

July 4, 2025

Company Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|------------|--------|------------|--------|
| | FY26E | FY27E | FY26E | FY27E |
| Rating | BUY | | BUY | |
| Target Price | 179 | | 137 | |
| Sales (Rs. m) | 88,630 | 95,876 | 88,630 | 95,876 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 15,865 | 18,983 | 15,688 | 18,025 |
| % Chng. | 1.1 | 5.3 | - | - |
| EPS (Rs.) | 10.8 | 11.9 | 10.7 | 12.5 |
| % Chng. | 1.3 | (4.4) | - | - |

Key Financials - Consolidated

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 86,372 | 82,941 | 88,630 | 95,876 |
| EBITDA (Rs. m) | 9,071 | 11,962 | 15,865 | 18,983 |
| Margin (%) | 10.5 | 14.4 | 17.9 | 19.8 |
| PAT (Rs. m) | 4,738 | 7,701 | 10,388 | 13,486 |
| EPS (Rs.) | 4.9 | 8.0 | 10.8 | 11.9 |
| Gr. (%) | (18.5) | 62.5 | 34.9 | 10.3 |
| DPS (Rs.) | 1.0 | 2.4 | 2.7 | 3.0 |
| Yield (%) | 0.7 | 1.7 | 1.9 | 2.1 |
| RoE (%) | 4.4 | 6.9 | 8.7 | 9.7 |
| RoCE (%) | 5.4 | 8.0 | 10.6 | 11.2 |
| EV/Sales (x) | 1.5 | 1.4 | 1.3 | 1.1 |
| EV/EBITDA (x) | 14.1 | 9.7 | 7.0 | 5.6 |
| PE (x) | 29.2 | 18.0 | 13.3 | 12.1 |
| P/BV (x) | 1.3 | 1.2 | 1.1 | 1.0 |

Key Data

ZEE.BO | Z IN

| | |
|---------------------|----------------------|
| 52-W High / Low | Rs.164 / Rs.89 |
| Sensex / Nifty | 83,239 / 25,405 |
| Market Cap | Rs.138bn / \$ 1,621m |
| Shares Outstanding | 961m |
| 3M Avg. Daily Value | Rs.2249.29m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 3.99 |
| Foreign | 22.83 |
| Domestic Institution | 16.01 |
| Public & Others | 57.18 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|------|------|-------|
| Absolute | 10.2 | 14.7 | (4.6) |
| Relative | 6.9 | 9.2 | (8.3) |

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Execution of aspirational goals key to re-rating

Quick Pointers:

- Promoter stake to rise to 18.3% after ~169.5mn warrants get converted into equity over the next 18 months.
- The plan is to achieve EBITDA break-even in ZEE5 during FY26E.

We cut our FY27E EPS estimates by 4% as we account for dilution impact resulting from issuance of ~169.5mn fully convertible warrants at a price of Rs132 on a preferential basis to entities forming part of the promoter group. Out of the total preferential proceeds of ~Rs22.4bn, Z IN plans to deploy ~Rs10bn towards building new businesses, ~Rs7.1bn towards inorganic expansion while the balance will be utilized for general & corporate purposes. Post warrant conversion, promoter stake will increase to 18.3% lending better execution comfort on achieving 1) TV viewership share of ~17.5%, 2) ad-revenue growth of ~8-10% and 3) EBITDA margin of ~18-20% in FY26E. We expect a modest 7.5% revenue CAGR over the next 2 years on a low base of FY25 with 540bps expansion in EBITDA margin given plans to achieve break-even in the digital business. Retain BUY on the stock with a TP of Rs179 (earlier Rs137) as we increase our target multiple to 15x (earlier 11x; refer exhibit 4 for past trading history on Z IN) as preferential allotment to promoters lowers the execution risk challenges.

Plans to achieve EBITDA break-even in ZEE5 during FY26E: ZEE5 reported EBITDA losses of Rs5,480mn in FY25 and management intends to achieve break-even in FY26E without compromising meaningfully on content spends (lineup of original content is up by 3x at an optimum cost). With cost rationalization on technology and employee front almost over, the plan is to optimize revenue potential via launching multiple language packs and seeking avenues for ARPU enhancement. Nonetheless, we expect EBITDA losses of Rs2,108mn in FY26E with break-even in FY27E (refer exhibit 1 for more details). We believe plans to focus on revenue enhancement strategies versus lowering content spends will ensure continued growth in digital library pool without compromising on viewership.

Preferential proceeds of Rs22.4bn to be invested in new growth avenues:

Issuance of ~169.5mn fully convertible warrants at Rs132 each to promoters would result in preferential inflow of ~Rs22.4bn. Each warrant will be converted into one equity share resulting in a dilution of 17.6%. However, as the funds will be initially deployed into treasury, the net dilution impact is likely to be lower. Post warrant conversion promoter stake will rise from 4% to 18%, lowering concerns on execution risk challenges pertaining to aspirational goals outlined for FY26E.

The preferential proceeds will be strategically deployed across several key areas like launching a short-form content app, creating edutainment content for children, developing and licensing sports content properties, expanding the live content business, enhancing distribution capabilities, and investing in R&D for 3D content delivery. In all, ~Rs10bn will be invested in creating these new businesses. Additionally, Rs7.1bn will be earmarked for M&A activity. We believe new growth areas identified by Z IN can diversify the revenue stream and help overcome growth challenges in the linear TV business.

Aspirations for FY26E may not be far-fetched: In FY26E, Z IN intends to 1) increase TV viewership share to ~17.5% 2) grow advertising revenue by 8-10%, 3) achieve EBITDA margin of ~18-20% and 4) aim for an FCF/PAT of 1.2x. Recently, Z IN has launched 30 new shows which should aid TV viewership share in the near term (in last 3 weeks viewership share is higher than 17.5%). Further, Z Anmol is now back on FTA which is likely to boost ad-revenue growth in 2HFY26E as viewership gathers pace. On the EBITDA margin aspiration, assuming ZEE5's losses decline by >60% and linear TV EBITDA margin falls marginally to 23% in FY26E, Z IN could well be at lower end of the guidance. Thus, we believe, aspirational goals for FY26E may well be within reach unless ad-market witnesses a prolonged slowdown.

Outlook & valuation: Post the merger fall out with Sony, Z IN indulged in incessant cost optimization. In FY25, Z IN's content and employee cost was down 10.4% and 9.0% respectively while operating loss in ZEE5 almost halved leading to 390 bps expansion in EBITDA margin. While this was commendable, true operating leverage benefit of cost optimization exercise was overshadowed by a weak ad-environment. We expect back-ended recovery in ad-revenues as 1QFY26 is a sports heavy quarter and Z Anmol's viewership would take some time to pick up as it has migrated back to FTA recently. We expect sales CAGR of 7.5% over FY25-FY27E with 540bps improvement in EBITDA margin led by narrowing losses in ZEE5. Retain BUY on the stock with a TP of Rs 179 (15x FY27E EPS).

Exhibit 1: ZEE5 to achieve EBITDA break-even in FY27E

| Particulars (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------|---------|---------|----------|----------|---------|---------|--------|
| Revenue | 4,191 | 5,496 | 7,410 | 9,195 | 9,760 | 10,541 | 11,806 |
| Operating cost | 10,918 | 13,030 | 18,460 | 20,247 | 15,240 | 12,649 | 11,806 |
| EBITDA | (6,727) | (7,534) | (11,050) | (11,052) | (5,480) | (2,108) | - |

Source: Company, PL

Exhibit 2: Aspirational goals for FY26E

| Particulars | Target |
|-----------------------------|---------------------------|
| TV Viewership Share | ~17.5% |
| Ad Revenue Growth | 8-10% |
| EBITDA Margin | 18-20% |
| FCF to PAT | >1.2x |
| Reach across all Age Groups | Launch Micro, Mini Series |
| Unlocking Value | Music & Syndication |

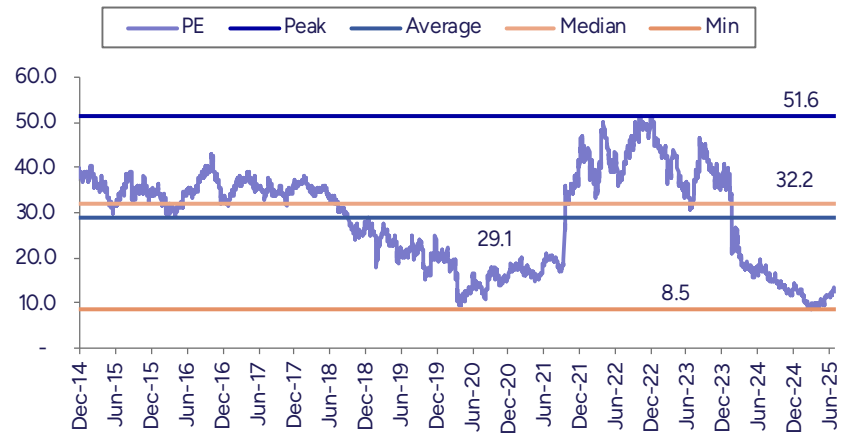
Source: Company, PL

Exhibit 3: Z IN's IP ownership structure

| 98% GEC, Content Owned IP | Music (Owned Copyrights) | Movies (Linear + Digital) |
|---------------------------|--------------------------|-------------------------------------|
| 22% Hindi | 18,000+ Songs | 550+ Owned Titles |
| 78% Other Languages | 1,100 + Movie Titles | 4,000+ Licensed Titles (Perpetuity) |
| | 22+ Languages | 2,300+ Licensed Titles (Fixed Term) |

Source: Company, PL

Exhibit 4: Historical PE band chart of Z IN



Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 86,372 | 82,941 | 88,630 | 95,876 |
| YoY gr. (%) | 6.8 | (4.0) | 6.9 | 8.2 |
| Cost of Goods Sold | 50,393 | 45,172 | 46,088 | 48,897 |
| Gross Profit | 35,979 | 37,769 | 42,543 | 46,979 |
| Margin (%) | 41.7 | 45.5 | 48.0 | 49.0 |
| Employee Cost | 10,188 | 9,266 | 9,749 | 10,355 |
| Other Expenses | 6,042 | 5,075 | 5,229 | 5,465 |
| EBITDA | 9,071 | 11,962 | 15,865 | 18,983 |
| YoY gr. (%) | (17.6) | 31.9 | 32.6 | 19.7 |
| Margin (%) | 10.5 | 14.4 | 17.9 | 19.8 |
| Depreciation and Amortization | 3,091 | 2,785 | 3,013 | 3,164 |
| EBIT | 5,980 | 9,177 | 12,851 | 15,820 |
| Margin (%) | 6.9 | 11.1 | 14.5 | 16.5 |
| Net Interest | 721 | 327 | 281 | 259 |
| Other Income | 1,331 | 1,393 | 1,374 | 2,541 |
| Profit Before Tax | 3,807 | 9,257 | 13,944 | 18,101 |
| Margin (%) | 4.4 | 11.2 | 15.7 | 18.9 |
| Total Tax | 1,818 | 2,387 | 3,556 | 4,616 |
| Effective tax rate (%) | 47.8 | 25.8 | 25.5 | 25.5 |
| Profit after tax | 1,989 | 6,870 | 10,388 | 13,486 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | 4 | 4 | - | - |
| Adjusted PAT | 4,738 | 7,701 | 10,388 | 13,486 |
| YoY gr. (%) | (18.5) | 62.5 | 34.9 | 29.8 |
| Margin (%) | 5.5 | 9.3 | 11.7 | 14.1 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,993 | 6,874 | 10,388 | 13,486 |
| YoY gr. (%) | (20.7) | 245.0 | 51.1 | 29.8 |
| Margin (%) | 2.3 | 8.3 | 11.7 | 14.1 |
| Other Comprehensive Income | 95 | 411 | - | - |
| Total Comprehensive Income | 2,088 | 7,285 | 10,388 | 13,486 |
| Equity Shares O/s (m) | 961 | 961 | 961 | 1,130 |
| EPS (Rs) | 4.9 | 8.0 | 10.8 | 11.9 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Non-Current Assets | | | | |
| Gross Block | 24,710 | 25,511 | 27,862 | 30,404 |
| Tangibles | 16,871 | 17,789 | 19,030 | 20,372 |
| Intangibles | 7,839 | 7,722 | 8,832 | 10,032 |
| Acc: Dep / Amortization | 16,464 | 19,249 | 22,262 | 25,426 |
| Tangibles | 10,473 | 12,283 | 14,242 | 16,299 |
| Intangibles | 5,991 | 6,966 | 8,020 | 9,128 |
| Net fixed assets | 8,736 | 6,742 | 6,079 | 5,458 |
| Tangibles | 6,888 | 5,986 | 5,268 | 4,554 |
| Intangibles | 1,848 | 756 | 811 | 904 |
| Capital Work In Progress | 121 | 40 | 40 | 40 |
| Goodwill | 3,303 | 3,304 | 3,304 | 3,304 |
| Non-Current Investments | 971 | 1,502 | 1,332 | 1,316 |
| Net Deferred tax assets | 4,542 | 4,101 | 3,486 | 3,077 |
| Other Non-Current Assets | 4,546 | 3,383 | 3,454 | 3,631 |
| Current Assets | | | | |
| Investments | - | 11,564 | 11,564 | 11,564 |
| Inventories | 69,129 | 67,748 | 67,990 | 69,609 |
| Trade receivables | 17,016 | 15,325 | 16,512 | 18,125 |
| Cash & Bank Balance | 11,931 | 12,500 | 17,769 | 48,049 |
| Other Current Assets | 9,725 | 7,636 | 9,749 | 10,546 |
| Total Assets | 1,34,496 | 1,37,341 | 1,45,360 | 1,79,124 |
| Equity | | | | |
| Equity Share Capital | 961 | 961 | 961 | 1,130 |
| Other Equity | 1,07,768 | 1,14,373 | 1,22,164 | 1,54,483 |
| Total Network | 1,08,729 | 1,15,334 | 1,23,125 | 1,55,613 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 1,622 | 2,398 | 2,398 | 2,398 |
| Provisions | 1,671 | 1,579 | 1,418 | 1,438 |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 14,355 | 11,907 | 12,384 | 13,134 |
| Other current liabilities | 8,120 | 6,123 | 6,035 | 6,541 |
| Total Equity & Liabilities | 1,34,497 | 1,37,341 | 1,45,360 | 1,79,124 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|---------------------------------------|----------------|-----------------|----------------|----------------|
| PBT | 3,811 | 9,261 | 13,944 | 18,101 |
| Add. Depreciation | 3,167 | 2,785 | 3,013 | 3,164 |
| Add. Interest | 724 | 296 | 281 | 259 |
| Less Financial Other Income | 1,331 | 1,393 | 1,374 | 2,541 |
| Add. Other | (1,575) | (487) | (1,818) | (39) |
| Op. profit before WC changes | 6,126 | 11,855 | 15,420 | 21,485 |
| Net Changes-WC | 3,418 | 739 | (952) | (2,481) |
| Direct tax | (2,401) | (734) | (3,556) | (4,616) |
| Net cash from Op. activities | 7,143 | 11,860 | 10,912 | 14,388 |
| Capital expenditures | (1,087) | (880) | (2,351) | (2,542) |
| Interest / Dividend Income | 465 | 583 | - | - |
| Others | 148 | (15,738) | (413) | (310) |
| Net Cash from Invt. activities | (474) | (16,035) | (2,764) | (2,852) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (4) | 1,997 | - | - |
| Dividend paid | - | (961) | (2,597) | (3,371) |
| Interest paid | (671) | (120) | (281) | (259) |
| Others | (2,060) | (688) | - | 22,374 |
| Net cash from Fin. activities | (2,735) | 228 | (2,878) | 18,744 |
| Net change in cash | 3,933 | (3,947) | 5,270 | 30,280 |
| Free Cash Flow | 5,838 | 10,944 | 8,561 | 11,846 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 4.9 | 8.0 | 10.8 | 11.9 |
| CEPS | 8.1 | 10.9 | 14.0 | 14.7 |
| BVPS | 113.2 | 120.1 | 128.2 | 137.7 |
| FCF | 6.1 | 11.4 | 8.9 | 10.5 |
| DPS | 1.0 | 2.4 | 2.7 | 3.0 |
| Return Ratio(%) | | | | |
| RoCE | 5.4 | 8.0 | 10.6 | 11.2 |
| ROIC | 3.2 | 7.6 | 10.4 | 14.3 |
| RoE | 4.4 | 6.9 | 8.7 | 9.7 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.1) | (0.2) | (0.2) | (0.4) |
| Net Working Capital (Days) | 303 | 313 | 297 | 284 |
| Valuation(x) | | | | |
| PER | 29.2 | 18.0 | 13.3 | 12.1 |
| P/B | 1.3 | 1.2 | 1.1 | 1.0 |
| P/CEPS | 17.7 | 13.2 | 10.3 | 9.8 |
| EV/EBITDA | 14.1 | 9.7 | 7.0 | 5.6 |
| EV/Sales | 1.5 | 1.4 | 1.3 | 1.1 |
| Dividend Yield (%) | 0.7 | 1.7 | 1.9 | 2.1 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 21,305 | 20,007 | 19,788 | 21,841 |
| YoY gr. (%) | 7.4 | (17.9) | (3.3) | 0.7 |
| Raw Material Expenses | 11,770 | 10,615 | 9,968 | 12,819 |
| Gross Profit | 9,536 | 9,392 | 9,820 | 9,022 |
| Margin (%) | 44.8 | 46.9 | 49.6 | 41.3 |
| EBITDA | 2,717 | 3,210 | 3,184 | 2,852 |
| YoY gr. (%) | 75.3 | (3.5) | 52.2 | 35.6 |
| Margin (%) | 12.8 | 16.0 | 16.1 | 13.1 |
| Depreciation / Depletion | 756 | 732 | 658 | 639 |
| EBIT | 1,960 | 2,478 | 2,526 | 2,213 |
| Margin (%) | 9.2 | 12.4 | 12.8 | 10.1 |
| Net Interest | 55 | 83 | 108 | 81 |
| Other Income | 179 | 359 | 368 | 487 |
| Profit before Tax | 1,798 | 2,863 | 1,977 | 2,619 |
| Margin (%) | 8.4 | 14.3 | 10.0 | 12.0 |
| Total Tax | 542 | 769 | 342 | 734 |
| Effective tax rate (%) | 30.2 | 26.9 | 17.3 | 28.0 |
| Profit after Tax | 1,256 | 2,094 | 1,635 | 1,885 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | 1 | 1 | 1 | 1 |
| Adjusted PAT | 1,554 | 1,964 | 2,422 | 1,761 |
| YoY gr. (%) | 119.8 | (21.3) | 113.1 | 342.4 |
| Margin (%) | 7.3 | 9.8 | 12.2 | 8.1 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,257 | 2,095 | 1,636 | 1,886 |
| YoY gr. (%) | 3,147.0 | 61.3 | 206.7 | 1,448.4 |
| Margin (%) | 5.9 | 10.5 | 8.3 | 8.6 |
| Other Comprehensive Income | 84 | 124 | 169 | 34 |
| Total Comprehensive Income | 1,341 | 2,219 | 1,805 | 1,920 |
| Avg. Shares O/s (m) | 961 | 961 | 961 | 961 |
| EPS (Rs) | 1.3 | 2.2 | 1.7 | 2.0 |

Source: Company Data, PL Research

Price Chart



Recommendation History

| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 09-May-25 | BUY | 137 | 111 |
| 2 | 09-Apr-25 | Hold | 123 | 108 |
| 3 | 24-Jan-25 | Hold | 137 | 121 |
| 4 | 09-Jan-25 | Hold | 138 | 134 |
| 5 | 19-Oct-24 | Hold | 145 | 132 |
| 6 | 08-Oct-24 | Hold | 143 | 127 |
| 7 | 01-Aug-24 | Hold | 157 | 149 |
| 8 | 08-Jul-24 | Hold | 160 | 151 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---|--------|---------|------------------|
| 1 | Chalet Hotels | BUY | 1,130 | 875 |
| 2 | Delhivery | BUY | 387 | 321 |
| 3 | DOMS Industries | BUY | 3,087 | 2,549 |
| 4 | Imagicaaworld Entertainment | BUY | 93 | 68 |
| 5 | Indian Railway Catering and Tourism Corporation | BUY | 864 | 775 |
| 6 | InterGlobe Aviation | BUY | 6,084 | 5,462 |
| 7 | Lemon Tree Hotels | BUY | 174 | 139 |
| 8 | Mahindra Logistics | Hold | 287 | 310 |
| 9 | Navneet Education | Hold | 149 | 145 |
| 10 | Nazara Technologies | Hold | 1,241 | 1,274 |
| 11 | PVR Inox | Hold | 1,040 | 966 |
| 12 | S Chand and Company | BUY | 286 | 227 |
| 13 | Safari Industries (India) | BUY | 2,437 | 1,960 |
| 14 | Samhi Hotels | BUY | 313 | 192 |
| 15 | TCI Express | Hold | 816 | 761 |
| 16 | V.I.P. Industries | BUY | 404 | 338 |
| 17 | Zee Entertainment Enterprises | BUY | 137 | 111 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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