

Zee Entertainment Enterprises | BUY

New Strategy - Unlocking future

ZEEL has come out with a refreshed, detailed and multi-pronged business strategy. These prongs encompass a) growth unlock – higher ad-growth through diversification (away from FMCG), better monetisation/distribution + sharper focus on syndication revenues; b) content unlock – platform agnostic content production, focus on User Generate Content (UGC) market; and c) value unlock – through music and syndication business. These translate into FY26 aspiration of a) 8-10% Ad-rev growth; b) 18-20% EBITDA margin; c) 1.2x FCF/PAT. ZEEL has also crystallised its capital allocation framework, earmarking for pay-outs (25-30%) and growth (40%). FY25 marked the first phase of ZEEL's turnaround journey – cost reduction, improved cash flow. With low hanging fruits largely plucked and demand environment still unfavourable, ZEEL needed more than just strategic tweaks to sustain the transformation. Its new strategy promises to do just that. Execution, as always will hold the key though. ZEEL's execution over past one year offers hope. Value unlocking, on the other hand, is not macro or execution dependent. As we highlighted in [Turning the page](#), ZEEL's music business, despite being the second largest, hardly fetches any value. While a corporate action could unlock value, improved disclosures, as indicated in the new strategy, alone could commence value-discovery. With tough valuations, improved execution and potential of value-unlock ahead, investors have all to play for. BUY.

- **Growth/Content unlock:** ZEEL's ad-growth blueprint includes newer verticals (e.g Retail), monetization avenues and distribution channels. The company is doubling down on Free-to-Air (FTA) and Connected TV, targeting higher ARPU and new ad cohorts. Regional language content and pricing segmentation (e.g., language packs for Zee5) are central levers to drive subscriber stickiness. On the ad-side, platform-agnostic brand solutions, geo-targeted campaigns, structured deals, and in-show brand integrations aim to enhance growth in ad revenues. ZEEL also sees FAST channels, influencer-driven advertising, and OEM tie-ups (for Zee5 placement) and UGC as incremental demand engines. These interventions will be supported by a restructured organization, expanded ad-sales teams, and new leadership across verticals.
- **Strategic prong 2 - Value unlock:** ZEEL is scaling its syndication vertical into a focused, standalone operation with a global mandate. A third-party valuation of their content library, conducted by an independent valuer of global repute, indicates a value substantially higher than the current book value. The company is also intensifying efforts to monetize their extensive music catalog (164mn+ YouTube subscribers) – 18,000+ songs across 22+ languages, and movie IP, comprising 6,850+ titles.
- **Balanced capital allocation construct:** ZEEL has outlined a clear capital allocation framework. It has earmarked ~40% of FCF for growth capex with a 2–3 year payback threshold. Focus areas include language expansion, music, digital, and international plays, with high board oversight. Dividend payout is pegged at 25–30% of PAT. Balance will be utilised for reserve fund and R&D in content creation. They will also explore value accretive M&A opportunities to drive scalable growth.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	86,372	82,941	90,232	99,115	1,08,653
Sales Growth (%)	6.6	-4.0	8.8	9.8	9.6
EBITDA	9,071	11,973	16,609	20,278	23,370
EBITDA Margin (%)	10.5	14.4	18.4	20.5	21.5
Adjusted Net Profit	4,738	7,700	11,372	14,463	17,065
Diluted EPS (INR)	4.9	8.0	11.3	13.9	16.3
Diluted EPS Growth (%)	13.6	62.5	41.6	22.1	18.0
ROIC (%)	4.2	7.2	11.3	14.3	16.7
ROE (%)	4.4	6.9	9.5	11.1	12.0
P/E (x)	23.5	14.5	10.2	8.4	7.1
P/B (x)	1.0	1.0	0.9	0.9	0.8
EV/EBITDA (x)	11.5	7.4	4.7	3.4	2.4
Dividend Yield (%)	0.9	2.1	2.6	3.1	3.4

Source: Company data, JM Financial. Note: Valuations as of 09/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	210
Upside/(Downside)	81.3%
Previous Price Target	210
Change	0.0%

Key Data – Z IN

Current Market Price	INR116
Market cap (bn)	INR111.2/US\$1.3
Free Float	91%
Shares in issue (mn)	960.6
Diluted share (mn)	1,002.6
3-mon avg daily val (mn)	INR1,499.3/US\$17.6
52-week range	169/89
Sensex/Nifty	79,454/24,008
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	11.5	-4.1	-11.8
Relative*	5.5	-5.0	-19.3

* To the BSE Sensex

JM Financial Research is also available on:
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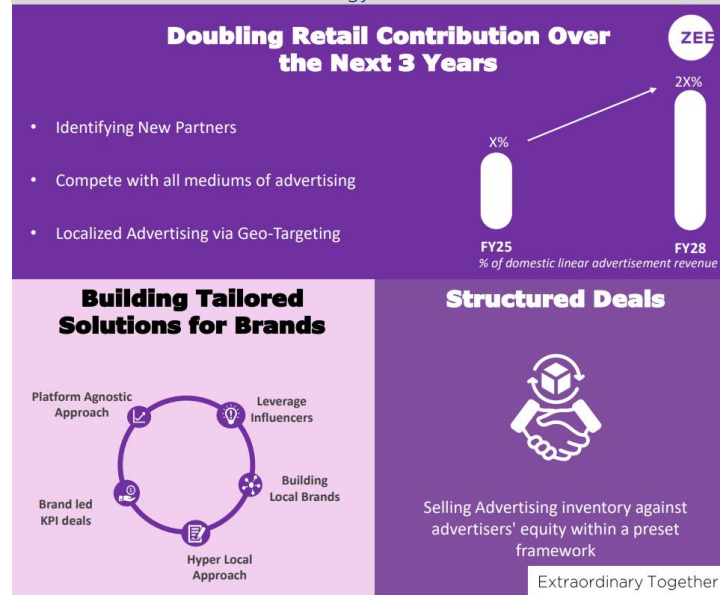
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

ZEEL's multi-pronged strategy refresh

Prong 1: Growth un-lock: Ad sales to be led by client diversification, better monetisation and new distribution channels

Exhibit 1. ZEEL ad-growth strategy involves scaling non-FMCG clients through tailored solutions and structured deals

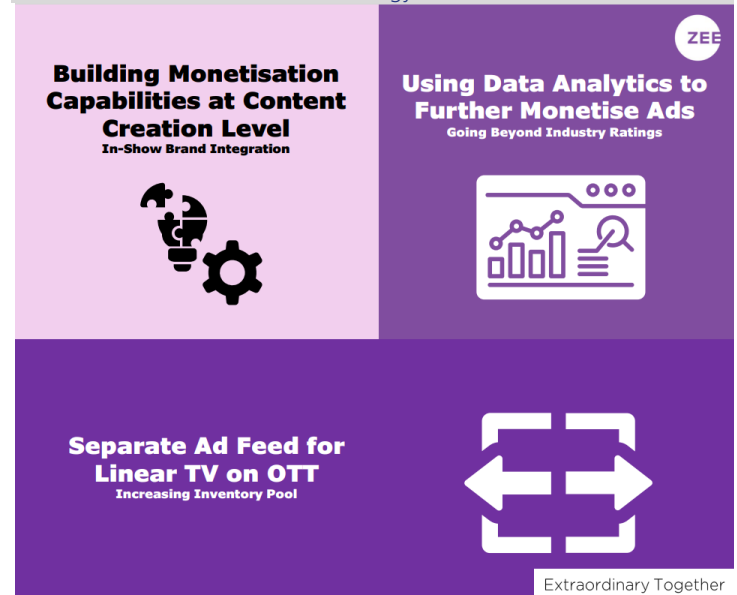
ZEEL's client diversification strategy



Source: Company, JM Financial

Exhibit 2. Innovative monetisation initiatives through in-show integration, data analytics and increasing inventory pool

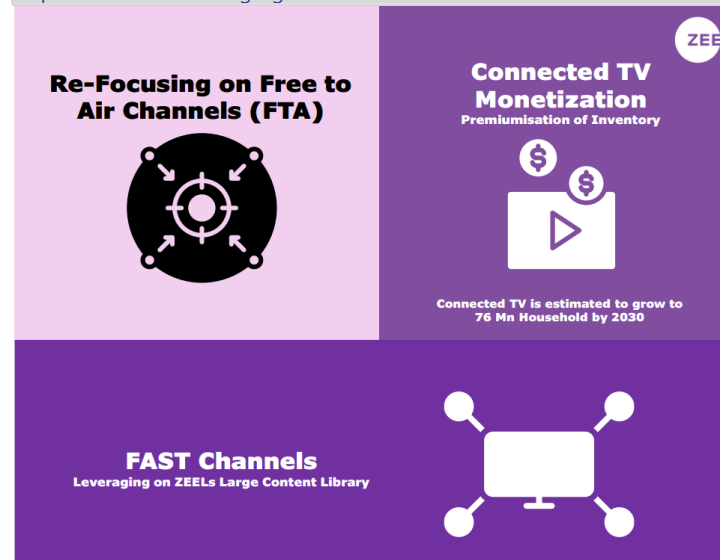
ZEEL's enhanced monetization strategy



Source: Company, JM Financial

Exhibit 3. ZEEL intends to explore and leverage new distribution channels to better monetise its content

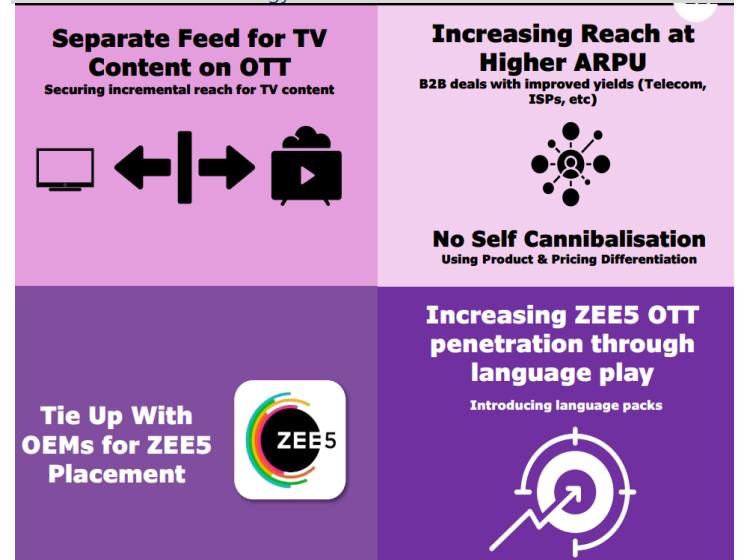
Capitalization of emerging distribution channels



Source: Company, JM Financial

Exhibit 4. Better distribution for Zee5, especially language play, could help accelerate growth in Zee5 ad-revenues

Zee5's distribution strategy



Source: Company, JM Financial

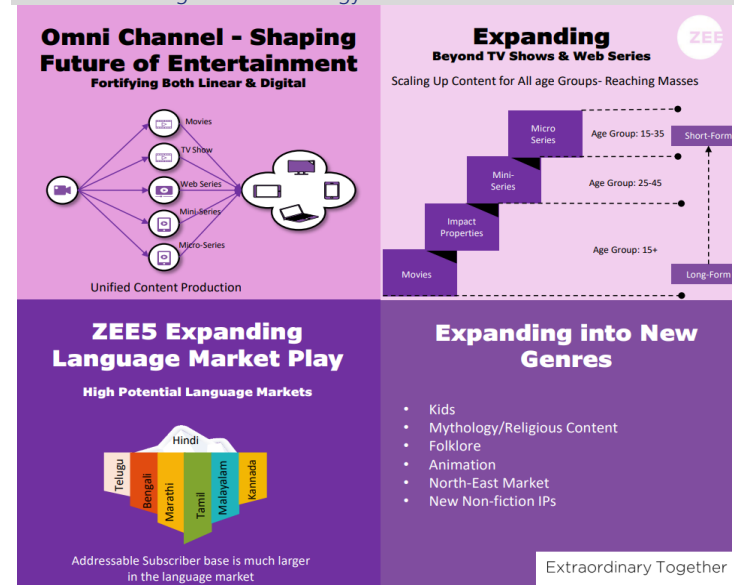
Prong 2: Content un-lock

Exhibit 5. ZEEL wants to better monetise its content library through sharper focus on Syndication as a business unit
ZEEL's syndication strategy



Source: Company, JM Financial

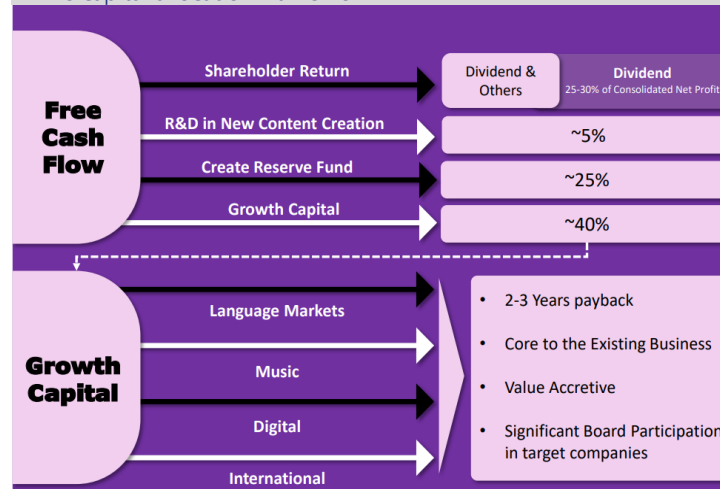
Exhibit 6. ZEEL wants to leverage its content creation capabilities to expand addressable market
ZEEL's redefining content strategy



Source: Company, JM Financial

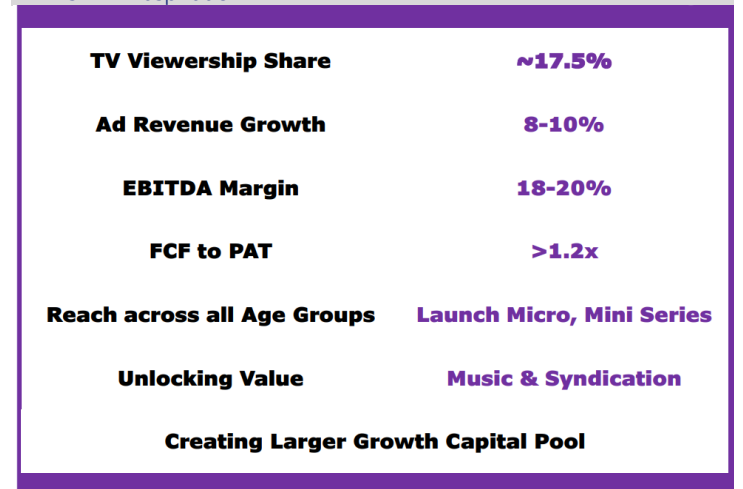
Prong 3: Value un-lock – Healthy cash conversion target, well defined capital allocation framework and unlock value

Exhibit 7. ZEEL has delineated its capital allocation framework which should give investors comfort on cash utilisation
ZEEL's capital allocation framework



Source: Company, JM Financial

Exhibit 8. Unlocking value of Music & Syndication in FY26 aspiration suggests imminent steps in that direction
ZEEL's FY26 aspiration



Source: Company, JM Financial

Music: Potential value

ZEEL's music business is second largest, next only to Saregama (SARE IN; BUY). Interestingly, market cap of Saregama as well as the third largest player TIPS (TIPS IN; NOT RATED) are almost as large as ZEEL's entire market cap. Unavailability of ZEEL's music business financials prevent us to value that business separately. However, even if we value ZEEL's music business at significant discount to listed peers, the residual value for broadcasting business would be further suppressed.

Exhibit 9. Indian Music business trading at significant premium compared to their global peers.

Company	Country	MCap (USD bn)	EV (USD bn)	EV / Revenue (x)			Rev CAGR	EV / EBITDA (x)			EBITDA CAGR	P / E (x)			EPS CAGR	PEG
				FY25E	FY26E	FY27E		FY25E	FY26E	FY27E		FY25E	FY26E	FY27E		
Saregama	India	1.2	1.1	7.9x	7.3x	6.x	15%	33.x	25.8x	20.7x	26%	50.x	40.4x	32.6x	24%	1.7x
Tips Music	India	0.9	0.9	18.8x	14.5x	10.6x	33%	26.9x	20.6x	16.4x	28%	36.6x	28.x	20.2x	28%	.8x
Universal Music Group	EUR	44.1	46.4	4.2x	3.9x	3.6x	8%	18.3x	16.3x	14.8x	11%	26.1x	22.7x	20.7x	12%	1.9x
Warner Music Group	EUR	14.3	18.4	2.9x	2.7x	2.6x	6%	13.1x	12.x	10.9x	10%	21.4x	19.5x	16.9x	12%	1.6x
HYBE Co	South Korea	8.0	8.0	4.2x	3.2x	3.1x	16%	25.6x	19.1x	18.8x	17%	44.9x	30.7x	30.1x	22%	1.4x
SM Entertainment Co	South Korea	2.1	1.9	2.4x	2.1x	2.x	10%	12.8x	11.2x	10.4x	11%	16.3x	21.x	19.x	-7%	-2.8x
Reservoir Media	USA	0.5	0.8	5.x	4.6x	NA	NA	12.3x	10.9x	NA	12%	18.7x	16.6x	NA	13%	.8x
Believe	EUR	1.4	1.3	1.3x	1.1x	1.x	14%	16.1x	12.6x	9.7x	29%	76.9x	40.2x	27.5x	67%	.6x
Mean (excluding Believe)				6.5x	5.5x	4.7x	14%	20.3x	16.6x	15.3x	16%	30.5x	25.6x	23.3x	15%	.7x
Mean (including Believe)				5.8x	4.9x	4.1x	14%	19.7x	16.1x	14.5x	18%	36.3x	27.4x	23.9x	21%	.7x

Note: Y/E March for Saregama and Tips; December for Universal Music, Reservoir Media, Hybe Co and SM Entertainment. FY6-FY28 E for Tips Music ; Valuation ratios of Parent entity for Tips Music. FY25-26E CAGRs for Reservoir Media. Data as on 10-May-25; Source: Bloomberg, JM Financial

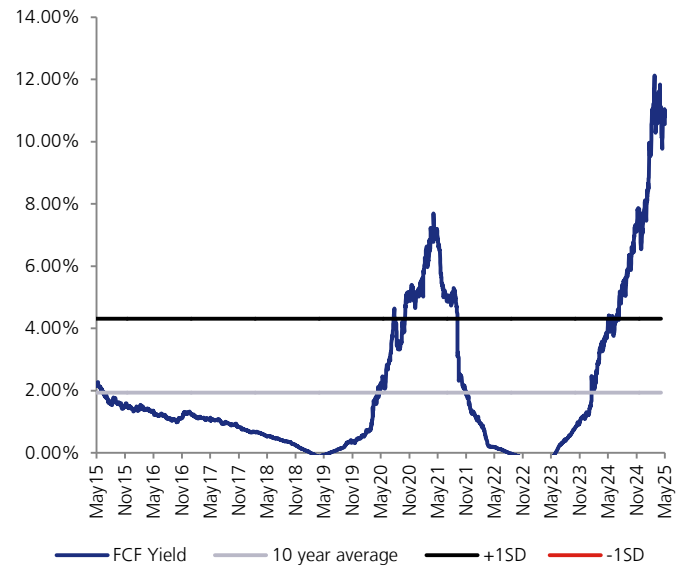
Valuation charts

Exhibit 10. ZEEL: 1yr forward PER valuation



Source: Bloomberg, JM Financial

Exhibit 11. LTM FCF Yield chart. FCF yield greater than 10%



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	86,372	82,941	90,232	99,115	1,08,653
Sales Growth	6.6%	-4.0%	8.8%	9.8%	9.6%
Other Operating Income	0	0	0	0	0
Total Revenue	86,372	82,941	90,232	99,115	1,08,653
Cost of Goods Sold/Op. Exp	50,393	45,172	46,677	50,053	53,783
Personnel Cost	10,188	9,266	9,700	10,357	11,300
Other Expenses	16,719	16,531	17,247	18,427	20,200
EBITDA	9,071	11,973	16,609	20,278	23,370
EBITDA Margin	10.5%	14.4%	18.4%	20.5%	21.5%
EBITDA Growth	-17.8%	32.0%	38.7%	22.1%	15.2%
Depn. & Amort.	3,091	2,785	2,767	2,746	2,723
EBIT	5,980	9,187	13,841	17,532	20,647
Other Income	1,293	1,234	1,745	2,170	2,517
Finance Cost	721	327	327	327	327
PBT before Excep. & Forex	6,553	10,094	15,260	19,375	22,837
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	6,553	10,094	15,260	19,375	22,837
Taxes	1,818	2,398	3,897	4,925	5,791
Extraordinary Inc./Loss(-)	-3,324	80	0	0	0
Assoc. Profit/Min. Int.(-)	4	4	9	14	19
Reported Net Profit	1,414	7,780	11,372	14,463	17,065
Adjusted Net Profit	4,738	7,700	11,372	14,463	17,065
Net Margin	5.5%	9.3%	12.6%	14.6%	15.7%
Diluted Share Cap. (mn)	961.0	961.0	1,002.6	1,044.1	1,044.1
Diluted EPS (INR)	4.9	8.0	11.3	13.9	16.3
Diluted EPS Growth	13.6%	62.5%	41.6%	22.1%	18.0%
Total Dividend + Tax	961	2,335	3,008	3,654	4,177
Dividend Per Share (INR)	1.0	2.4	3.1	3.6	4.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	6,556	10,098	15,269	19,389	22,856
Depn. & Amort.	3,167	2,785	2,767	2,746	2,723
Net Interest Exp. / Inc. (-)	251	-381	-756	-1,156	-1,477
Inc (-) / Dec in WCap.	3,418	739	1,410	-2,663	-2,555
Others	-3,847	-647	0	0	0
Taxes Paid	-2,401	-734	-3,897	-4,925	-5,791
Operating Cash Flow	7,143	11,860	14,793	13,390	15,755
Capex	-1,014	-16,618	-1,552	-1,298	-1,348
Free Cash Flow	6,130	-4,758	13,242	12,093	14,407
Inc (-) / Dec in Investments	75	0	-842	-14	-19
Others	465	583	1,083	1,483	1,804
Investing Cash Flow	-474	-16,035	-1,311	171	438
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	-961	-2,335	-3,008	-3,654
Inc / Dec (-) in Loans	-1,204	1,089	0	0	0
Others	-1,531	-120	-327	-327	-327
Financing Cash Flow	-2,735	8	-2,662	-3,335	-3,981
Inc / Dec (-) in Cash	3,934	-4,167	10,820	10,226	12,211
Opening Cash Balance	7,198	11,150	12,500	23,320	33,547
Closing Cash Balance	11,131	6,983	23,320	33,547	45,758

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	1,08,729	1,15,334	1,24,371	1,35,826	1,49,237
Share Capital	961	961	961	961	961
Reserves & Surplus	1,07,768	1,14,373	1,23,410	1,34,865	1,48,276
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	5,119	1,601	1,601	1,601	1,601
Def. Tax Liab. / Assets (-)	-4,530	-3,987	-3,987	-3,987	-3,987
Total - Equity & Liab.	1,09,318	1,12,948	1,21,985	1,33,440	1,46,851
Net Fixed Assets	8,344	6,756	5,540	4,092	2,717
Gross Fixed Assets	16,871	17,844	17,004	16,957	16,948
Intangible Assets	8,491	8,822	8,375	8,618	8,871
Less: Depn. & Amort.	17,111	19,896	19,852	21,497	23,115
Capital WIP	93	14	14	14	14
Investments	1,681	11,947	11,956	11,970	11,989
Current Assets	1,19,930	1,14,537	1,25,807	1,40,280	1,56,889
Inventories	69,129	67,748	65,542	67,557	69,622
Sundry Debtors	17,016	15,325	16,178	17,227	18,290
Cash & Bank Balances	11,131	12,500	23,320	33,547	45,758
Loans & Advances	0	0	0	0	0
Other Current Assets	22,654	18,964	20,768	21,950	23,220
Current Liab. & Prov.	20,636	20,292	21,319	22,903	24,745
Current Liabilities	14,355	11,907	12,352	13,227	14,309
Provisions & Others	6,282	8,385	8,967	9,675	10,436
Net Current Assets	99,294	94,245	1,04,488	1,17,378	1,32,144
Total - Assets	1,09,318	1,12,948	1,21,985	1,33,440	1,46,851

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.5%	9.3%	12.6%	14.6%	15.7%
Asset Turnover (x)	0.8	0.7	0.7	0.8	0.8
Leverage Factor (x)	1.1	1.0	1.0	1.0	1.0
RoE	4.4%	6.9%	9.5%	11.1%	12.0%

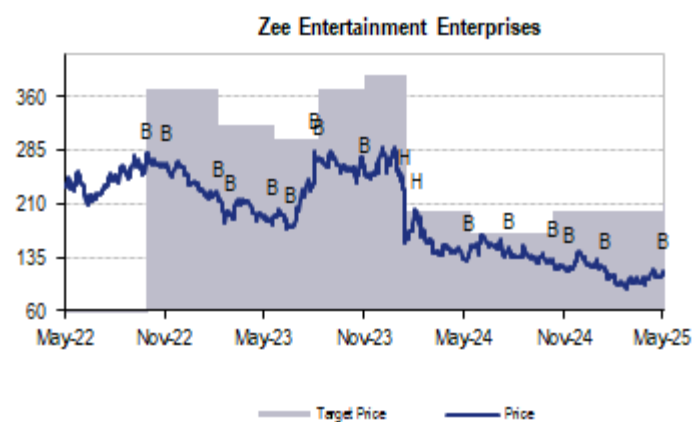
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	113.1	120.0	126.7	132.7	142.9
ROIC	4.2%	7.2%	11.3%	14.3%	16.7%
ROE	4.4%	6.9%	9.5%	11.1%	12.0%
Net Debt/Equity (x)	-0.1	-0.2	-0.3	-0.3	-0.4
P/E (x)	23.5	14.5	10.2	8.4	7.1
P/B (x)	1.0	1.0	0.9	0.9	0.8
EV/EBITDA (x)	11.5	7.4	4.7	3.4	2.4
EV/Sales (x)	1.2	1.1	0.9	0.7	0.5
Debtor days	72	67	65	63	61
Inventory days	292	298	265	249	234
Creditor days	68	61	61	61	61

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
1-Aug-24	Buy	170	0.0
20-Oct-24	Buy	200	17.6
20-Nov-24	Buy	200	0.0
24-Jan-25	Buy	200	0.0
9-May-25	Buy	210	5.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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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.
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