coming months.
- **Subscription revenue:** Management maintains a steady outlook for subscription revenues, attributing growth to the implementation of National Tariff Order 3.0. They are optimistic about linear subscription revenue increases aligned with inflation in the upcoming quarters. Zee5 subscription growth is also expected to remain healthy
- **Ad revenues:** Ad revenues were subdued due to general elections, sports and rural recovery yet to pick up. Management expressed optimism about their conversations with FMCG clients for 2H25 and for the upcoming festive season. They foresee significant headroom for growth in ad spends given the large viewership base & significance of linear TV for brand building activities. They also highlighted that their revenue share is greater than their viewership share.
- **Margins:** EBITDA margins expanded 500 bps YoY on the back of cost cutting, operational efficiencies, employee restructuring, & content optimisation. Management expects to improve and stabilize margins through further cost reduction & operating leverage.
- **Zee5:** The digital business growth rate has slightly slowed due to factors like T20, general elections, and reduced ad spending. However, growth is expected to rebound in 2H25. Management aims to maintain momentum with a focus on quality content, strategic investments, and unique offerings. A near-term priority is achieving a balanced cost structure for Zee5. Cost reduction efforts have targeted manpower, marketing, and content optimization. Management anticipates sustaining these margins through cost structure optimization and revenue-driven operating leverage.
- **Funding:** The Fundraise decision was undertaken to ensure availability of growth capital for organic as well as inorganic growth plans. The FCCB route was chosen as it allows draw down over a longer time horizon. Management expects this fundraise to allow them to respond to changes in competitive dynamics, bolster balance sheet and allow prudent deployment in opportunities.
- **Competitive Landscape:** Management expressed confidence in their ability to compete amidst changing competitive dynamics. They expect ad revenue to be robust on the back of strong viewership and prominence in particular markets. Distribution is not expected to be a hurdle as regulation and oversight ensure a level playing field and they expect to compete effectively in terms of talent and content by focusing on general entertainment and particular genre niches. They also expressed confidence that 20 years of industry experience, relationships with producers and content ecosystem will help them compete.
- **Viewership:** Management reported impact on TV entertainment viewership due to sports and elections, noting that the effect on their network share was less severe compared to some competitors. They have successfully regained viewership share in July and are performing well in key markets. The fundamentals of their viewership remain strong, and they are committed to investing in quality content to further solidify and expand their viewership gains.

Exhibit 1. Details of FCCBs to be issued

| Particulars | Details |
|--|--|
| Total number of securities proposed to be issued | FCCBs up to USD 239 mn split into 10 series and the proceeds will be drawn in tranches. |
| Proposed no. of equity shares on conversion of FCCBs | In case of conversion of all FCCBs, the proposed number of equity shares on fully diluted basis shall be 124.6mn shares of Rs. 1 each at the conversion price of Rs. 160.20 per share. |
| Proposed date of allotment | As may be mutually decided between the Company and the Proposed Investors |
| Tenure | 10 years |
| Coupon offered | 5% coupon p.a |

Source: Company, JM Financial

1QFY25: Result Summary

Exhibit 2. ZEEL 1QFY25: Actual vs Estimate

| | 1Q25A | 1Q24A | Change (YoY) | 1Q24A | Change (QoQ) | Estimate (JMFe) | Variance (vs. JMFe) |
|----------------------------|---------------|---------------|--------------|---------------|--------------|-----------------|---------------------|
| Key Financials | | | | | | | |
| Revenue (INR mn) | 21,305 | 19,838 | 7.4% | 21,699 | -1.8% | 20,805 | 21,305 |
| Advertising revenues | 9,113 | 9,409 | -3.1% | 11,102 | -17.9% | 9,499 | 9,113 |
| Subscription revenues | 9,872 | 9,075 | 8.8% | 9,494 | 4.0% | 9,884 | 9,872 |
| Domestic subscription | 8,848 | 8,013 | 10.4% | 8,474 | 4.4% | 8,801 | 8,848 |
| International subscription | 1,024 | 1,062 | -3.6% | 1,020 | 0.4% | 1,083 | 1,024 |
| Other sales & services | 2,320 | 1,354 | 71.3% | 1,103 | 110.3% | 1,422 | 2,320 |
| EBITDA (INR mn) | 2,727 | 1,549 | 76.0% | 2,103 | 29.7% | 2,074 | 31.5% |
| EBITDA margin | 12.8% | 7.8% | 499bp | 9.7% | 311bp | 10.0% | 283bp |
| EBIT (INR mn) | 1,970 | 764 | 157.8% | 1,331 | 48.1% | 1,298 | 51.8% |
| PAT (INR mn) | 1,564 | 707 | 121.2% | 133 | 1077.3% | 1,219 | 28.2% |

Source: Company, JM Financial

Exhibit 3. Key financials -1QFY25

| INR mn | FY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | FY24 | 1QFY25 | Comments |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| Revenues | 80,879 | 19,838 | 24,378 | 20,457 | 21,699 | 86,372 | 21,305 | |
| YoY growth (%) | (1.2) | 7.5 | 20.2 | (3.0) | 2.7 | 6.8 | 7.4 | |
| Programming & operating costs | 44,686 | 11,433 | 14,254 | 11,876 | 12,830 | 50,393 | 11,770 | • Consol. Revenue grew 7.4% YoY; 2.4% ahead of JMFe estimate. |
| A&P Spends | 105,336 | 2,773 | 2,731 | 2,531 | 2,642 | 10,677 | 2,896 | |
| Other expenses | 6,329 | 1,486 | 1,467 | 1,516 | 4,215 | 16,719 | 4,551 | • Beat led by higher than expected revenue in Other sales and services segment (+63% YoY). |
| Employee costs | 8,238 | 2,596 | 2,599 | 2,442 | 2,552 | 10,188 | 2,258 | |
| Total operating expense | 69,868 | 18,289 | 21,050 | 18,365 | 19,597 | 77,301 | 18,579 | |
| EBITDA | 11,011 | 1,549 | 3,328 | 2,092 | 2,103 | 9,071 | 2,727 | • Advertising declined 3% YoY while Subscription grew 9% YoY. |
| Operating margin (%) | 13.6 | 7.8 | 13.6 | 10.2 | 9.7 | 10.5 | 12.8 | |
| Depreciation and amortization | 3,128 | 785 | 772 | 761 | 772 | 3,091 | 756 | • Zee5 revenues grew 15% YoY while its losses reduced by 50% YoY. |
| EBIT | 7,884 | 764 | 2,555 | 1,330 | 1,331 | 5,980 | 1,970 | • Reported EBITDA margin of 12.8% was ahead of our expectation of 10%. |
| EBIT margin (%) | 9.7 | 3.9 | 10.5 | 6.5 | 6.1 | 6.9 | 9.2 | |
| Interest & other income | 95 | -90 | 484 | 94 | 85 | 572 | 135 | |
| PBT | 7,979 | 674 | 3,039 | 1,424 | 1,415 | 6,553 | 2,105 | • Adjusted PAT of INR 1.5 bn was above JMFe of INR 1.2bn. |
| Income tax expense | -7,500 | -1,210 | -1,810 | -839 | -1,283 | -5,142 | -915 | |
| Share of minority interest | (1.0) | 1.0 | 0.8 | 1.0 | 0.0 | 3.5 | 0.9 | |
| PAT | 478 | -534 | 1,230 | 585 | 133 | 1,414 | 1,191 | |

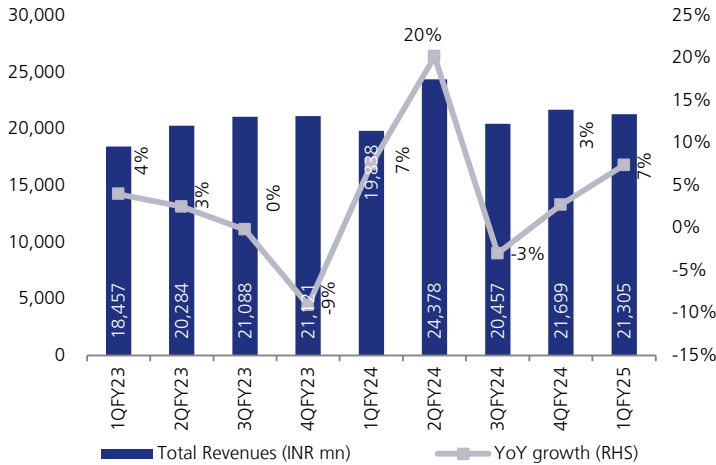
Source: Company, JM Financial

Exhibit 4. Key Segmental Metrics – 1QFY25

| INR mn | FY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | FY24 | 1QFY25 | Comments |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|---|
| OTT | 7,410.0 | 1,939.0 | 2,652.0 | 2,232.0 | 2,372.0 | 9,195.0 | 2,237.0 | |
| YoY growth | 34.8 | 21.4 | 58.7 | 14.9 | 7.8 | 24.1 | 15.4 | • OTT (Zee5) revenues grew by 15% YoY • OTT losses narrowed to INR 1.7bn (vs. 3.4 bn losses in 1QFY24) |
| Core business revenue | 73,469.0 | 17,899.0 | 21,725.9 | 18,224.7 | 19,327.2 | 77,176.8 | 19,068.3 | |
| YoY growth | (7.1) | 4.2 | 16.7 | (4.8) | 2.1 | 5.0 | 6.5 | |

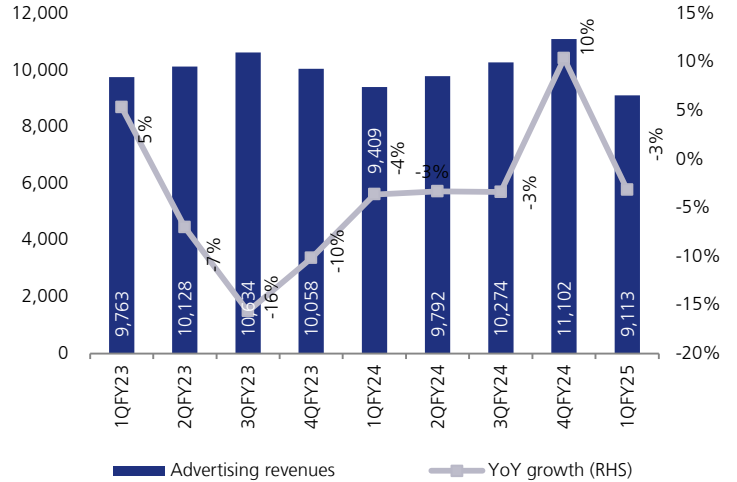
Source: Company, JM Financial

Exhibit 5. Consolidated revenues



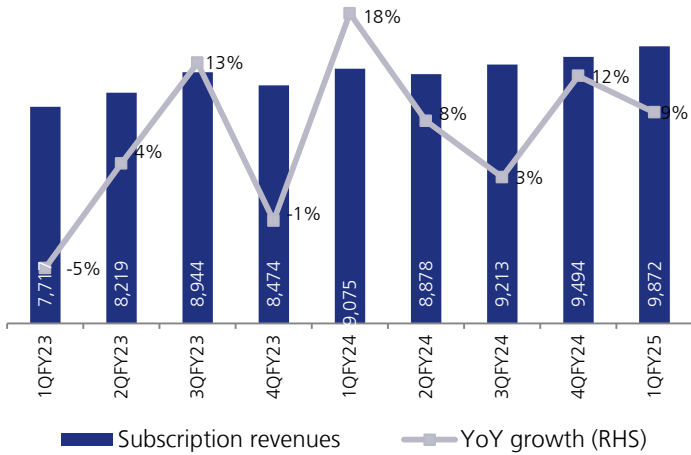
Source: Company, JM Financial

Exhibit 6. Advertising revenues, sequential growth



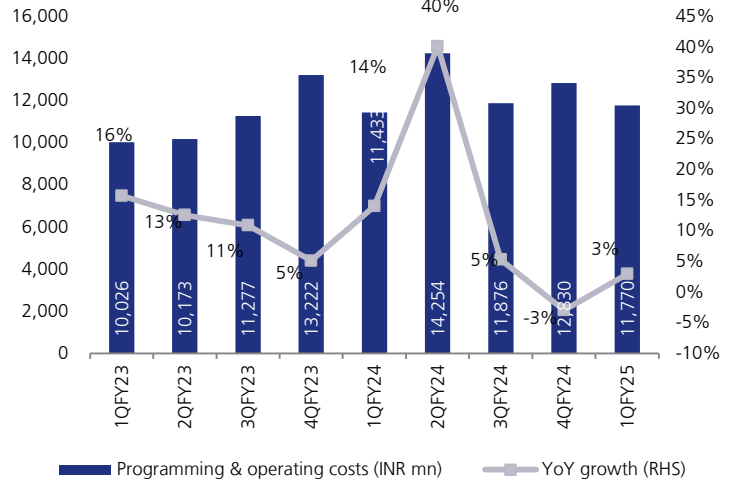
Source: Company, JM Financial

Exhibit 7. Subscription revenues, NTO3.0 led pick-up



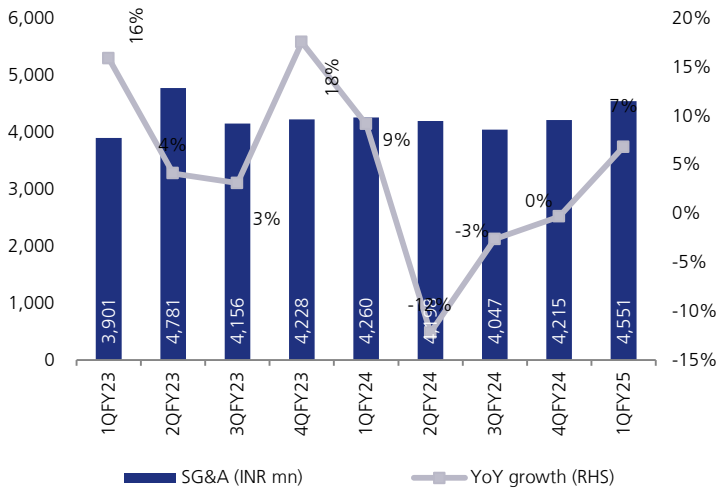
Source: JM Financial, Company

Exhibit 8. Programming costs, moderated on lower releases



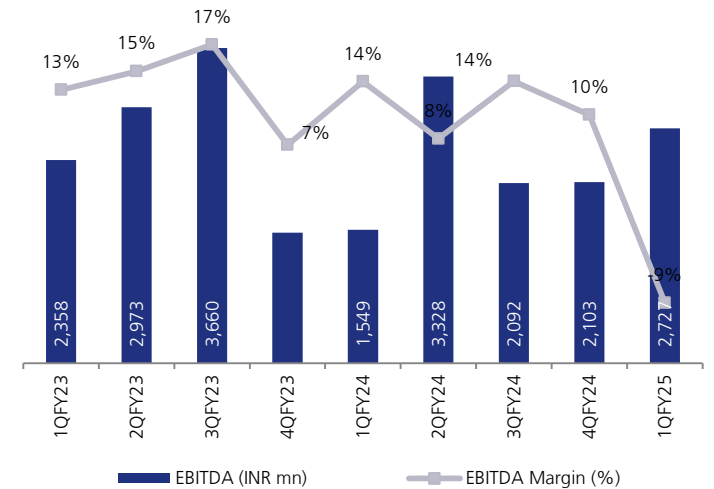
Source: JM Financial, Company

Exhibit 9. SG&A trend, range-bound



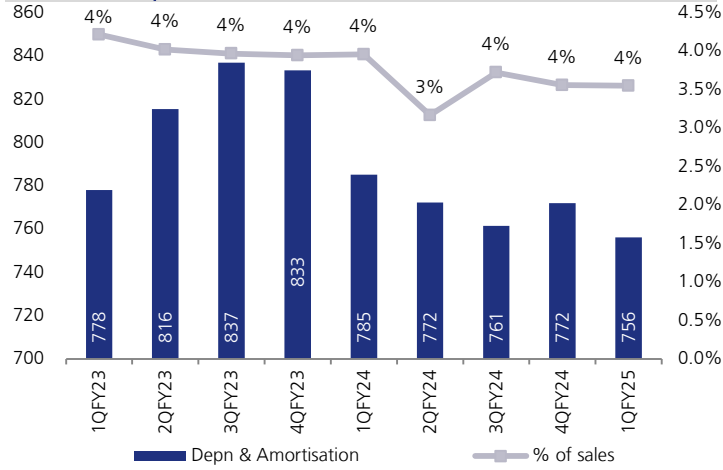
Source: JM Financial, Company

Exhibit 10. EBITDA margin trend, bottomed out?



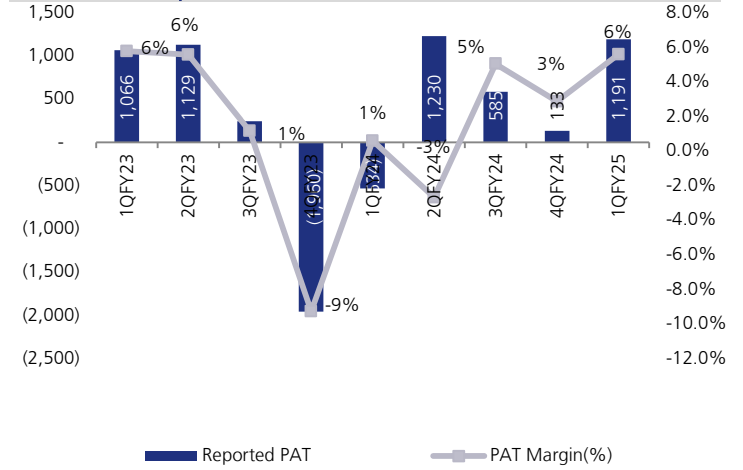
Source: JM Financial, Company

Exhibit 11. Depreciation & Amortization trend



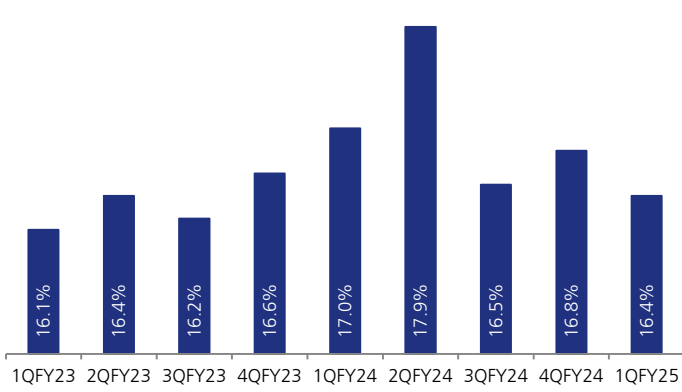
Source: Company, JM Financial

Exhibit 12. Net profit trends



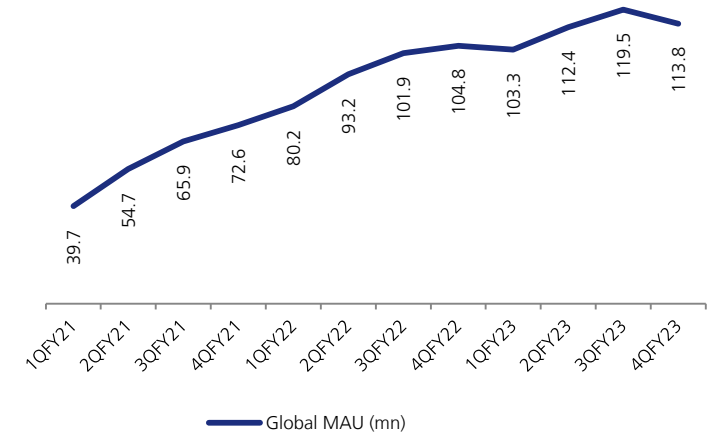
Source: Company, JM Financial

Exhibit 13. ZEE5's TV viewership share trends



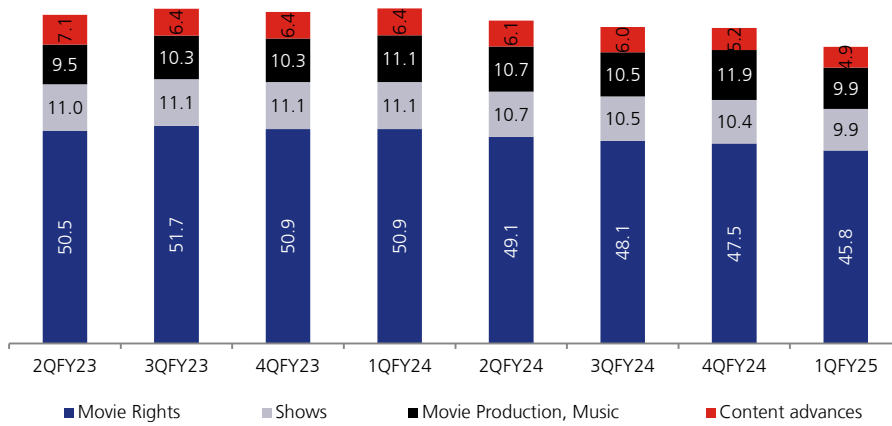
Note: 1QFY24 viewership share is for Urban 15+ viewer cohort and not like-for-like with previous quarters; Source: Company, JM Financial

Exhibit 14. Zee5 Global MAU's



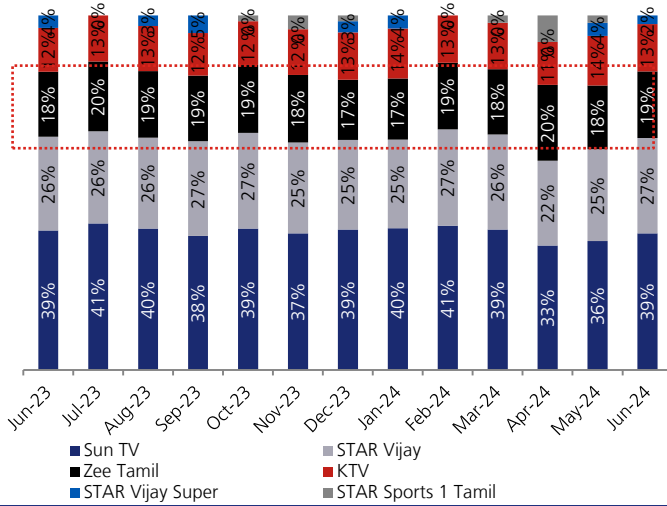
Note: Data has been discontinued from Q1FY24; Source: Company, JM Financial

Exhibit 15. Content inventory appears to have peaked and should reflect in better cash flows
Movement in Inventory



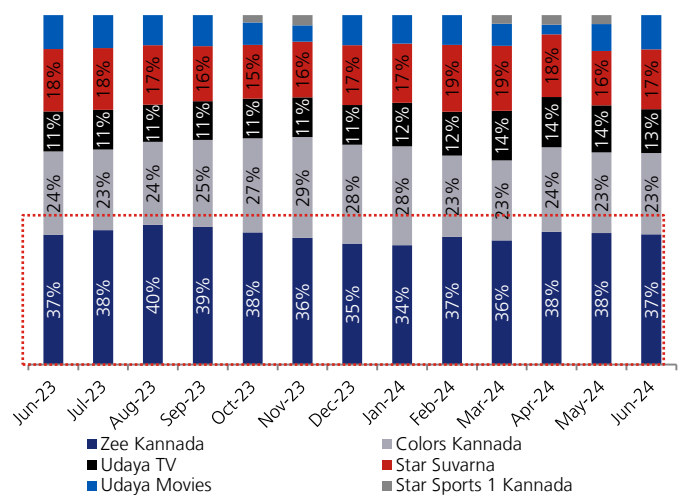
Source: Company, JM Financial

Exhibit 16. Viewership share in TN/Pondicherry (Tamil)



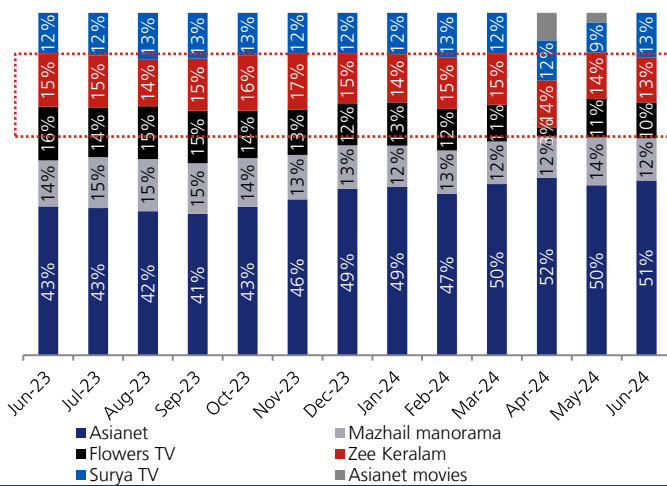
Source: JM Financial, BARC

Exhibit 17. Viewership share in Karnataka (Kannada)



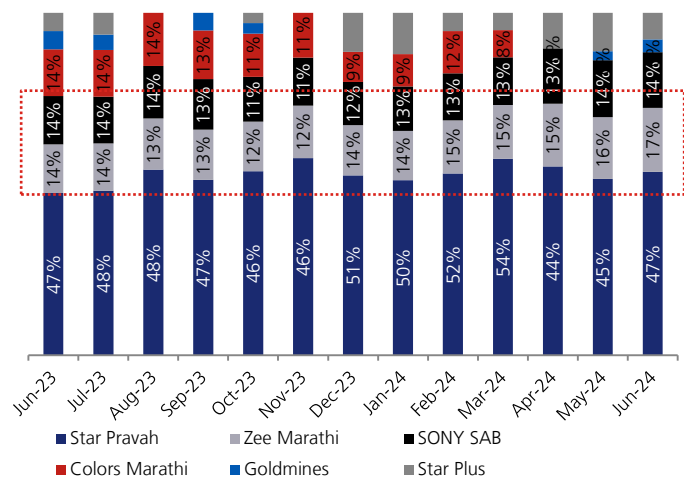
Source: JM Financial, BARC

Exhibit 18. Viewership share in Kerala (Keralam)



Source: JM Financial, BARC

Exhibit 19. Viewership share in Maharashtra/Goa (Marathi)



Source: JM Financial, BARC

Retain BUY; with an unchanged TP of INR 170

We are lowering our consolidated revenue estimates by 0.5% to 3%. We have marginally increased our advertising and subscription revenue estimates while reducing growth expectations in the OTT segment. A slight reduction in content and employee costs (as a % of revenue) results in higher EBITDA margin estimates by 40-120bps over FY25-27. Additionally, we are incorporating a 124 million share dilution over the next three years due to the issuance of FCCBs. This results in a 3-5% reduction in EPS estimates for FY25-27. We continue to value ZEEL at 15x 12-month forward PER. Rolling forward the target price to July 2025 gives a target price of INR 170. Maintain BUY.

Exhibit 20. What has changed to our estimates – Zee (Consol.)

| INR mn | OLD | | | NEW | | | Change | | |
|-------------------------------|--------|--------|----------|--------|--------|----------|--------|-------|-------|
| | FY25 | FY26 | FY27 | FY25 | FY26 | FY27 | FY25 | FY26 | FY27 |
| Consolidated revenue (INR mn) | 91,405 | 97,137 | 1,04,123 | 88,911 | 95,453 | 1,03,636 | -2.7% | -1.7% | -0.5% |
| Revenue growth rate (YoY) | 5.8% | 6.3% | 7.2% | 2.9% | 7.4% | 8.6% | -29bp | 11bp | 14bp |
| EBITDA (INR mn) | 14,454 | 16,956 | 19,790 | 14,402 | 17,203 | 20,952 | -0.4% | 1.5% | 5.9% |
| EBITDA margin | 15.8% | 17.5% | 19.0% | 16.2% | 18.0% | 20.2% | 38bp | 57bp | 121bp |
| EBIT (INR mn) | 11,351 | 13,638 | 16,262 | 11,303 | 13,906 | 17,470 | -0.4% | 2.0% | 7.4% |
| EBIT margin | 12.4% | 14.0% | 15.6% | 12.7% | 14.6% | 16.9% | 29bp | 53bp | 124bp |
| PAT (INR mn) | 9,153 | 10,834 | 12,758 | 9,029 | 10,938 | 13,544 | -1.4% | 1.0% | 6.2% |
| Adj. EPS (INR mn) | 9.52 | 11.27 | 13.28 | 9.20 | 10.69 | 12.72 | -3.4% | -5.2% | -4.2% |

Source: Company, JM Financial estimates

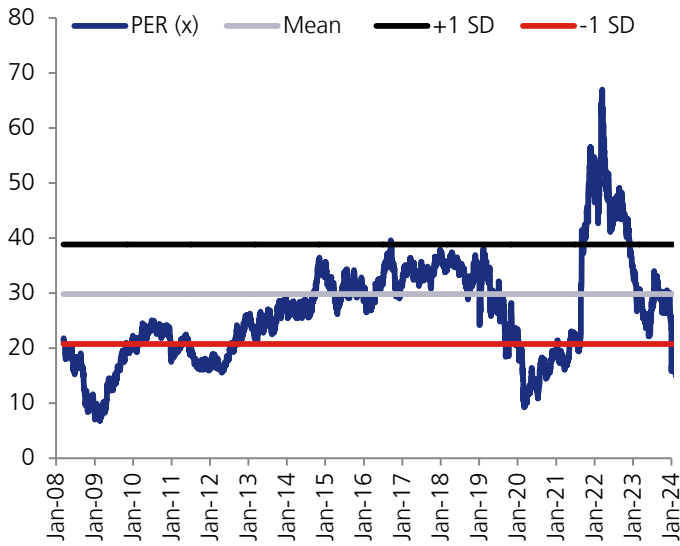
Exhibit 21. Key assumptions

| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Revenues Growth, YoY (%) | | | | | | | | |
| Advertising revenues | 14.5 | 19.8 | (7.1) | (7.7) | (0.0) | 5.2 | 7.9 | 8.8 |
| Subscription revenues | (10.3) | 13.9 | 25.0 | 2.7 | 9.9 | 6.0 | 9.1 | 8.9 |
| Other sales & services | (9.2) | 29.7 | (4.3) | 29.9 | 28.8 | (19.5) | (5.0) | 5.0 |
| Total Revenues | 3.9 | 18.7 | 2.5 | (1.0) | 6.6 | 2.9 | 7.4 | 8.6 |
| Cost to revenue (%) | | | | | | | | |
| Programming/Content | 35.3 | 36.1 | 44.4 | 49.9 | 53.2 | 48.2 | 47.5 | 46.0 |
| SG&A | 21.2 | 19.8 | 23.2 | 20.9 | 19.4 | 20.0 | 19.7 | 19.3 |
| Employee costs | 10.0 | 9.1 | 9.6 | 10.2 | 11.8 | 10.4 | 9.9 | 9.9 |
| Total operating cost | 68.9 | 67.7 | 79.9 | 86.4 | 89.5 | 83.8 | 82.0 | 79.8 |
| Effective tax rate | 38.8 | 38.1 | 26.0 | 27.6 | 27.6 | 27.6 | 27.6 | 27.6 |
| Balance Sheet | | | | | | | | |
| Inventory days of programming cost (%) | 335 | 413 | 465 | 650 | 600 | 575 | 550 | 525 |
| Capex (INR mn) | 1,904 | 2,601 | 2,230 | 3,016 | 3,066 | 3,016 | 2,966 | 2,916 |

Source: Company, JM Financial estimates

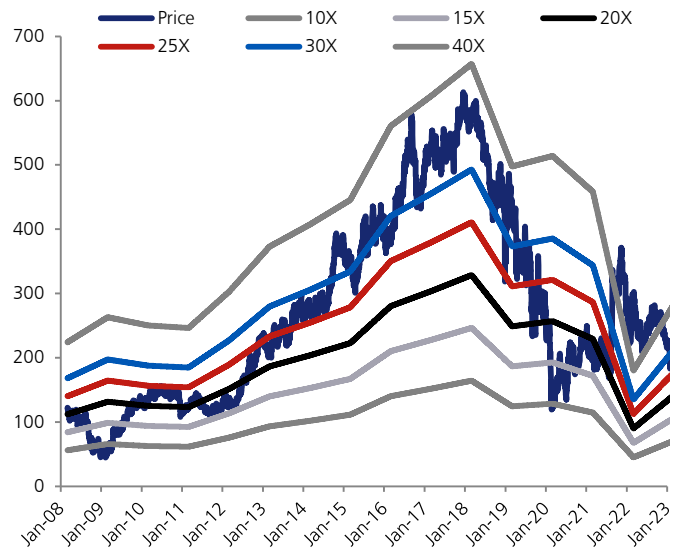
Valuation

Exhibit 22. Zee: 1yr forward PER valuation



Source: JM Financial, Bloomberg

Exhibit 23. 1yr forward EV/EBITDA valuation



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

| Income Statement | | (INR mn) | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|-----------------|--|
| Y/E March | FY23A | FY24A | FY25E | FY26E | FY27E | |
| Net Sales | 81,035 | 86,372 | 88,911 | 95,453 | 1,03,636 | |
| Sales Growth | -1.0% | 6.6% | 2.9% | 7.4% | 8.6% | |
| Other Operating Income | 0 | 0 | 0 | 0 | 0 | |
| Total Revenue | 81,035 | 86,372 | 88,911 | 95,453 | 1,03,636 | |
| Cost of Goods Sold/Op. Exp | 44,824 | 50,393 | 47,454 | 49,967 | 52,443 | |
| Personnel Cost | 8,238 | 10,188 | 9,289 | 9,495 | 10,257 | |
| Other Expenses | 16,944 | 16,719 | 17,766 | 18,787 | 19,983 | |
| EBITDA | 11,029 | 9,071 | 14,402 | 17,203 | 20,952 | |
| EBITDA Margin | 13.6% | 10.5% | 16.2% | 18.0% | 20.2% | |
| EBITDA Growth | -36.0% | -17.8% | 58.8% | 19.5% | 21.8% | |
| Depn. & Amort. | 3,413 | 3,080 | 3,099 | 3,297 | 3,482 | |
| EBIT | 7,616 | 5,991 | 11,303 | 13,906 | 17,470 | |
| Other Income | 797 | 1,416 | 1,439 | 1,464 | 1,489 | |
| Finance Cost | 702 | 721 | 122 | 122 | 122 | |
| PBT before Excep. & Forex | 7,711 | 6,686 | 12,621 | 15,249 | 18,838 | |
| Excep. & Forex Inc./Loss(-) | 0 | 0 | 0 | 0 | 0 | |
| PBT | 7,711 | 6,686 | 12,621 | 15,249 | 18,838 | |
| Taxes | 2,167 | 1,818 | 3,511 | 4,235 | 5,224 | |
| Extraordinary Inc./Loss(-) | -5,333 | -3,324 | 0 | 0 | 0 | |
| Assoc. Profit/Min. Int.(-) | -1 | 4 | 9 | 14 | 19 | |
| Reported Net Profit | 210 | 1,548 | 9,119 | 11,028 | 13,633 | |
| Adjusted Net Profit | 4,074 | 4,872 | 9,119 | 11,028 | 13,633 | |
| Net Margin | 5.0% | 5.6% | 10.3% | 11.6% | 13.2% | |
| Diluted Share Cap. (mn) | 961.0 | 961.0 | 1,002.6 | 1,044.1 | 1,085.7 | |
| Diluted EPS (INR) | 4.2 | 5.1 | 9.1 | 10.6 | 12.6 | |
| Diluted EPS Growth | -63.0% | 19.6% | 79.4% | 16.1% | 18.9% | |
| Total Dividend + Tax | 2,883 | 961 | 1,504 | 2,088 | 2,714 | |
| Dividend Per Share (INR) | 3.0 | 1.0 | 1.5 | 2.0 | 2.5 | |

Source: Company, JM Financial

| Balance Sheet | | (INR mn) | | | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| Y/E March | FY23A | FY24A | FY25E | FY26E | FY27E | |
| Shareholders' Fund | 1,07,219 | 1,08,729 | 1,16,887 | 1,26,411 | 1,37,956 | |
| Share Capital | 961 | 961 | 961 | 961 | 961 | |
| Reserves & Surplus | 1,06,258 | 1,07,768 | 1,15,926 | 1,25,450 | 1,36,995 | |
| Preference Share Capital | 0 | 0 | 0 | 0 | 0 | |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | |
| Total Loans | 7,067 | 5,119 | 5,119 | 5,119 | 5,119 | |
| Def. Tax Liab. / Assets (-) | -5,940 | -4,530 | -4,533 | -4,533 | -4,533 | |
| Total - Equity & Liab. | 1,08,346 | 1,09,318 | 1,17,473 | 1,26,997 | 1,38,541 | |
| Net Fixed Assets | 9,986 | 8,530 | 12,846 | 12,515 | 11,949 | |
| Gross Fixed Assets | 16,565 | 17,754 | 19,340 | 20,480 | 21,507 | |
| Intangible Assets | 7,930 | 8,463 | 10,574 | 11,217 | 11,840 | |
| Less: Depn. & Amort. | 14,700 | 17,780 | 17,161 | 19,275 | 21,491 | |
| Capital WIP | 191 | 93 | 93 | 93 | 93 | |
| Investments | 1,710 | 1,681 | 1,689 | 1,703 | 1,721 | |
| Current Assets | 1,19,331 | 1,19,930 | 1,24,951 | 1,35,911 | 1,49,350 | |
| Inventories | 73,079 | 69,129 | 67,553 | 68,265 | 68,589 | |
| Sundry Debtors | 16,088 | 17,016 | 18,864 | 20,252 | 21,988 | |
| Cash & Bank Balances | 7,179 | 11,131 | 14,495 | 22,428 | 32,718 | |
| Loans & Advances | 6,451 | 6,451 | 6,774 | 7,112 | 7,468 | |
| Other Current Assets | 16,534 | 16,203 | 17,265 | 17,852 | 18,587 | |
| Current Liab. & Prov. | 22,681 | 20,636 | 22,013 | 23,131 | 24,479 | |
| Current Liabilities | 17,494 | 14,355 | 15,602 | 16,385 | 17,313 | |
| Provisions & Others | 5,187 | 6,282 | 6,412 | 6,747 | 7,165 | |
| Net Current Assets | 96,650 | 99,294 | 1,02,938 | 1,12,779 | 1,24,872 | |
| Total - Assets | 1,08,346 | 1,09,504 | 1,17,473 | 1,26,997 | 1,38,541 | |

Source: Company, JM Financial

| Cash Flow Statement | | (INR mn) | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E March | FY23A | FY24A | FY25E | FY26E | FY27E | |
| Profit before Tax | 7,710 | 6,690 | 12,629 | 15,262 | 18,856 | |
| Depn. & Amort. | 3,413 | 3,167 | 3,099 | 3,297 | 3,482 | |
| Net Interest Exp. / Inc. (-) | 288 | 251 | -512 | -512 | -512 | |
| Inc (-) / Dec in WCap. | -2,722 | 3,418 | 554 | -1,908 | -1,802 | |
| Others | -3,506 | -3,981 | 0 | 0 | 0 | |
| Taxes Paid | -3,893 | -2,401 | -3,514 | -4,235 | -5,224 | |
| Operating Cash Flow | 1,291 | 7,143 | 12,256 | 11,904 | 14,800 | |
| Capex | -2,332 | -1,014 | -7,601 | -2,966 | -2,916 | |
| Free Cash Flow | -1,041 | 6,130 | 4,655 | 8,938 | 11,884 | |
| Inc (-) / Dec in Investments | -87 | 75 | -843 | -14 | -19 | |
| Others | 403 | 465 | 634 | 634 | 634 | |
| Investing Cash Flow | -2,016 | -474 | -7,810 | -2,345 | -2,300 | |
| Inc / Dec (-) in Capital | 0 | 0 | 0 | 0 | 0 | |
| Dividend + Tax thereon | -2,882 | 0 | -961 | -1,504 | -2,088 | |
| Inc / Dec (-) in Loans | -1,121 | -1,204 | 0 | 0 | 0 | |
| Others | -80 | -1,531 | -122 | -122 | -122 | |
| Financing Cash Flow | -4,082 | -2,735 | -1,083 | -1,625 | -2,210 | |
| Inc / Dec (-) in Cash | -4,807 | 3,934 | 3,364 | 7,933 | 10,290 | |
| Opening Cash Balance | 11,986 | 7,198 | 11,131 | 14,495 | 22,428 | |
| Closing Cash Balance | 7,179 | 11,131 | 14,495 | 22,428 | 32,718 | |

Source: Company, JM Financial

| Dupont Analysis | | FY23A | FY24A | FY25E | FY26E | FY27E |
|---------------------|--|-------|-------|-------|-------|-------|
| Net Margin | | 5.0% | 5.6% | 10.3% | 11.6% | 13.2% |
| Asset Turnover (x) | | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| Leverage Factor (x) | | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 |
| RoE | | 3.8% | 4.5% | 8.1% | 9.1% | 10.3% |

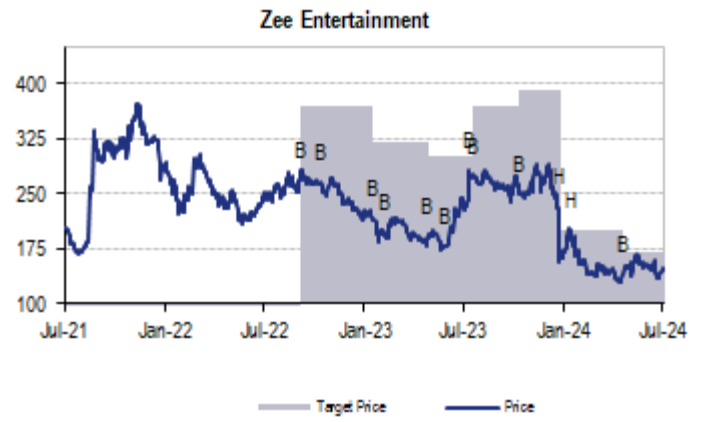
| Key Ratios | | FY23A | FY24A | FY25E | FY26E | FY27E |
|---------------------|--|-------|-------|-------|-------|-------|
| BV/Share (INR) | | 111.6 | 113.1 | 119.1 | 123.5 | 129.5 |
| ROIC | | 5.3% | 4.2% | 7.9% | 9.4% | 11.7% |
| ROE | | 3.8% | 4.5% | 8.1% | 9.1% | 10.3% |
| Net Debt/Equity (x) | | 0.0 | -0.1 | -0.1 | -0.1 | -0.2 |
| P/E (x) | | 35.1 | 29.4 | 16.4 | 14.1 | 11.9 |
| P/B (x) | | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| EV/EBITDA (x) | | 12.9 | 15.0 | 9.2 | 7.3 | 5.5 |
| EV/Sales (x) | | 1.8 | 1.6 | 1.5 | 1.3 | 1.1 |
| Debtor days | | 72 | 72 | 77 | 77 | 77 |
| Inventory days | | 329 | 292 | 277 | 261 | 242 |
| Creditor days | | 91 | 68 | 76 | 76 | 76 |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 5-Oct-22 | Buy | 370 | |
| 12-Nov-22 | Buy | 370 | 0.0 |
| 14-Feb-23 | Buy | 320 | -13.5 |
| 8-Mar-23 | Buy | 320 | 0.0 |
| 26-May-23 | Buy | 300 | -6.3 |
| 27-Jun-23 | Buy | 300 | 0.0 |
| 10-Aug-23 | Buy | 300 | 0.0 |
| 17-Aug-23 | Buy | 370 | 23.3 |
| 10-Nov-23 | Buy | 390 | 5.4 |
| 22-Jan-24 | Hold | 200 | -48.7 |
| 14-Feb-24 | Hold | 200 | 0.0 |
| 18-May-24 | Buy | 170 | -15.0 |

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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| Definition of ratings | |
|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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