

# Zee Entertainment

Estimate changes

TP change

Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | Z IN        |
| Equity Shares (m)     | 961         |
| M.Cap.(INRb)/(USD\$)  | 128.5 / 1.5 |
| 52-Week Range (INR)   | 155 / 89    |
| 1, 6, 12 Rel. Per (%) | 1/5/-3      |
| 12M Avg Val (INR M)   | 2015        |

## Financials & Valuations (INR b)

| Y/E Mar           | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|
| Sales             | 84.7  | 89.1  | 93.7  |
| EBITDA            | 12.2  | 14.0  | 16.2  |
| Adj. PAT          | 8.3   | 9.8   | 11.5  |
| EBITDA Margin (%) | 14.5  | 15.8  | 17.3  |
| Adj. EPS (INR)    | 8.6   | 10.2  | 12.0  |
| EPS Gr. (%)       | 5.5   | 18.1  | 17.9  |
| BV/Sh. (INR)      | 126.2 | 133.9 | 143.4 |

## Ratios

|            |      |      |      |
|------------|------|------|------|
| Net D:E    | -0.3 | -0.3 | -0.3 |
| RoE (%)    | 7.0  | 7.8  | 8.7  |
| RoCE (%)   | 7.0  | 7.9  | 8.7  |
| Payout (%) | 29.0 | 24.5 | 20.8 |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 15.4 | 13.0 | 11.1 |
| P/B (x)        | 1.1  | 1.0  | 0.9  |
| EV/EBITDA (x)  | 8.0  | 6.4  | 5.1  |
| Div. Yield (%) | 1.9  | 1.9  | 1.9  |

## Shareholding pattern (%)

| As On    | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 4.0    | 4.0    | 4.0    |
| DII      | 16.0   | 18.0   | 35.6   |
| FII      | 22.8   | 20.1   | 19.2   |
| Others   | 57.2   | 58.0   | 41.3   |

FII Includes depository receipts

**CMP: INR134**

**TP: INR135 (+1%)**

**Neutral**

## Weak 1Q; ad revenue recovery remains key

- Zee Entertainment (Zee) reported a weak 1QFY26, with revenue declining 14% YoY (~7% miss), primarily due to continued weakness in domestic ad revenue (-19% YoY) and weak subscription revenue (-1% YoY).
- Zee maintained robust cost controls, with further reduction in Zee5 losses (down to ~INR660m from INR1.8b YoY). However, due to operating deleverage, consol EBITDA declined ~16% YoY (9% miss).
- Zee continues to aim for: 1) 8-10% revenue growth through its re-entry into Free-to-Air (FTA), expansion into new genres, and increased focus on regional languages; 2) Zee5 breakeven by FY26-end; and 3) EBITDA margins of 18-20% in FY26E.
- We cut our FY26E EBITDA/PAT by 7-8% and FY27E EBITDA/PAT by 3-4%, driven by persistent weakness in ad revenue.
- We build in a CAGR of 4%/11%/14% in revenue/EBITDA/PAT over FY25-28E. However, we see downside risks to our estimates due to the structural shift in ad revenue to digital medium (Zee's ad revenue has declined 30% since FY19).
- Zee's valuations remain attractive (13x FY27E EPS). However, a sustained recovery in domestic advertisement revenue and a favorable outcome in ongoing litigation for ICC rights with Star remain key for rerating. **We reiterate our Neutral rating with a TP of INR135 (earlier INR150).**

## Weak 1Q as ad revenue decline continues

- 1QFY26 consolidated revenue declined ~14% YoY (-17% QoQ) to INR18.2b (~7% miss) due to a broad-based weakness across key revenue streams.
  - Advertisement revenue declined 17% YoY to INR8.3b (-25% YoY in 4Q), as **domestic ad revenue dipped ~19% YoY (vs. ~27% YoY decline in 4Q)**, impacted by a slowdown in FMCG spending and an extended sports calendar (IPL).
  - Subscription revenue declined ~1% YoY to INR9.8b (-1% QoQ), with a modest ~1% YoY growth in domestic subscription revenue (vs 4.5% YoY in 4Q) as higher digital subscriptions was offset by a decline in linear subscriptions.
  - Revenue from other sales and services tumbled 64% YoY to INR0.8b (-77% QoQ), due to a decline in movie and syndication revenue.
- Zee maintained robust cost controls, with total operating expenses declining ~14% YoY to INR16b (-16% QoQ), coming in 6% below our estimates due to lower movie production and content costs.
  - Selling and other expenses declined 11% YoY, while operational costs declined ~18% YoY (10% below).
- EBITDA declined 16% YoY to INR2.3b (-20%QoQ, 9% miss), as margin contracted ~25bp YoY to 12.5% (-55bp QoQ and 30bp miss).
- Adj. PAT declined 7% YoY to INR1.4b (-24% QoQ, 11% miss), as lower EBITDA and other income were partly offset by lower D&A and finance charges.

### Zee5: 30% revenue growth leads to lower operating losses

- Zee5's revenue grew 30% YoY to INR2.9b (~6% QoQ), driven by healthy trends in usage and engagement metrics.
- Operating losses reduced further to INR658m (vs. ~INR750m loss QoQ and ~INR1.8b loss YoY).
- Adjusted for Zee5, linear TV business revenue declined 19.5% YoY, while EBITDA declined ~35% YoY to INR2.9b as margins **contracted ~450bp** YoY to 19.1%.

### Key highlights from the management commentary

- **Ad revenue trends and outlook:** Domestic advertising revenue was impacted by continued macroeconomic headwinds, extended sports calendar (IPL), and lower ad spending by FMCG companies. However, management remains cautiously optimistic about an ad revenue recovery in the coming quarters, citing early signs of recovery supported by a healthy monsoon and the onset of the festive season. The company maintained its guidance of 8% ad revenue growth, driven by Zee's re-entry in the FTA segment, rising viewership share, launch of new genres, and a focus on regional languages.
- **Subscription trends and outlook:** Digital subscription growth was supported by the introduction of language packs in Zee5. However, this was offset by a decline in linear subscriptions due to a drop in Pay TV subscribers. Management indicated that the company remains in negotiations with DPOs and expects subscription revenue to grow in line with inflation.
- **Guidance and outlook:** Management reiterated its commitment to: 1) accelerating growth (8-10% annually); 2) improving margins (18-20%); and 3) driving Zee5 to breakeven by FY26-end. Management highlighted that all new investments are already factored into the margin guidance (18-20%), and there is no change in plans despite shareholders not approving the recent promoter infusion.

### Valuation and view

- Zee aspires to deliver a revenue CAGR of 8-10% with its current portfolio and improve EBITDA margins to an industry-leading range of 18-20% by FY26. We believe that a sustainable recovery in ad revenue remains the key to achieving these aspirations and driving a potential re-rating of multiples.
- We cut our FY26E EBITDA/PAT by 7-8% and FY27E EBITDA/PAT by 3-4%, driven by persistent weakness in ad revenue.
- Despite the continued decline in ad revenue (~30% decline from FY19 levels), we have built in ~4% CAGR in ad revenue over FY25-28. However, there could be downside risks from the structural shift in advertising spends toward the digital.
- We build in a CAGR of 4%/11%/14% in revenue/EBITDA/PAT over FY25-28E.
- Zee's valuations remain attractive (13x FY27E EPS). However, a sustained recovery in domestic advertisement revenue and a favorable outcome in ongoing litigation for ICC rights with Star remain key for rerating. **We reiterate our Neutral rating with a TP of INR135 (earlier INR150), premised on ~12x Sep'27 P/E.**

**Consolidated - Quarterly Earnings**

(InR m)

| Y/E March                          | FY25          |               |               |               | FY26E         |               |               |               | FY25          | FY26E         | FY26          | v/s          |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
|                                    | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           |               |               | 1QE           | Est (%)      |
| <b>Revenue</b>                     | <b>21,305</b> | <b>20,007</b> | <b>19,788</b> | <b>21,841</b> | <b>18,248</b> | <b>21,496</b> | <b>21,124</b> | <b>23,798</b> | <b>82,941</b> | <b>84,665</b> | <b>19,515</b> | <b>-6.5</b>  |
| YoY Change (%)                     | 7.4           | -17.9         | -3.3          | 0.7           | -14.3         | 7.4           | 6.8           | 9.0           | -4.0          | 2.1           | -8.4          |              |
| Total Expenditure                  | 18,589        | 16,797        | 16,604        | 18,989        | 15,968        | 17,996        | 17,766        | 20,695        | 70,979        | 72,424        | 17,020        | -6.2         |
| <b>EBITDA</b>                      | <b>2,717</b>  | <b>3,210</b>  | <b>3,184</b>  | <b>2,852</b>  | <b>2,280</b>  | <b>3,500</b>  | <b>3,358</b>  | <b>3,103</b>  | <b>11,963</b> | <b>12,241</b> | <b>2,495</b>  | <b>-8.6</b>  |
| EBITDA Margin (%)                  | 12.8%         | 16.0%         | 16.1%         | 13.1%         | 12.5%         | 16.3%         | 15.9%         | 13.0%         | 14.4%         | 14.5%         | 12.8%         | 29 bp        |
| Depreciation                       | 756           | 732           | 658           | 639           | 591           | 654           | 664           | 728           | 2,785         | 2,637         | 705           | -16.1        |
| Interest                           | 55            | 83            | 108           | 81            | 77            | 81            | 78            | 89            | 327           | 325           | 91            | -15.6        |
| Other Income                       | 190           | 337           | 345           | 362           | 250           | 450           | 450           | 650           | 1,234         | 1,800         | 450           | -44.4        |
| Fair Value through P&L gain/(loss) | -11           | 22            | 23            | 125           | 109           | 0             | 0             | 0             | 159           | 0             | 0             |              |
| <b>PBT before EO expense</b>       | <b>2,084</b>  | <b>2,754</b>  | <b>2,786</b>  | <b>2,619</b>  | <b>1,971</b>  | <b>3,214</b>  | <b>3,066</b>  | <b>2,936</b>  | <b>10,243</b> | <b>11,079</b> | <b>2,149</b>  | <b>-8.3</b>  |
| Extra-Ord expense                  | 286           | -109          | 809           | 0             | 0             | 0             | 0             | 0             | 986           | 0             | 0             |              |
| <b>PBT</b>                         | <b>1,798</b>  | <b>2,863</b>  | <b>1,977</b>  | <b>2,619</b>  | <b>1,971</b>  | <b>3,214</b>  | <b>3,066</b>  | <b>2,936</b>  | <b>9,257</b>  | <b>11,079</b> | <b>2,149</b>  | <b>-8.3</b>  |
| Tax                                | 542           | 769           | 342           | 734           | 535           | 809           | 772           | 739           | 2,387         | 2,789         | 541           | -1.1         |
| Rate (%)                           | 30.2          | 26.9          | 17.3          | 28.0          | 27.1          | 25.2          | 25.2          | 25.2          | 25.8          | 25.2          | 25.2          |              |
| MI & P/L of Asso. Cos.             | -1            | -1            | -1            | -1            | -1            | 0             | 0             | 0             | -4            | 0             | 0             |              |
| <b>Reported PAT</b>                | <b>1,257</b>  | <b>2,095</b>  | <b>1,636</b>  | <b>1,886</b>  | <b>1,437</b>  | <b>2,405</b>  | <b>2,294</b>  | <b>2,197</b>  | <b>6,874</b>  | <b>8,290</b>  | <b>1,608</b>  | <b>-10.6</b> |
| <b>Adj PAT</b>                     | <b>1,543</b>  | <b>1,986</b>  | <b>2,445</b>  | <b>1,886</b>  | <b>1,437</b>  | <b>2,405</b>  | <b>2,294</b>  | <b>2,197</b>  | <b>7,860</b>  | <b>8,290</b>  | <b>1,608</b>  | <b>-10.6</b> |
| YoY Change (%)                     | 211           | 15            | 130           | 78            | -6.8          | 21.1          | -6.2          | 16.5          | 81            | 5             | 4             |              |

E: MOFSL Estimates

**Exhibit 1: We value Zee at a TP of INR135, based on 12x Sept'27 P/E**

| Valuation                 | Sep'27E    |
|---------------------------|------------|
| EPS                       | 11.1       |
| PE multiple (x)           | 12         |
| <b>Target Price (INR)</b> | <b>135</b> |
| CMP (INR)                 | 133        |
| Upside (%)                | 1.5        |

Source: MOFSL, Company



## Detailed takeaways from management interaction

- **Ad revenue trends and outlook:** Domestic advertising revenue was impacted by continued macroeconomic headwinds, extended sports calendar (IPL), and lower ad spending by FMCG companies. However, management remains cautiously optimistic on ad recovery in the coming quarters, driven by early signs of recovery supported by a healthy monsoon and the onset of the festive season. The company maintained its guidance of 8% ad revenue growth, driven by Zee's re-entry into the FTA segment, rising viewership share, launch of new genres, and a focus on regional languages.
- **Subscription trends and outlook:** Digital subscription growth was supported by the introduction of language packs in Zee5; however, this was offset by a decline in linear subscriptions due to a drop in Pay TV subscribers. Management indicated that the company remains in negotiations with DPOs and expects subscription revenue to grow in line with inflation.
- **Guidance & outlook:** Management remains committed to its goals of: 1) accelerating growth (8-10% annually), 2) improving margins (18-20%), and 3) driving Zee5 to breakeven by FY26-end. Management noted that all new investments are already factored into the margin guidance (18-20%), and there is no change in plans despite the shareholders not approving the recent promoter infusion.
- **Viewership trends:** The GEC genre was seasonally impacted by increased sports viewership and summer-led demand in the kids' category. However, Zee's viewership share improved to 16.8% (up 40bp YoY) in 1QFY26 and further to 18%+ in July, the highest in the last two years. This was driven by strong traction in Hindi, Marathi, Kannada, Odia, and Bangla markets, reflecting improved content quality and audience receptiveness.
- **ZEE5:** ZEE5 reported 30% YoY revenue growth, supported by digital syndication and a pricing strategy focused on regional language packs. These packs were introduced in June across seven languages to make subscriptions more affordable and in tune with the users' content consumption patterns. Management remains confident that an omni-channel content strategy, focus on breadth and depth across languages, and operational efficiency will help achieve breakeven in Zee5 by FY26-end.
- **Zee Music demerger:** Zee has appointed business officers for the syndication and music divisions. The company remains committed to value unlocking; however, the timeline has not been firmed up yet.
- **Movies:** Zee Studios released seven films in Q1; three in Hindi and four regional. While the quarter saw fewer big-ticket theatrical releases, management indicated that FY26 content line-up remains robust and broadly in line with the annual plans.
- **Cash balance:** The sequential dip in cash balance was driven by the cyclical nature of subscription collections and fund deployment in content and new initiatives.
- **Strategic partnerships:** The company launched two key strategic initiatives: the micro-drama platform Bullet targeting Gen-Zs with short-form, high-quality storytelling and IdeaBaaz aimed at surfacing stories and innovations from tier 2/3 India.

### Quarterly performance (INR m)

|                                      | 1QFY25        | 4QFY25        | 1QFY26        | YoY%         | QoQ%         | 1QFY26E       | v/s est (%)  |
|--------------------------------------|---------------|---------------|---------------|--------------|--------------|---------------|--------------|
| Advertising revenue                  | 9,113         | 8,375         | 7,585         | -16.8        | -9.4         | 8,281         | -8.4         |
| Subscription revenue                 | 9,872         | 9,865         | 9,817         | -0.6         | -0.5         | 10,236        | -4.1         |
| Other sales and services             | 2,320         | 3,601         | 846           | -63.5        | -76.5        | 999           | -15.3        |
| <b>Total revenue</b>                 | <b>21,305</b> | <b>21,841</b> | <b>18,248</b> | <b>-14.3</b> | <b>-16.5</b> | <b>19,515</b> | <b>-6.5</b>  |
| Total operating expenses             | 18,589        | 18,989        | 15,968        | -14.1        | -15.9        | 17,020        | -6.2         |
| <b>EBITDA</b>                        | <b>2,717</b>  | <b>2,852</b>  | <b>2,280</b>  | <b>-16.1</b> | <b>-20.1</b> | <b>2,495</b>  | <b>-8.6</b>  |
| <b>EBITDA margin (%)</b>             | <b>12.8</b>   | <b>13.1</b>   | <b>12.5</b>   | <b>-26bp</b> | <b>-56bp</b> | <b>12.8</b>   | <b>-29bp</b> |
| Depreciation                         | 756           | 639           | 591           | -21.8        | -7.5         | 705           | -16.1        |
| Finance Cost                         | 55            | 81            | 77            | 39.0         | -5           | 91            | -16          |
| Other income                         | 190           | 362           | 250           | 31.6         | -30.9        | 450           | -44.4        |
| <b>PBT</b>                           | <b>2,084</b>  | <b>2,619</b>  | <b>1,971</b>  | <b>-5.4</b>  | <b>-24.7</b> | <b>2,149</b>  | <b>-8.3</b>  |
| Exceptional item gain/(loss)         | -286          | 0             | 0             | NM           | NM           | 0             | NM           |
| <b>Reported PBT</b>                  | <b>1,798</b>  | <b>2,619</b>  | <b>1,971</b>  | <b>9.6</b>   | <b>-24.7</b> | <b>2,149</b>  | <b>-8</b>    |
| Tax                                  | 542           | 734           | 535           | -1.3         | -27.1        | 541           | -1           |
| <b>Effective Tax Rate (%)</b>        | <b>30.2</b>   | <b>28.0</b>   | <b>27.1</b>   |              |              | <b>25.2</b>   |              |
| <b>Reported PAT</b>                  | <b>1,256</b>  | <b>1,885</b>  | <b>1,436</b>  | <b>14</b>    | <b>-24</b>   | <b>1,608</b>  | <b>-11</b>   |
| Associates/Minority Interest         | -1            | -1            | -1            | 11           | 0            | 0             |              |
| <b>Reported PAT (after Asso./MI)</b> | <b>1,257</b>  | <b>1,886</b>  | <b>1,437</b>  | <b>14</b>    | <b>-24</b>   | <b>1,608</b>  | <b>-11</b>   |
| <b>Adjusted PAT</b>                  | <b>1,543</b>  | <b>1,886</b>  | <b>1,437</b>  | <b>-7</b>    | <b>-24</b>   | <b>1,608</b>  | <b>-11</b>   |
| Operating expenses (INR m)           | 1QFY25        | 4QFY25        | 1QFY26        | YoY%         | QoQ%         | 1QFY26E       | v/s est (%)  |
| Prog, Transmission & Direct Exp      | 11,770        | 12,819        | 9,710         | -17.5        | -24.3        | 10,828        | -10.3        |
| Employee Cost                        | 2,258         | 2,300         | 2,201         | -2.5         | -4.3         | 2,145         | 2.6          |
| Selling and Other Exp                | 4,561         | 3,870         | 4,057         | -11.0        | 4.8          | 4,047         | 0.2          |
| <b>Total operating costs</b>         | <b>18,589</b> | <b>18,989</b> | <b>15,968</b> | <b>-14.1</b> | <b>-15.9</b> | <b>17,020</b> | <b>-6.2</b>  |

Source: MOFSL, Company

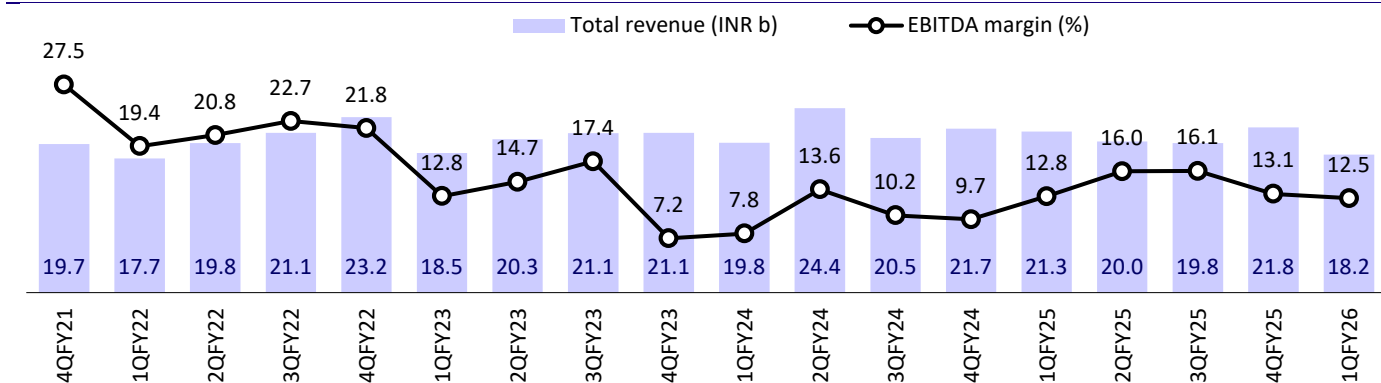
### Exhibit 2: Summary of our estimate changes (INR b)

|                                     | FY26 | FY27E | FY28E |
|-------------------------------------|------|-------|-------|
| <b>Ad revenue (INR b)</b>           |      |       |       |
| Old                                 | 37.6 | 39.6  | -     |
| Actual/New                          | 36.6 | 38.6  | 40.7  |
| Change (%)                          | -2.7 | -2.7  | -     |
| <b>Subscription revenue (INR b)</b> |      |       |       |
| Old                                 | 41.1 | 43.0  | -     |
| New                                 | 40.6 | 42.5  | 44.5  |
| Change (%)                          | -1.2 | -1.2  | -     |
| <b>Total revenue (INR b)</b>        |      |       |       |
| Old                                 | 86.8 | 91.4  | -     |
| New                                 | 84.7 | 89.1  | 93.7  |
| Change (%)                          | -2.4 | -2.4  | -     |
| <b>EBITDA (INR b)</b>               |      |       |       |
| Old                                 | 13.3 | 14.6  | -     |
| New                                 | 12.2 | 14.0  | 16.2  |
| Change (%)                          | -8.1 | -4.0  | -     |
| <b>EBITDA margin (%)</b>            |      |       |       |
| Old                                 | 15.4 | 16.0  | -     |
| New                                 | 14.5 | 15.8  | 17.3  |
| Change (bp)                         | -89  | -25   | -     |
| <b>PAT (INR b)</b>                  |      |       |       |
| Old                                 | 8.9  | 10.1  | -     |
| New                                 | 8.3  | 9.8   | 11.5  |
| Change (%)                          | -6.8 | -3.1  | -     |
| <b>EPS (INR)</b>                    |      |       |       |
| Old                                 | 9.3  | 10.5  | -     |
| New                                 | 8.6  | 10.2  | 12.0  |
| Change (%)                          | -6.8 | -3.1  | -     |

Source: MOFSL, Company

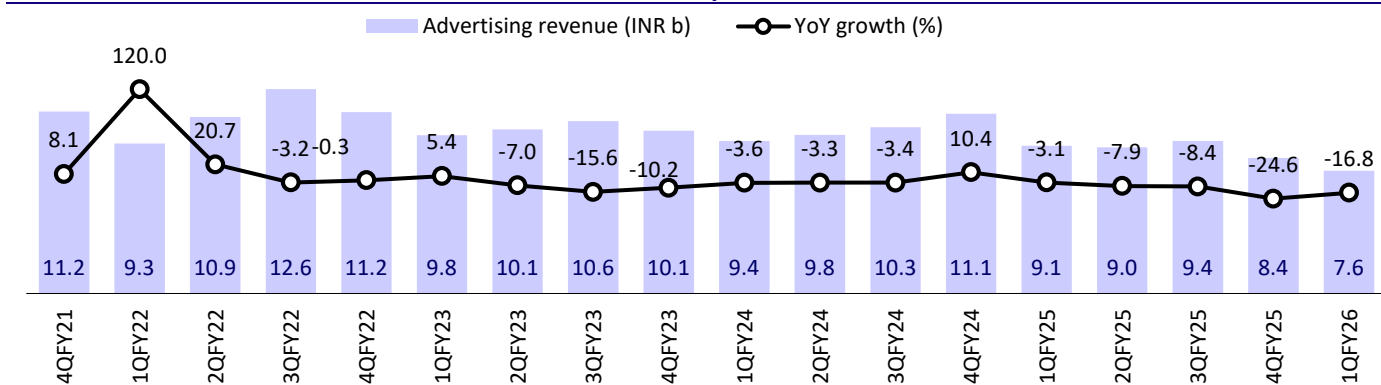
## Story in charts

**Exhibit 3: Consol. revenue declined 14% YoY on broad-based weakness; EBITDA margin contracted ~25bp YoY**



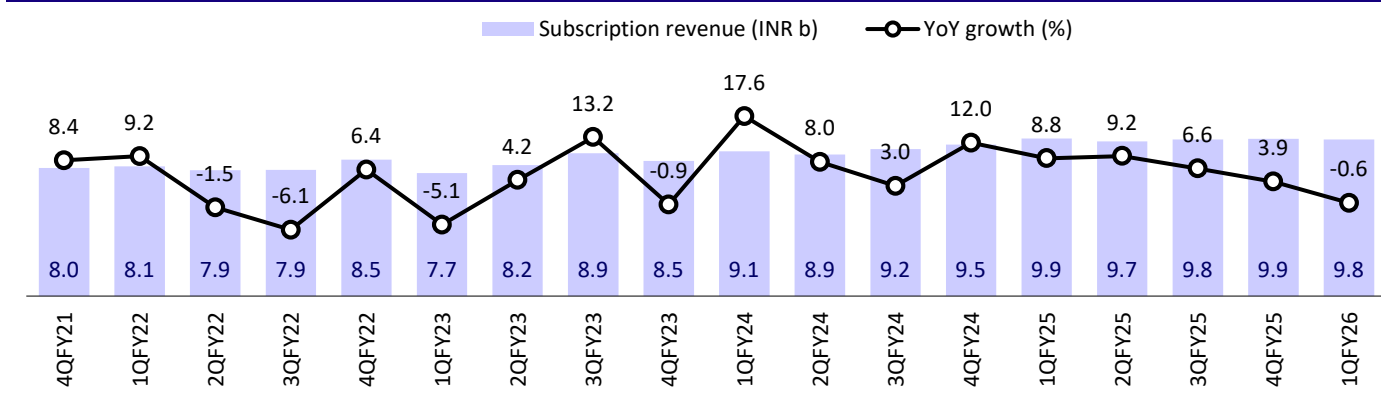
Source: Company, MOFSL

**Exhibit 4: Overall ad revenue declined ~17% YoY in 1Q, driven by ~19% YoY decline in domestic ad revenue**

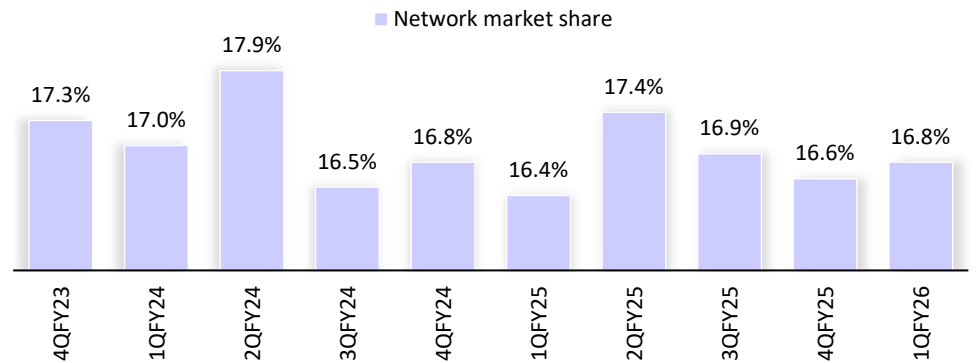


Source: Company, MOFSL

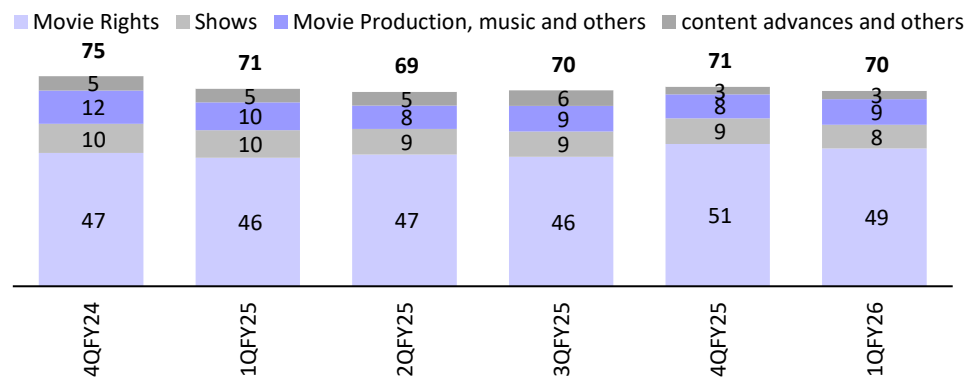
**Exhibit 5: Overall subscription remained largely flat YoY; Zee5 revenue grew 30% YoY**



Source: Company, MOFSL

**Exhibit 6: All-India market share improved ~40bp YoY (+20bp QoQ)**


Source: MOFSL, Company

**Exhibit 7: Break-up of content inventory, advances, and deposits (INR b)**


Source: Company, MOFSL

**Exhibit 8: Zee5 revenue grew 30% YoY; operating losses continue to decline**

| ZEE5 KPIs (INR m)           | 4QFY23         | 1QFY24         | 2QFY24         | 3QFY24         | 4QFY24         | 1QFY25         | 2QFY25         | 3QFY25         | 4QFY25       | 1QFY26       |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| <b>ZEE5 Revenue</b>         | <b>2,200</b>   | <b>1,939</b>   | <b>2,652</b>   | <b>2,232</b>   | <b>2,372</b>   | <b>2,237</b>   | <b>2,363</b>   | <b>2,413</b>   | <b>2,747</b> | <b>2,900</b> |
| as % of total revenue       | 10%            | 10%            | 11%            | 11%            | 11%            | 10%            | 12%            | 12%            | 16%          | 16%          |
| <b>ZEE5 Operating Costs</b> | <b>5,313</b>   | <b>5,360</b>   | <b>5,191</b>   | <b>4,672</b>   | <b>5,024</b>   | <b>4,014</b>   | <b>3,951</b>   | <b>3,775</b>   | <b>3,500</b> | <b>3,558</b> |
| YoY growth                  | 49%            | 36%            | 22%            | -2%            | -5%            | -25%           | -24%           | -19%           | -30%         | -11%         |
| as % of total Costs         | 27%            | 29%            | 26%            | 25%            | 26%            | 22%            | 24%            | 23%            | 18%          | 21%          |
| <b>ZEE5 EBITDA</b>          | <b>(3,113)</b> | <b>(3,421)</b> | <b>(2,539)</b> | <b>(2,440)</b> | <b>(2,652)</b> | <b>(1,777)</b> | <b>(1,588)</b> | <b>(1,362)</b> | <b>(753)</b> | <b>(658)</b> |

Source: Company, MOFSL

**Exhibit 9: Key trends and assumptions for Zee**

| (INR bn)            | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       | FY28E       |
|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Consolidated</b> |             |             |             |             |             |             |             |             |             |             |             |
| <b>Revenue</b>      | <b>66.9</b> | <b>79.3</b> | <b>81.3</b> | <b>77.3</b> | <b>81.9</b> | <b>80.9</b> | <b>86.4</b> | <b>82.9</b> | <b>84.7</b> | <b>89.1</b> | <b>93.7</b> |
| Advertising         | 42.0        | 50.4        | 46.8        | 37.5        | 44.0        | 40.6        | 40.6        | 35.9        | 36.6        | 38.6        | 40.7        |
| Subscription        | 20.3        | 23.1        | 28.9        | 31.9        | 32.5        | 33.4        | 36.7        | 39.3        | 40.6        | 42.5        | 44.5        |
| Others              | 4.5         | 5.9         | 5.6         | 7.9         | 5.5         | 6.9         | 9.1         | 7.8         | 7.5         | 8.1         | 8.6         |
| <b>EBITDA</b>       | <b>20.8</b> | <b>25.6</b> | <b>16.3</b> | <b>17.9</b> | <b>17.2</b> | <b>11.0</b> | <b>9.1</b>  | <b>12.0</b> | <b>12.2</b> | <b>14.0</b> | <b>16.2</b> |
| Margin (%)          | 31.1        | 32.3        | 20.1        | 23.2        | 21.0        | 13.6        | 10.5        | 14.4        | 14.5        | 15.8        | 17.3        |
| <b>PAT</b>          | <b>14.0</b> | <b>15.8</b> | <b>9.4</b>  | <b>10.7</b> | <b>10.5</b> | <b>4.6</b>  | <b>4.3</b>  | <b>7.9</b>  | <b>8.3</b>  | <b>9.8</b>  | <b>11.5</b> |
| <b>EPS</b>          | <b>15.4</b> | <b>16.3</b> | <b>5.5</b>  | <b>8.3</b>  | <b>10.0</b> | <b>2.6</b>  | <b>2.1</b>  | <b>7.2</b>  | <b>8.6</b>  | <b>10.2</b> | <b>12.0</b> |
| <b>Zee5</b>         |             |             |             |             |             |             |             |             |             |             |             |
| <b>Revenue</b>      | -           | -           | -           | <b>4.2</b>  | <b>5.5</b>  | <b>7.4</b>  | <b>9.2</b>  | <b>9.8</b>  | <b>11.2</b> | <b>12.6</b> | <b>14.1</b> |
| EBITDA              | -           | -           | -           | (6.7)       | (7.5)       | (11.1)      | (11.1)      | (5.5)       | (2.4)       | (0.6)       | 1.4         |
| Margin (%)          | -           | -           | -           | (160.5)     | (137.1)     | (149.1)     | (120.2)     | (56.1)      | (21.5)      | (4.5)       | 10.3        |
| <b>Ex-Zee5</b>      |             |             |             |             |             |             |             |             |             |             |             |
| <b>Revenue</b>      | <b>66.9</b> | <b>79.3</b> | <b>81.3</b> | <b>73.1</b> | <b>76.4</b> | <b>73.5</b> | <b>77.2</b> | <b>73.2</b> | <b>73.4</b> | <b>76.5</b> | <b>79.7</b> |
| EBITDA              | 20.8        | 25.6        | 16.3        | 24.6        | 24.7        | 22.1        | 20.1        | 17.4        | 14.6        | 14.6        | 14.8        |
| Margin (%)          | 31.1        | 32.3        | 20.1        | 33.7        | 32.4        | 30.0        | 26.1        | 23.8        | 19.9        | 19.1        | 18.5        |



## Financials and Valuations

### Consolidated - Income Statement

(INR m)

| Y/E March                           | FY20          | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | FY28E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>81,299</b> | <b>77,299</b> | <b>81,893</b> | <b>80,879</b> | <b>86,372</b> | <b>82,941</b> | <b>84,665</b> | <b>89,119</b> | <b>93,746</b> |
| Change (%)                          | 2.5           | -4.9          | 5.9           | -1.2          | 6.8           | -4.0          | 2.1           | 5.3           | 5.2           |
| Programming/Production expenses     | 38,285        | 37,505        | 40,449        | 44,686        | 50,393        | 45,172        | 46,059        | 47,977        | 49,697        |
| Employees Cost                      | 7,805         | 8,183         | 8,641         | 8,238         | 10,188        | 9,266         | 9,567         | 9,902         | 10,249        |
| Other Expenses                      | 18,863        | 13,710        | 15,582        | 16,944        | 16,719        | 16,541        | 16,798        | 17,192        | 17,596        |
| <b>Total Expenditure</b>            | <b>64,953</b> | <b>59,398</b> | <b>64,672</b> | <b>69,868</b> | <b>77,301</b> | <b>70,979</b> | <b>72,424</b> | <b>75,072</b> | <b>77,541</b> |
| % of Sales                          | 79.9          | 76.8          | 79.0          | 86.4          | 89.5          | 85.6          | 85.5          | 84.2          | 82.7          |
| <b>EBITDA</b>                       | <b>16,345</b> | <b>17,901</b> | <b>17,221</b> | <b>11,011</b> | <b>9,071</b>  | <b>11,963</b> | <b>12,241</b> | <b>14,047</b> | <b>16,205</b> |
| Margin (%)                          | 20.1          | 23.2          | 21.0          | 13.6          | 10.5          | 14.4          | 14.5          | 15.8          | 17.3          |
| Depreciation                        | 2,706         | 2,649         | 2,459         | 3,128         | 3,091         | 2,785         | 2,637         | 2,885         | 3,050         |
| <b>EBIT</b>                         | <b>13,639</b> | <b>15,252</b> | <b>14,762</b> | <b>7,884</b>  | <b>5,980</b>  | <b>9,177</b>  | <b>9,604</b>  | <b>11,163</b> | <b>13,155</b> |
| Int. and Finance Charges            | 1,449         | 571           | 451           | 702           | 721           | 327           | 325           | 275           | 225           |
| Other Income                        | 2,836         | 1,104         | 1,213         | 797           | 1,292         | 1,234         | 1,800         | 2,200         | 2,500         |
| Fair Value through P&L gain/(loss)  | -2,597        | -1,962        | -37           | 58            | 38            | 159           | 0             | 0             | 0             |
| <b>PBT bef. EO Exp.</b>             | <b>12,430</b> | <b>13,823</b> | <b>15,487</b> | <b>8,037</b>  | <b>6,590</b>  | <b>10,243</b> | <b>11,079</b> | <b>13,088</b> | <b>15,430</b> |
| EO Items                            | -2,843        | -1,266        | -1,333        | -3,355        | -2,784        | -986          | 0             | 0             | 0             |
| <b>PBT after EO Exp.</b>            | <b>9,587</b>  | <b>12,558</b> | <b>14,154</b> | <b>4,682</b>  | <b>3,806</b>  | <b>9,257</b>  | <b>11,079</b> | <b>13,088</b> | <b>15,430</b> |
| Total Tax                           | 4,317         | 4,625         | 4,597         | 2,167         | 1,818         | 2,387         | 2,789         | 3,294         | 3,884         |
| Tax Rate (%)                        | 45.0          | 36.8          | 32.5          | 46.3          | 47.8          | 25.8          | 25.2          | 25.2          | 25.2          |
| Minority Interest/Associate         | 5             | -69           | -89           | 1             | -4            | -4            | 0             | 0             | 0             |
| <b>Reported PAT</b>                 | <b>5,265</b>  | <b>8,002</b>  | <b>9,646</b>  | <b>2,514</b>  | <b>1,992</b>  | <b>6,874</b>  | <b>8,290</b>  | <b>9,794</b>  | <b>11,546</b> |
| <b>Adjusted PAT</b>                 | <b>9,424</b>  | <b>10,620</b> | <b>11,129</b> | <b>4,568</b>  | <b>4,346</b>  | <b>7,860</b>  | <b>8,290</b>  | <b>9,794</b>  | <b>11,546</b> |
| Change (%)                          | -40.3         | 12.7          | 4.8           | -59.0         | -4.9          | 80.8          | 5.5           | 18.1          | 17.9          |
| Margin (%)                          | 11.6          | 13.7          | 13.6          | 5.6           | 5.0           | 9.5           | 9.8           | 11.0          | 12.3          |

### Consolidated - Balance Sheet

(INR m)

| Y/E March                           | FY20            | FY21            | FY22            | FY23            | FY24            | FY25            | FY26E           | FY27E           | FY28E           |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital                | 961             | 961             | 961             | 961             | 961             | 961             | 961             | 961             | 961             |
| Total Reserves                      | 92,479          | 99,985          | 1,07,667        | 1,06,258        | 1,07,768        | 1,14,373        | 1,20,262        | 1,27,654        | 1,36,799        |
| <b>Net Worth</b>                    | <b>93,439</b>   | <b>1,00,945</b> | <b>1,08,627</b> | <b>1,07,219</b> | <b>1,08,729</b> | <b>1,15,334</b> | <b>1,21,222</b> | <b>1,28,614</b> | <b>1,37,759</b> |
| Minority Interest                   | 110             | 129             | 0               | 0               | 0               | 0               | 0               | 0               | 0               |
| Total Loans                         | 6,476           | 4,028           | 556             | 2,820           | 2,303           | 3,209           | 2,709           | 2,209           | 1,709           |
| Deferred Tax Liabilities            | 0               | -1,207          | -3,080          | -4,229          | -4,542          | -4,101          | -4,101          | -4,101          | -4,101          |
| <b>Capital Employed</b>             | <b>1,00,025</b> | <b>1,03,894</b> | <b>1,06,103</b> | <b>1,05,810</b> | <b>1,06,490</b> | <b>1,14,442</b> | <b>1,19,830</b> | <b>1,26,722</b> | <b>1,35,367</b> |
| Gross Block                         | 19,799          | 21,870          | 30,164          | 29,644          | 31,174          | 31,966          | 33,966          | 35,966          | 37,966          |
| Less: Accum. Deprn.                 | 10,722          | 13,762          | 21,363          | 19,348          | 22,439          | 25,224          | 27,861          | 30,746          | 33,795          |
| <b>Net Fixed Assets</b>             | <b>9,077</b>    | <b>8,108</b>    | <b>8,801</b>    | <b>10,296</b>   | <b>8,736</b>    | <b>6,742</b>    | <b>6,105</b>    | <b>5,220</b>    | <b>4,170</b>    |
| Goodwill on Consolidation           | 4,070           | 3,804           | 3,450           | 3,302           | 3,303           | 3,304           | 3,304           | 3,304           | 3,304           |
| Capital WIP                         | 832             | 782             | 871             | 191             | 98              | 14              | 14              | 14              | 14              |
| <b>Total Investments</b>            | <b>3,247</b>    | <b>7,983</b>    | <b>651</b>      | <b>330</b>      | <b>368</b>      | <b>11,921</b>   | <b>11,921</b>   | <b>11,921</b>   | <b>11,921</b>   |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>1,06,511</b> | <b>1,06,303</b> | <b>1,10,636</b> | <b>1,18,723</b> | <b>1,17,451</b> | <b>1,11,259</b> | <b>1,20,992</b> | <b>1,29,596</b> | <b>1,40,051</b> |
| Inventory                           | 53,475          | 54,030          | 63,862          | 73,079          | 69,129          | 67,748          | 66,249          | 65,722          | 68,077          |
| Account Receivables                 | 20,847          | 21,286          | 17,375          | 16,088          | 17,016          | 15,325          | 16,237          | 17,091          | 17,979          |
| Cash and Bank Balance               | 7,345           | 10,907          | 12,733          | 8,040           | 11,932          | 12,500          | 21,108          | 28,471          | 34,732          |
| Loans and Advances                  | 24,845          | 20,080          | 16,666          | 21,516          | 19,374          | 15,686          | 17,397          | 18,312          | 19,263          |
| <b>Curr. Liability &amp; Prov.</b>  | <b>23,712</b>   | <b>23,086</b>   | <b>18,306</b>   | <b>27,032</b>   | <b>23,465</b>   | <b>18,798</b>   | <b>22,505</b>   | <b>23,333</b>   | <b>24,093</b>   |
| Account Payables                    | 16,803          | 13,982          | 13,719          | 17,494          | 14,355          | 11,907          | 13,777          | 14,284          | 14,749          |
| Other Current Liabilities           | 5,383           | 7,395           | 3,429           | 8,040           | 7,266           | 5,123           | 6,888           | 7,142           | 7,375           |
| Provisions                          | 1,526           | 1,709           | 1,159           | 1,498           | 1,844           | 1,768           | 1,839           | 1,907           | 1,969           |
| <b>Net Current Assets</b>           | <b>82,799</b>   | <b>83,218</b>   | <b>92,329</b>   | <b>91,691</b>   | <b>93,986</b>   | <b>92,461</b>   | <b>98,487</b>   | <b>1,06,264</b> | <b>1,15,959</b> |
| <b>Appl. of Funds</b>               | <b>1,00,025</b> | <b>1,03,894</b> | <b>1,06,103</b> | <b>1,05,810</b> | <b>1,06,490</b> | <b>1,14,442</b> | <b>1,19,830</b> | <b>1,26,722</b> | <b>1,35,367</b> |



## Financials and Valuations

### Ratios

| Y/E March                     | FY20       | FY21        | FY22        | FY23       | FY24       | FY25       | FY26E      | FY27E       | FY28E       |
|-------------------------------|------------|-------------|-------------|------------|------------|------------|------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |             |             |            |            |            |            |             |             |
| <b>EPS</b>                    | <b>5.5</b> | <b>11.1</b> | <b>11.6</b> | <b>4.8</b> | <b>4.5</b> | <b>8.2</b> | <b>8.6</b> | <b>10.2</b> | <b>12.0</b> |
| Cash EPS                      | 11.8       | 13.4        | 13.9        | 8.0        | 7.7        | 11.1       | 11.4       | 13.2        | 15.2        |
| BV/Share                      | 97.3       | 105.1       | 113.1       | 111.6      | 113.2      | 120.1      | 126.2      | 133.9       | 143.4       |
| DPS                           | 3.0        | 2.5         | 3.0         | 3.0        | 0.0        | 2.4        | 2.5        | 2.5         | 2.5         |
| Payout (%)                    | 54.7       | 30.0        | 29.9        | 114.6      | 0.0        | 34.0       | 29.0       | 24.5        | 20.8        |
| <b>Valuation (x)</b>          |            |             |             |            |            |            |            |             |             |
| P/E                           | 24.3       | 12.0        | 11.5        | 28.0       | 29.4       | 16.3       | 15.4       | 13.0        | 11.1        |
| Cash P/E                      | 11.3       | 9.9         | 9.6         | 16.6       | 17.2       | 12.0       | 11.7       | 10.1        | 8.8         |
| P/BV                          | 1.4        | 1.3         | 1.2         | 1.2        | 1.2        | 1.1        | 1.1        | 1.0         | 0.9         |
| EV/Sales                      | 1.5        | 1.5         | 1.4         | 1.5        | 1.4        | 1.3        | 1.2        | 1.0         | 0.9         |
| EV/EBITDA                     | 7.6        | 6.3         | 6.7         | 11.1       | 13.0       | 8.9        | 8.0        | 6.4         | 5.1         |
| Dividend Yield (%)            | 2.3        | 1.9         | 2.3         | 2.3        | 0.0        | 1.8        | 1.9        | 1.9         | 1.9         |
| FCF per share                 | 1.1        | 14.3        | 0.4         | -1.3       | 6.3        | 11.4       | 10.4       | 8.7         | 7.2         |
| <b>Return Ratios (%)</b>      |            |             |             |            |            |            |            |             |             |
| RoE                           | 10.3       | 10.9        | 10.6        | 4.2        | 4.0        | 7.0        | 7.0        | 7.8         | 8.7         |
| RoCE                          | 9.0        | 10.1        | 10.1        | 4.3        | 3.4        | 6.7        | 7.0        | 7.9         | 8.7         |
| RoIC                          | 9.0        | 11.1        | 11.3        | 4.5        | 3.3        | 7.4        | 8.1        | 9.7         | 11.2        |
| <b>Working Capital Ratios</b> |            |             |             |            |            |            |            |             |             |
| Fixed Asset Turnover (x)      | 4.1        | 3.5         | 2.7         | 2.7        | 2.8        | 2.6        | 2.5        | 2.5         | 2.5         |
| Asset Turnover (x)            | 0.8        | 0.7         | 0.8         | 0.8        | 0.8        | 0.7        | 0.7        | 0.7         | 0.7         |
| Inventory (Days)              | 240        | 255         | 285         | 330        | 292        | 298        | 286        | 269         | 265         |
| Debtor (Days)                 | 94         | 101         | 77          | 73         | 72         | 67         | 70         | 70          | 70          |
| Creditor (Days)               | 75         | 66          | 61          | 79         | 61         | 52         | 59         | 59          | 57          |
| <b>Leverage Ratio (x)</b>     |            |             |             |            |            |            |            |             |             |
| Current Ratio                 | 4.5        | 4.6         | 6.0         | 4.4        | 5.0        | 5.9        | 5.4        | 5.6         | 5.8         |
| Interest Cover Ratio          | 9.4        | 26.7        | 32.7        | 11.2       | 8.3        | 28.0       | 29.6       | 40.6        | 58.5        |
| Net Debt/Equity               | 0.0        | -0.1        | -0.1        | -0.1       | -0.1       | -0.2       | -0.3       | -0.3        | -0.3        |

### Consolidated - Cash Flow Statement

(INR m)

| Y/E March                        | FY20           | FY21          | FY22          | FY23          | FY24          | FY25           | FY26E         | FY27E         | FY28E         |
|----------------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| OP/(Loss) before Tax             | 9,563          | 12,556        | 14,155        | 4,681         | 3,811         | 9,261          | 11,079        | 13,088        | 15,430        |
| Depreciation                     | 5,550          | 2,649         | 2,459         | 3,413         | 3,167         | 2,785          | 2,637         | 2,885         | 3,050         |
| Interest & Finance Charges       | 135            | 104           | 226           | 707           | 724           | 296            | 325           | 275           | 225           |
| Direct Taxes Paid                | -3,114         | -5,011        | -4,965        | -3,893        | -2,401        | -734           | -2,789        | -3,294        | -3,884        |
| (Inc)/Dec in WC                  | -16,758        | 809           | -9,638        | -2,722        | 3,418         | 739            | 2,582         | -414          | -3,433        |
| <b>CF from Operations</b>        | <b>-4,624</b>  | <b>11,107</b> | <b>2,237</b>  | <b>2,186</b>  | <b>8,718</b>  | <b>12,347</b>  | <b>13,835</b> | <b>12,539</b> | <b>11,388</b> |
| Others                           | 7,124          | 4,370         | 478           | -896          | -1,574        | -487           | -1,800        | -2,200        | -2,500        |
| <b>CF from Operating incl EO</b> | <b>2,499</b>   | <b>15,477</b> | <b>2,714</b>  | <b>1,291</b>  | <b>7,143</b>  | <b>11,860</b>  | <b>12,035</b> | <b>10,339</b> | <b>8,888</b>  |
| (Inc)/Dec in FA                  | -1,451         | -1,740        | -2,286        | -2,560        | -1,087        | -880           | -2,000        | -2,000        | -2,000        |
| <b>Free Cash Flow</b>            | <b>1,048</b>   | <b>13,737</b> | <b>429</b>    | <b>-1,269</b> | <b>6,056</b>  | <b>10,980</b>  | <b>10,035</b> | <b>8,339</b>  | <b>6,888</b>  |
| (Pur)/Sale of Investments        | 3,163          | -3,765        | 16,361        | -553          | 75            | -15,748        | 0             | 0             | 0             |
| Others                           | 1,451          | -951          | -8,219        | 1,212         | 496           | 5,070          | 1,800         | 2,200         | 2,500         |
| <b>CF from Investments</b>       | <b>3,163</b>   | <b>-6,456</b> | <b>5,856</b>  | <b>-1,900</b> | <b>-517</b>   | <b>-11,558</b> | <b>-200</b>   | <b>200</b>    | <b>500</b>    |
| Issue of Equity                  | -4,867         | -4,027        | -4,034        | 0             | 0             | 0              | 0             | 0             | 0             |
| Inc/(Dec) in Debt                | -12            | 4             | 9             | -256          | -1,204        | 2,217          | -500          | -500          | -500          |
| Interest Paid                    | -67            | -43           | -49           | -80           | -671          | -120           | -325          | -275          | -225          |
| Dividend Paid                    | -5,227         | -1,118        | -2,850        | -2,882        | 0             | -961           | -2,402        | -2,402        | -2,402        |
| Others                           | -362           | -275          | 180           | -865          | -860          | -870           | 0             | 0             | 0             |
| <b>CF from Fin. Activity</b>     | <b>-10,535</b> | <b>-5,459</b> | <b>-6,745</b> | <b>-4,082</b> | <b>-2,735</b> | <b>266</b>     | <b>-3,227</b> | <b>-3,177</b> | <b>-3,127</b> |
| <b>Inc/Dec of Cash</b>           | <b>-4,873</b>  | <b>3,561</b>  | <b>1,826</b>  | <b>-4,692</b> | <b>3,891</b>  | <b>568</b>     | <b>8,608</b>  | <b>7,362</b>  | <b>6,261</b>  |
| Opening Balance                  | 12,218         | 7,345         | 10,907        | 12,732        | 8,041         | 11,932         | 12,500        | 21,108        | 28,471        |
| <b>Closing Balance</b>           | <b>7,345</b>   | <b>10,907</b> | <b>12,732</b> | <b>8,041</b>  | <b>11,932</b> | <b>12,500</b>  | <b>21,108</b> | <b>28,471</b> | <b>34,732</b> |

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## NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | $\geq 15\%$  |
| SELL                             | $< -10\%$  |
| NEUTRAL                          | $< -10\%$ to $15\%$  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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