

# Zee Entertainment

Estimate changes

TP change

Rating change



Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	184/2.5
52-Week Range (INR)	261/135
1, 6, 12 Rel. Per (%)	-7/-10/-36
12M Avg Val (INR M)	5078

## Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
Sales	77.3	86.6	96.3
EBITDA	17.9	22.8	25.6
Adj. PAT	10.6	15.9	18.1
EBIT Margin (%)	23.2	26.3	26.6
Cons. Adj. EPS (INR)	8.3	16.5	18.9
EPS Gr. (%)	52.0	98.3	14.4
BV/Sh. (INR)	105.1	118.0	133.3

## Ratios

Net D:E	-0.1	-0.2	-0.2
RoE (%)	10.9	14.8	15.0
RoCE (%)	10.1	14.6	14.9
Payout (%)	36.0	21.8	19.1

## Valuations

P/E (x)	23.0	11.6	10.1
P/BV (x)	1.8	1.6	1.4
EV/EBITDA (x)	9.4	7.1	6.1
Div. Yield (%)	1.3	1.6	1.6
FCF Yield (%)	8.1	5.2	5.9

## Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	4.0	4.0	4.8
DII	12.6	12.2	11.1
FII	64.2	65.8	68.3
Others	19.3	18.1	15.9

FII Includes depository receipts

**CMP: INR191**

**TP: INR210 (+10%)**

**Neutral**

## Encouraging revenue trends; but margin guidance cut

- ZEE's revenue stood flat YoY with in line EBITDA v/s a loss in 4QFY20. Adjusted PAT was 18% lower than our estimate due to goodwill impairment and higher effective tax.
- We have revised down our FY22E/FY23E EBITDA/PAT by ~7%/5% on reduced margin guidance due to increased content investment in both broadcasting and the digital business. Lower investment guidance towards Sugarbox is a key positive. Maintain Neutral.

## Revenue/EBITDA in line; adjusted PAT hit by one-offs and higher tax

- Consolidated revenue was flat YoY at INR19.6b (in line), as ad revenue was up 8% YoY driven by continued recovery in the macro advertising environment (in line). On an LTL basis, subscription revenue grew by 6% YoY (excluding revenue from music subscription), primarily driven by ZEE5 subscription revenues.
- ZEE's total operating expenses declined 36% YoY to INR14b (in line). There was a higher one-time expense in 4QFY20. On an LTL basis, programming costs declined by 8% due to lower original programming in 4QFY21.
- EBITDA came in at INR5b (in line) with margin at 27.5%.
- The company reported a FV gain of INR207m due to change in the market price of redeemable preference shares and exceptional expenses of INR295m towards goodwill impairment charges on the sale of its digital publishing business to Rapidcube Technologies (related party).
- Adjusted PAT declined 31% YoY to INR2.7b (18% miss), while reported PAT came in at INR2.8b.
- The company declared a dividend of INR2.5/share.
- Over the last two years, cumulative content investment, advances, and deposits have gone up by 8%. Within that, the composition has changed as nearly 50% of content advances and deposits have shifted to inventory and movie rights.
- Revenue declined by 5%, but EBITDA/adjusted PAT grew 10%/13% in FY21.

## Highlights from the management commentary

- **Earnings guidance:** The management expects double-digit revenue growth in FY22 (over FY20) and EBITDA margin of over 25%.
- **Cash flow:** It is aiming at a FCF/PAT conversion of 50% in FY22.
- **Aggressive on ZEE5 and content:** The company is intensifying its content and movie release line up on ZEE5. It has also revised its pricing to INR499 annually (from INR999 earlier) to drive subscriber growth.
- **Sugarbox:** The management is scaling down its investment in Sugarbox against its earlier commitment on account of a delay in the rollout of projects and effects from the COVID-19 pandemic.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- The management indicated that revenue trends have been encouraging before the second COVID wave hit earnings. It guided at strong double-digit growth in FY22 (over FY20) as it plans to aggressively ramp up its broadcasting and digital content, along with sharp pricing in ZEE5 to drive earnings.
- Reduction in non-core investments in Sugarbox due to the COVID-19 pandemic, recovery of INR3.5b from related parties out of receivables of INR21b, and movement of nearly 50% of content advances and deposits to inventory is a welcome step. The management has guided at 50% PAT to FCF conversion.
- Higher investments on original content in both broadcasting as well as ZEE5, movie acquisition as well as movie production will pull down margin to 25-26%, much below historic levels of ~32-34% (more on this in our recent note).
- We revise down our FY22E/FY23E EBITDA/PAT estimate by 7%/5%. The stock trades at an attractive valuation of 12x/10x FY22E/FY23E. This is a far cry from its historic multiples of 25-30x. Any potential re-rating will be governed by: a) steady earnings growth, coupled with a consistent and disciplined investment approach, and b) avoiding non-core investments.
- For now, we value ZEE at 11x FY23E EPS, with a TP at INR210. **Maintain Neutral.**

**Consolidated - Quarterly Perf.**

(INR m)

Y/E March	FY20				FY21E				FY20	FY21	4Q FY21E	v/s Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Revenue</b>	<b>20,081</b>	<b>21,220</b>	<b>20,487</b>	<b>19,511</b>	<b>13,120</b>	<b>17,227</b>	<b>27,294</b>	<b>19,658</b>	<b>81,299</b>	<b>77,299</b>	<b>19,713</b>	-0.3
YoY Change (%)	13.3	7.4	-5.5	-3.4	-34.7	-18.8	33.2	0.8	2.5	-4.9	1.0	
Total Expenditure	13,484	14,291	14,829	22,349	10,921	14,090	20,137	14,250	64,953	59,398	14,446	-1.4
<b>EBITDA</b>	<b>6,598</b>	<b>6,929</b>	<b>5,658</b>	<b>-2,839</b>	<b>2,199</b>	<b>3,137</b>	<b>7,157</b>	<b>5,408</b>	<b>16,346</b>	<b>17,901</b>	<b>5,267</b>	2.7
EBITDA Margin (%)	32.9%	32.7%	27.6%	-14.5%	16.8%	18.2%	26.2%	27.5%	20.1%	23.2%	26.7%	1
Depreciation	690	583	656	778	719	651	652	627	2,706	2,649	662	-5.2
Interest	205	180	200	864	45	13	21	491	1,449	571	402	22.3
Other Income	1,039	681	710	407	264	379	276	186	2,836	1,104	251	-26.1
Fair Value through P&L gain/(loss)	679	-88	-401	-2,787	-1,123	-207	-839	207	-2,597	-1,962	0	
<b>PBT before EO expense</b>	<b>7,420</b>	<b>6,760</b>	<b>5,110</b>	<b>-6,860</b>	<b>576</b>	<b>2,644</b>	<b>5,920</b>	<b>4,683</b>	<b>12,430</b>	<b>13,823</b>	<b>4,455</b>	5.1
Extra-Ord expense	0	1,706	0	1,137	0	970	0	295	2,843	1,266	0	
<b>PBT</b>	<b>7,420</b>	<b>5,054</b>	<b>5,110</b>	<b>-7,997</b>	<b>576</b>	<b>1,674</b>	<b>5,920</b>	<b>4,388</b>	<b>9,587</b>	<b>12,558</b>	<b>4,455</b>	-1.5
Tax	2,146	921	1,622	-372	284	740	1,937	1,664	4,317	4,625	1,121	48.4
Rate (%)	28.9	18.2	31.7	4.7	49.2	44.2	32.7	37.9	45.0	36.8	25.2	
MI & P/L of Asso. Cos.	-31	1	-6	42	-11	-7	-16	-34	5	-69	42	
<b>Reported PAT</b>	<b>5,306</b>	<b>4,132</b>	<b>3,494</b>	<b>-7,667</b>	<b>304</b>	<b>942</b>	<b>3,999</b>	<b>2,757</b>	<b>5,265</b>	<b>8,002</b>	<b>3,292</b>	-16.2
<b>Adj PAT</b>	<b>4,596</b>	<b>5,616</b>	<b>3,889</b>	<b>-4,671</b>	<b>1,416</b>	<b>1,683</b>	<b>4,822</b>	<b>2,700</b>	<b>9,429</b>	<b>10,620</b>	<b>3,334</b>	-19.0
YoY Change (%)	32.2	37.4	-25.9	-257.4	-69.2	-70.0	24.0	LP	-40.2	12.6	LP	

E: MOFSL Estimates

**Key Performance Indicators**

Y/E March	FY20				FY21				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Advertisement revenue</b>	11,867	12,247	12,308	10,389	4,211	9,028	13,020	11,230	46,811	37,489
Domestic revenue	11,322	11,690	11,570	9,829	3,840	8,666	12,443	10,704	44,411	35,653
International revenue	545	557	738	560	371	362	577	526	2,400	1,836
<b>Subscription revenue</b>	7,088	7,235	7,137	7,414	7,443	8,003	8,419	8,034	28,874	31,899
Domestic revenue	6,240	6,459	6,317	6,607	6,625	7,172	7,328	7,481	25,623	28,606
International revenue	848	776	820	807	818	831	1,091	553	3,251	3,293
<b>Other sales and services</b>	1,126	1,739	1,042	1,709	1,466	196	5,854	395	5,867	1,126
Domestic revenue	916	990	935	1,076	1,316	54	159	195	4,237	916
International revenue	210	749	107	633	150	142	5,695	200	1,630	210
Production Costs (%)	39	42	41	67	50	48	52	43	47	49
EBITDA Margin (%)	32.9	32.7	27.6	-14.5	16.8	18.2	26.2	27.5	20.1	23.2
EBIT Margins (%)	29.4	29.9	24.4	-18.5	11.3	14.4	23.8	24.3	16.8	19.7

E: MOSL Estimates

**Segmental highlights**

- Domestic ad revenue increased 9% YoY to INR10.7b. International ad revenue declined 6% YoY to INR526m.
- Domestic subscription revenue grew 13% YoY to INR7.5b. International subscription revenue declined 31% YoY to INR553m.
- ZEE's all-India viewership stood at 18.9% in 4QFY21 (from 18.2% in 3QFY21).

**Balance Sheet highlights**

- Cash and investments rose to INR19b in FY21 (from INR11b in FY20).
- Inventories increased by 1% YoY to INR54b.
- Payables declined by 17% YoY to INR14b, while provisions stood flat QoQ at INR1.7b.

**Online platform ZEE5 gaining scale**

- MAU's/DAU's stood at 72.6m/6.1m in Mar'21.
- Revenue came in at INR1b (-9% QoQ), with an operating loss of INR1.6b (down 8% QoQ).
- It launched a total of 75 new shows and movies on ZEE5 during FY21.

**Auditors had raised a qualified opinion on USD52.5m contingent liability**

- Auditors in its 4QFY20 results had raised a qualified opinion for a USD52.5m contingent liability that could arise depending on multiple suits filed by Yes Bank in the Mauritius Supreme Court and Bombay high Court. The matter remains sub-judice as of Mar'21.
- Banks had filed a suit against ZEE in the Bombay high court, alleging that the company had given an LOC to its subsidiary ATL (which can be termed as a guarantee as per the bank) to acquire stake in LEL and pay Yes Bank. ZEE needs to fund ATL to service its obligation. ZEE has filed a suit in the Mauritius Supreme Court seeking claims from ATL.
- ZEE said the LOC neither provides any guarantee, commitment, or assurance to pay any obligation of LEL. It added that the LOC matter will anyways not impact the consolidated financial result since this is an intragroup arrangement, the impact of which will be eliminated in its consolidated result.

**Other highlights from previous quarters**

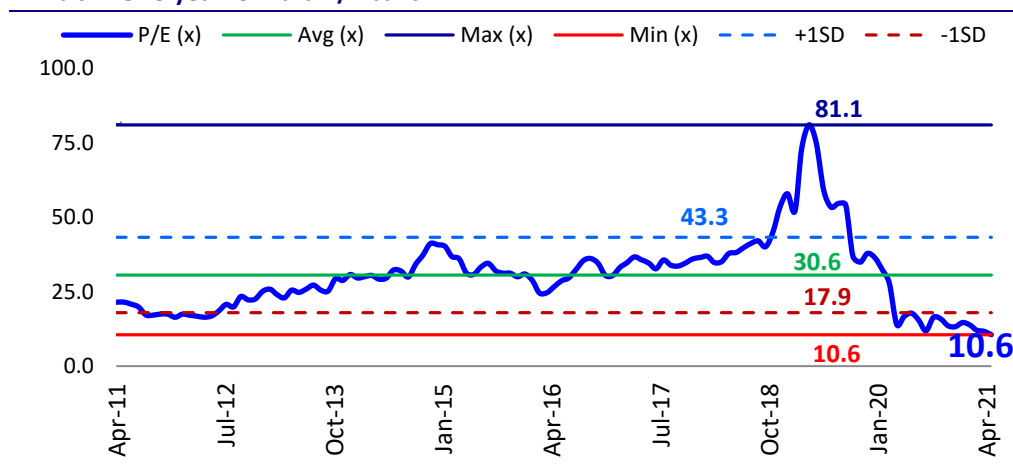
- ZEE had recognized INR1.1b towards exceptional items arising on account of impairment of goodwill in FY20. The management doesn't expect any further adjustment to its assets and goodwill.
- In 4QFY20, ZEE had decided to sell its overseas MF investments at INR2.2b and had reported an FV loss of INR3.8b due to fall in value of these assets.
- ZEE had fixed deposit (FD) of INR2b in Jul'19. The bank had adjusted the FD amount against dues of certain promoter group entities. Subsequently, this was settled by related parties at an interest of INR25m. The matter was also settled with the bank.
- ZEE had provided an inter-corporate deposit (ICD) worth INR1.5b, which was later assigned to secure the payment. This amount of INR1.7b (including interest) has already been provided for in 2QFY20 due to non-recovery. The company is pursuing recovery of this amount.

- It had received demand notices from Banks against Siti Network's outstanding loan of INR202b. ZEE had provided commitments for funding the shortfall as a DSRA guarantor for Siti Network.

**Exhibit 1: Valuation based on FY23E P/E**

Particulars	INR
EPS	19
P/E multiple (x)	11
<b>Target Price (INR)</b>	<b>210</b>
CMP (INR)	191
<b>Upside (%)</b>	<b>10%</b>

Source: MOFSL, Company

**Exhibit 2: One-year forward P/E band**

Source: MOFSL, Company

**Highlights from the management commentary****Key highlights**

- **Earnings guidance:** The management expects double-digit revenue growth in FY22 (over FY20) and EBITDA margin of over 25%.
- **Cash flow:** It is aiming at a FCF/PAT conversion of 50% in FY22.
- **Aggressive on ZEE5 and content:** The company is intensifying its content and movie release line up on ZEE5. It has also revised its pricing to INR499 annually (from INR999 earlier) to drive subscriber growth.
- **Sugarbox:** The management is scaling down its investment in Sugarbox against its earlier commitment on account of a delay in the rollout of projects and effects from the COVID-19 pandemic.

**Business performance in 4QFY21**

- **Viewership share:** ZEE's viewership share stands at 19%, at second spot (while the market leader has a viewership share of 24%). The management expects the rise in viewership across genres to sustain in the near term.
- **Ad revenue** dropped due to the cyclical nature of revenue in 4QFY21 and pending renewal by one of the telcos.
- **New channels** launched in the past one year have established a strong viewership base.
- **Production challenges:** On account of a lockdown in multiple states, it changed shoot locations and maintained a bio bubble to reduce the impact on production.

- **Liquidity:** Cash and investments stood at INR18.8b as of Mar'21.
- **Related-party transactions:** Receivables from DishTV have been recovered in excess of INR2b. DishTV's receivable days will be in line with other debtors in FY22. Siti's receivables continue to be on a cash and carry model (while some older dues are still pending).
- **Content library:** The management does not see any disruption to Hindi and Marathi content production in the near term. ZEE's original content library will last till 28<sup>th</sup> May'21. If the lockdown extends beyond 25<sup>th</sup> May'21, it will disrupt original content broadcasting for the industry.
- **Zee Music** saw 50% growth in subscribers YoY.

### Continued focus on the Digital platform

- **ZEE5** has a strong line-up of content and movies for FY22. It launched *Radhe* in May'21. The strong focus on multilingual content is part of its strategy and product proposition to cater to regional demand across India. Revenue from its international market continues to remain tepid.
- **Content launched:** It launched 75 original shows and movies in FY21, despite COVID-19 impacting shooting for three months.
- **Pricing:** ZEE5 reduced the price of its annual plan to INR499 (from INR999 earlier), in line with market trends. It has entered into a partnership with distributors to acquire subscribers through the B2B channel.
- **Revenue** will rise in 1QFY22 led by the *Radhe* launch and closing of a deal with telcos. A large part of ZEE5's MAUs are from AVOD and paying subscribers acquired from telcos.
- **Production costs:** Cost of OTT movies and content production/acquisition have seen a substantial rise in the past one-year due to COVID-related challenges.
- **International revenue:** ZEE5's launch in Western nations will only be SVOD based. Over 90% of AVOD subscribers are in India and the trend is improving with a movement to SVOD services.
- **Employee costs** are expected to rise as the firm is increasing its headcount in the Digital business.
- **Sugarbox:** The management will be reevaluating its investment in Sugarbox. It will be scaling down its earlier committed investments on account of a delay in the rollout of Sugarbox's projects due to effects from the COVID-19 pandemic.

### Business outlook

- **Revenue guidance:** The management expects double-digit revenue growth in FY22 (over FY20), with EBITDA margin of over 25%.
- **Cash flow:** It is aiming at a FCF/PAT conversion of 50% in FY22.
- **New investment:** During a business expansion phase, margin historically gets impacted temporarily. This might be the case over the next few years as the company plans to enhance its new growth engines by investing in the Movie business. Investment allocation to Movies will rise as the management will focus on movies for production/distribution. However, it won't be able to achieve its earlier guided target of 30-40 movies in FY22 due to the COVID-19 pandemic.
- **International subscription revenue** is now accounted as a net of certain costs, with nil impact over EBITDA. The same is expected to continue at the current quarterly rate of INR550m.

- **Redemption of preferential shares:** The last tranche of preferential share redemption will be in FY22. As per its current dividend policy, 36% of the consolidated cash profit will be paid out as dividends to shareholders.
- **Programming costs:** LTL programming costs will be in line with India's inflation rate.
- **Working capital:** Debtors and payables will be in line with historical trends. Inventory may go up, led by investments in its online businesses.

**Exhibit 3: Quarterly performance (INR m)**

	4QFY20	3QFY21	4QFY21	YoY%	QoQ%	4QFY21E	v/s est (%)
Advertising revenue	10,389	13,020	11,230	8.1	-13.7	10,950	2.6
Subscription revenue	7,414	8,419	8,034	8.4	-4.6	8,408	-4.5
Other sales and services	1,709	5,854	395	-76.9	-93.3	355	11.3
<b>Total revenue</b>	<b>19,511</b>	<b>27,294</b>	<b>19,658</b>	<b>0.8</b>	<b>-28.0</b>	<b>19,713</b>	<b>-0.3</b>
Total operating expenses	22,349	20,137	14,249	-36.2	-29.2	14,446	-1.4
<b>EBITDA</b>	<b>-2,839</b>	<b>7,157</b>	<b>5,409</b>	<i>LP</i>	-24.4	<b>5,267</b>	<b>2.7</b>
<b>EBITDA margin (%)</b>	<b>-14.5</b>	<b>26.2</b>	<b>27.5</b>	<b>4206bp</b>	<b>129bp</b>	<b>26.7</b>	<b>80bp</b>
Depreciation	778	652	627	-19.3	-3.8	662	-5.2
Finance Cost	864	21	491	-43.1	2,217	402	22
Other income	407	276	186	-54.3	-32.6	251	-26.1
Fair Value gain/(loss) through P&L	-2,787	-839	207	<i>NM</i>	<i>NM</i>	0	<i>NM</i>
<b>PBT</b>	<b>-6,860</b>	<b>5,920</b>	<b>4,683</b>	<b>-168.3</b>	<b>-20.9</b>	<b>4,455</b>	<b>5.1</b>
Exceptional item	-1,137	0	-295	<i>NM</i>	<i>NM</i>	0	<i>NM</i>
<b>Reported PBT</b>	<b>-7,997</b>	<b>5,920</b>	<b>4,388</b>	<b>-154.9</b>	<b>-25.9</b>	<b>4,455</b>	<b>-2</b>
Tax	-372	1,937	1,664	-547.3	-14.1	1,121	48
Effective Tax Rate (%)	4.7	32.7	37.9	3,327.9	520.7	25.2	1,276.2
<b>Reported PAT</b>	<b>-7,625</b>	<b>3,983</b>	<b>2,723</b>	<b>-136</b>	<b>-32</b>	<b>3,334</b>	<b>-18</b>
Associates/Minority Interest	42	-16	-34	-182	110	42	
<b>Reported PAT (after Asso./MI)</b>	<b>-7,667</b>	<b>3,999</b>	<b>2,758</b>	<b>-136</b>	<b>-31</b>	<b>3,292</b>	<b>-16</b>
<b>Adjusted PAT</b>	<b>3,889</b>	<b>1,683</b>	<b>2,700</b>	<b>-31</b>	<b>60</b>	<b>3,292</b>	<b>-18</b>
<b>Detailed segments</b>	<b>4QFY20</b>	<b>3QFY21</b>	<b>4QFY21</b>	<b>YoY%</b>	<b>QoQ%</b>	<b>4QFY21E</b>	<b>v/s est (%)</b>
<b>Advertisement revenue (INR m)</b>							
Domestic	9,829	12,443	10,704	8.9	-14.0	10,580	1.2
International	560	577	526	-6.1	-8.9	370	42.1
<b>Total Ad revenue</b>	<b>10,389</b>	<b>13,020</b>	<b>11,230</b>	<b>8.1</b>	<b>-13.7</b>	<b>10,950</b>	<b>2.6</b>
<b>Subscription revenue (INR m)</b>							
Domestic	6,607	7,328	7,481	13.2	2.1	7,572	-1.2
International	807	1,091	553	-31.5	-49.3	836	-33.9
<b>Total subscription revenue</b>	<b>7,414</b>	<b>8,419</b>	<b>8,034</b>	<b>8.4</b>	<b>-4.6</b>	<b>8,408</b>	<b>-4.5</b>
<b>Operating costs (INR m)</b>							
Prog, Transmission & Direct Exp	13,046	14,142	8,443	-35.3	-40.3	8,738	-3.4
Staff Cost	1,604	2,073	2,142	33.5	3.3	2,076	3.2
Selling and Other Exp	7,699	3,921	3,665	-52.4	-6.5	3,632	0.9
<b>Total operating costs</b>	<b>22,349</b>	<b>20,137</b>	<b>14,250</b>	<b>-36.2</b>	<b>-29.2</b>	<b>14,446</b>	<b>-1.4</b>

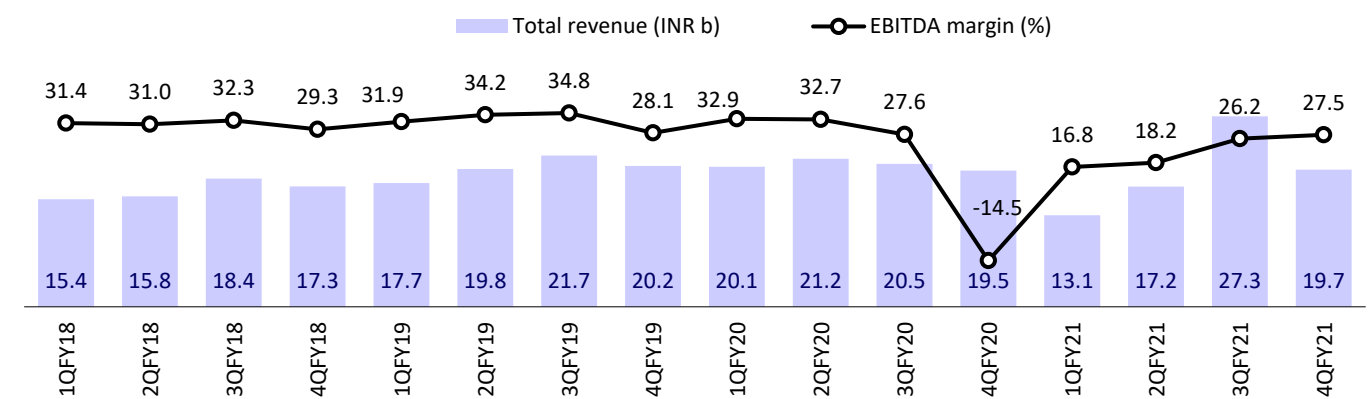
Source: MOFSL, Company

**Exhibit 4: Summary of estimate change (INR b)**

	FY22E	FY23E
<b>Ad revenue (INR b)</b>		
Old	48.0	54.1
Actual/New	48.3	54.4
Change (%)	0.7	0.7
<b>Subscription revenue (INR b)</b>		
Old	34.6	37.8
New	33.8	36.7
Change (%)	-2.3	-2.9
<b>Total revenue (INR b)</b>		
Old	87.0	97.0
New	86.6	96.3
Change (%)	-0.5	-0.8
<b>EBITDA (INR b)</b>		
Old	24.6	27.8
New	22.8	25.6
Change (%)	-7.4	-7.9
<b>EBITDA margin (%)</b>		
Old	28.3	28.7
New	26.3	26.6
Change (bp)	-195.1	-206.7
<b>PAT (INR b)</b>		
Old	16.7	19.0
New	15.9	18.1
Change (%)	-5.0	-4.4
<b>EPS (INR)</b>		
Old	17.4	19.8
New	16.5	18.9
Change (%)	-5.0	-4.4

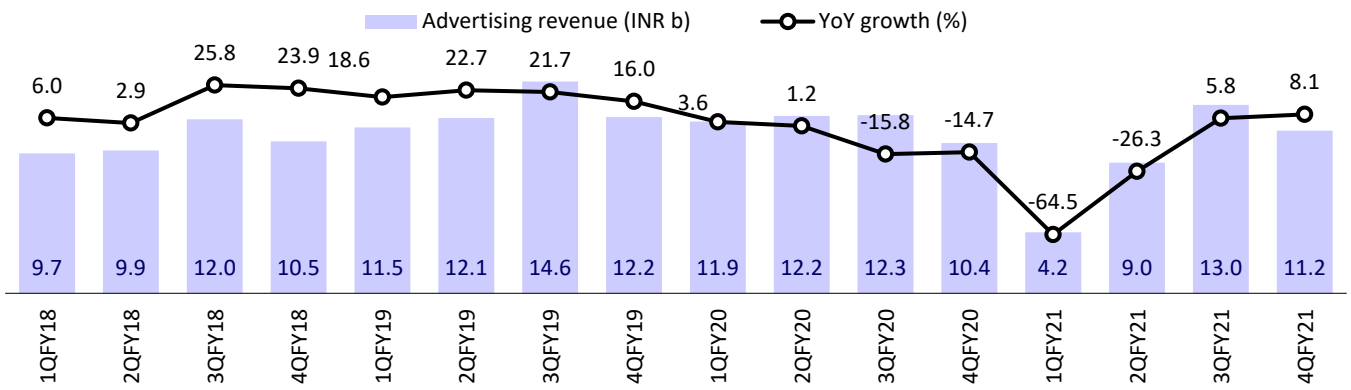
Source: MOFSL, Company

## Story in charts

**Exhibit 5: Consolidated revenue flat YoY (INR b, %)**

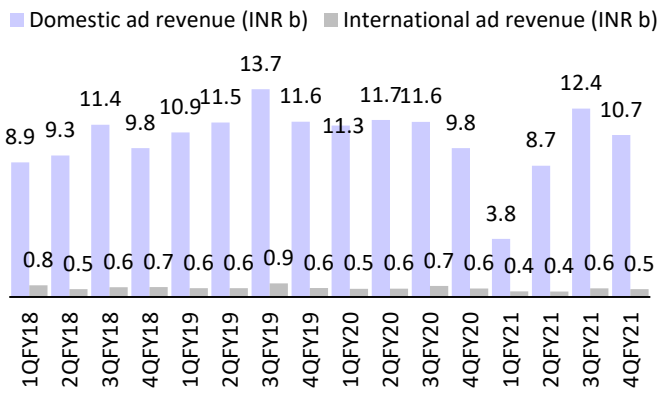
Source: Company, MOFSL

**Exhibit 6: Total ad revenue up 8% YoY (INR b, %)**



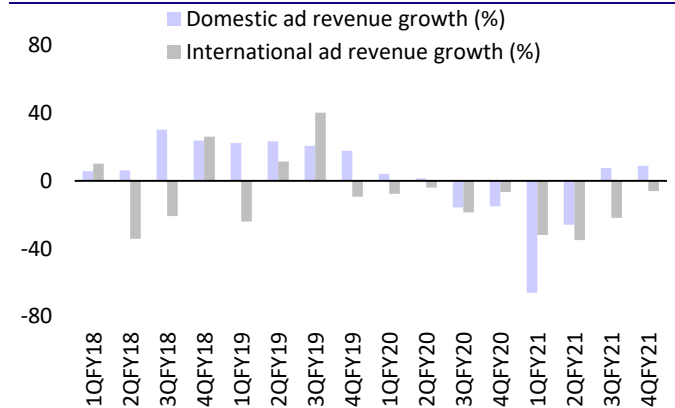
Source: Company, MOFSL

**Exhibit 7: Domestic/international ad revenue trend**



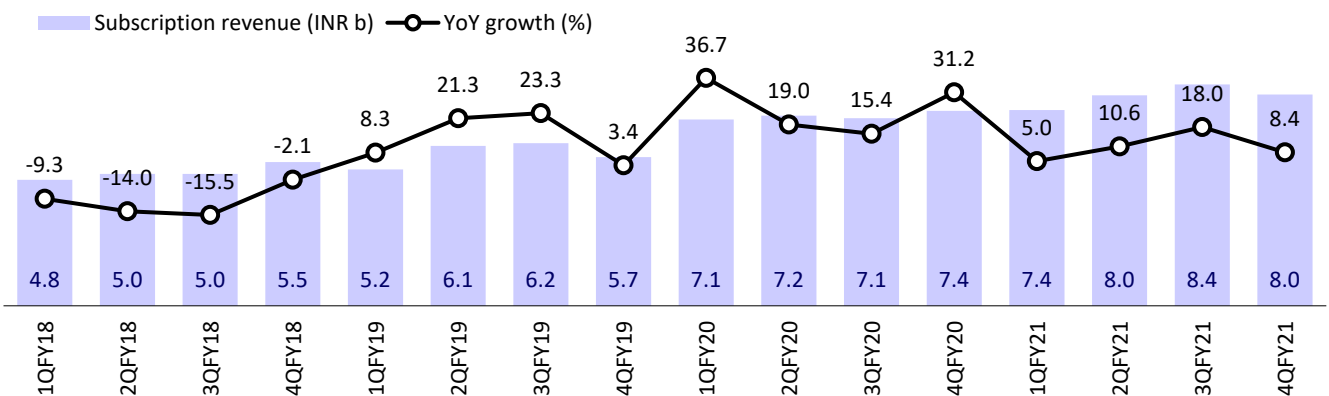
Source: MOFSL, Company

**Exhibit 8: Domestic/international ad revenue growth trend (%)**



Source: MOFSL, Company

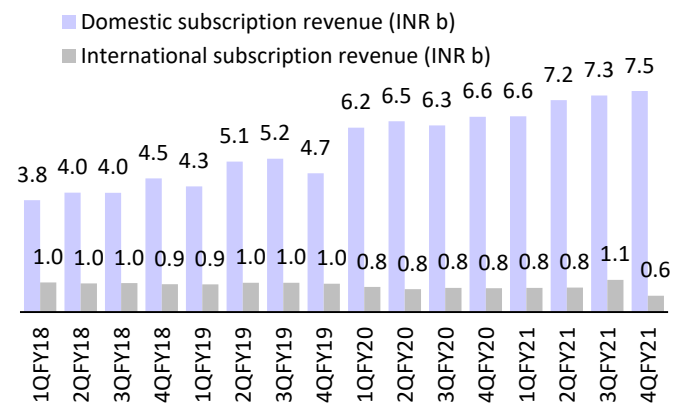
**Exhibit 9: Total subscription revenue grew 8% YoY (INR b, %)**



Source: Company, MOFSL

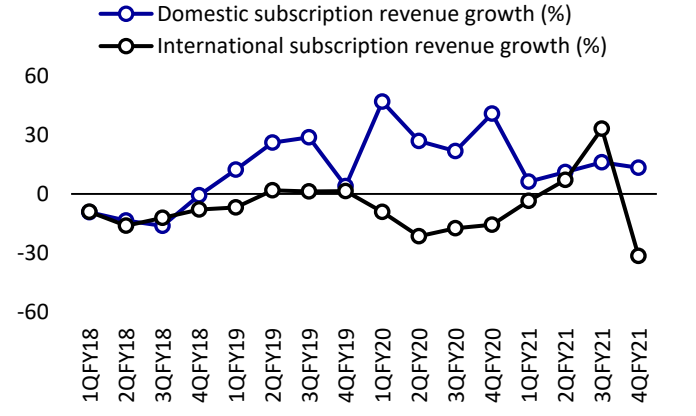


**Exhibit 10: Domestic/international subscription revenue trend**



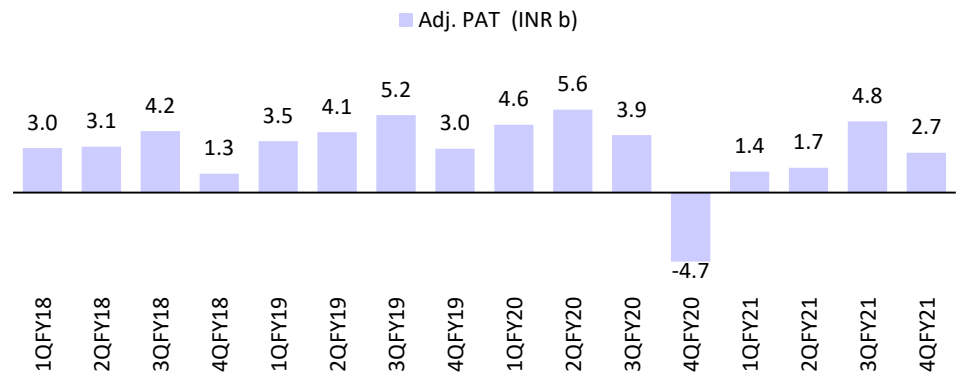
Source: MOFSL, Company

**Exhibit 11: Domestic/international subscription revenue growth trend (%)**



Source: MOFSL, Company

**Exhibit 12: Adjusted PAT stood at INR2.7b**



Source: Company, MOFSL

**Exhibit 13: ZEE5's KPIs (INR m)**

ZEE5 KPIs	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
DAUs (m)	-	-	-	-	6.6	8.9	11.4	6	4	5.2	5.4	6.1
MAUs (m)	0	41.3	56.3	61.5	76.4	-	-	63.1	39.7	54.7	65.9	72.6
Avg watch time (mnts/month)	-	-	-	-	-	-	140	136	112	152	133	156
Revenue (INRm)									949	989	1178	1075
as % of total revenue									7%	6%	4%	5%

Source: Company, MOFSL

**Exhibit 14: ZEE snapshot (INR b)**

	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
<b>Advertisement Revenue</b>	<b>33.7</b>	<b>36.7</b>	<b>42.0</b>	<b>50.4</b>	<b>46.8</b>	<b>37.5</b>	<b>48.3</b>	<b>54.4</b>
YoY (%)	26	9	14	20	-7	-20	29	13
<b>Subscription Revenue</b>	<b>20.6</b>	<b>22.6</b>	<b>20.3</b>	<b>23.1</b>	<b>28.9</b>	<b>31.9</b>	<b>33.8</b>	<b>36.7</b>
YoY (%)	15	10	-10	14	25	10	6	9
Other Sales & Services	3.9	5.0	4.5	5.9	5.6	7.9	4.4	5.1
YoY (%)	-9	28	-9	30	-4	41	-44	15
<b>Total Revenue</b>	<b>58.1</b>	<b>64.3</b>	<b>66.9</b>	<b>79.3</b>	<b>81.3</b>	<b>77.3</b>	<b>86.6</b>	<b>96.3</b>
<b>YoY (%)</b>	<b>19</b>	<b>11</b>	<b>4</b>	<b>19</b>	<b>2</b>	<b>-5</b>	<b>12</b>	<b>11</b>
Operating expenses	43.0	45.1	46.1	53.7	65.0	59.4	63.8	70.6
YoY (%)	18	5	2	16	21	-9	7	11
<b>EBITDA</b>	<b>15.1</b>	<b>19.3</b>	<b>20.8</b>	<b>25.6</b>	<b>16.3</b>	<b>17.9</b>	<b>22.8</b>	<b>25.6</b>
YoY (%)	21	27	8	23	-36	10	27	12
<b>EBITDA margin (%)</b>	<b>26.0</b>	<b>29.9</b>	<b>31.1</b>	<b>32.3</b>	<b>20.1</b>	<b>23.2</b>	<b>26.3</b>	<b>26.6</b>
<b>Revenue mix (%)</b>								
Ad revenue	58	57	63	63	58	48	56	57
Subscription revenue	35	35	30	29	36	41	39	38
Other sales and services	7	8	7	7	7	10	5	5

Source: Company, MOFSL

## Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Total Income from Operations</b>	<b>58,125</b>	<b>64,341</b>	<b>66,857</b>	<b>79,339</b>	<b>81,299</b>	<b>77,299</b>	<b>86,573</b>	<b>96,260</b>
Change (%)	19.0	10.7	3.9	18.7	2.5	-4.9	12.0	11.2
Programming/Production expenses	25,984	27,757	25,275	30,758	38,285	37,505	39,077	44,099
Employees Cost	4,986	6,043	6,657	7,249	7,805	8,183	9,001	9,722
Other Expenses	12,019	11,273	14,164	15,692	18,863	13,710	15,712	16,812
<b>Total Expenditure</b>	<b>42,989</b>	<b>45,073</b>	<b>46,095</b>	<b>53,700</b>	<b>64,953</b>	<b>59,398</b>	<b>63,791</b>	<b>70,633</b>
% of Sales	74.0	70.1	68.9	67.7	79.9	76.8	73.7	73.4
<b>EBITDA</b>	<b>15,136</b>	<b>19,269</b>	<b>20,761</b>	<b>25,639</b>	<b>16,345</b>	<b>17,901</b>	<b>22,782</b>	<b>25,628</b>
Margin (%)	26.0	29.9	31.1	32.3	20.1	23.2	26.3	26.6
Depreciation	777	1,152	1,821	2,347	2,706	2,649	2,944	3,256
<b>EBIT</b>	<b>14,359</b>	<b>18,116</b>	<b>18,941</b>	<b>23,292</b>	<b>13,639</b>	<b>15,252</b>	<b>19,839</b>	<b>22,372</b>
Int. and Finance Charges	1,598	1,372	1,448	1,304	1,449	571	296	136
Other Income	1,951	2,241	4,404	2,515	2,836	1,104	1,571	1,924
Fair Value through P&L gain/(loss)	-673	-2,205	-68	36	-2,597	-1,962	0	0
<b>PBT bef. EO Exp.</b>	<b>14,039</b>	<b>16,780</b>	<b>21,829</b>	<b>24,538</b>	<b>12,430</b>	<b>13,823</b>	<b>21,114</b>	<b>24,160</b>
EO Items	-331	12,234	1,346	-218	-2,843	-1,266	0	0
<b>PBT after EO Exp.</b>	<b>13,708</b>	<b>29,014</b>	<b>23,175</b>	<b>24,320</b>	<b>9,587</b>	<b>12,558</b>	<b>21,114</b>	<b>24,160</b>
Total Tax	5,491	6,809	8,409	8,673	4,317	4,625	5,314	6,081
Tax Rate (%)	40.1	23.5	36.3	35.7	45.0	36.8	25.2	25.2
Minority Interest/Associate	-14	-8	-25	-23	5	-69	-69	-69
<b>Reported PAT</b>	<b>8,231</b>	<b>22,213</b>	<b>14,791</b>	<b>15,671</b>	<b>5,265</b>	<b>8,002</b>	<b>15,869</b>	<b>18,148</b>
<b>Adjusted PAT</b>	<b>9,102</b>	<b>15,054</b>	<b>14,001</b>	<b>15,775</b>	<b>9,424</b>	<b>10,620</b>	<b>15,869</b>	<b>18,148</b>
Change (%)	-6.9	65.4	-7.0	12.7	-40.3	12.7	49.4	14.4
Margin (%)	15.7	23.4	20.9	19.9	11.6	13.7	18.3	18.9

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	960	960	961	961	961	961	961	961
Total Reserves	47,079	65,945	74,657	88,279	92,479	99,985	112,395	127,085
<b>Net Worth</b>	<b>48,039</b>	<b>66,905</b>	<b>75,617</b>	<b>89,239</b>	<b>93,439</b>	<b>100,945</b>	<b>113,356</b>	<b>128,046</b>
Minority Interest	22	10	142	143	110	129	59	-11
Total Loans	17,159	22,023	15,255	11,134	6,476	4,028	1,805	195
Deferred Tax Liabilities	-648	-903	1,996	1,262	0	-1,207	-1,207	-1,207
<b>Capital Employed</b>	<b>64,573</b>	<b>88,035</b>	<b>93,010</b>	<b>101,778</b>	<b>100,025</b>	<b>103,894</b>	<b>114,012</b>	<b>127,023</b>
Gross Block	9,221	10,944	15,353	17,299	19,799	22,299	24,799	27,299
Less: Accum. Deprn.	3,792	4,464	6,058	8,406	10,722	13,762	16,705	19,962
<b>Net Fixed Assets</b>	<b>5,429</b>	<b>6,480</b>	<b>9,295</b>	<b>8,893</b>	<b>9,077</b>	<b>8,538</b>	<b>8,094</b>	<b>7,338</b>
Goodwill on Consolidation	8,843	2,676	5,467	5,252	4,070	3,804	3,804	3,804
Capital WIP	1,104	1,558	920	1,561	832	782	782	782
<b>Total Investments</b>	<b>10,501</b>	<b>13,432</b>	<b>15,288</b>	<b>9,765</b>	<b>3,247</b>	<b>7,983</b>	<b>7,983</b>	<b>7,983</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>53,135</b>	<b>77,525</b>	<b>80,327</b>	<b>103,859</b>	<b>106,511</b>	<b>105,874</b>	<b>122,100</b>	<b>139,078</b>
Inventory	13,180	16,962	26,278	38,505	53,475	54,030	61,559	69,471
Account Receivables	13,482	12,418	15,365	18,274	20,847	21,286	23,719	25,054
Cash and Bank Balance	9,631	26,133	16,117	12,218	7,345	10,907	14,986	20,818
Loans and Advances	16,842	22,012	22,567	34,861	24,845	19,651	21,836	23,735
<b>Curr. Liability &amp; Prov.</b>	<b>14,439</b>	<b>13,636</b>	<b>18,287</b>	<b>27,552</b>	<b>23,712</b>	<b>23,085</b>	<b>28,750</b>	<b>31,962</b>
Account Payables	4,768	8,343	11,497	14,897	16,803	13,982	15,011	16,688
Other Current Liabilities	9,060	4,436	5,816	11,204	5,383	7,395	12,009	13,350
Provisions	611	858	975	1,451	1,526	1,709	1,730	1,924
<b>Net Current Assets</b>	<b>38,696</b>	<b>63,889</b>	<b>62,040</b>	<b>76,307</b>	<b>82,799</b>	<b>82,788</b>	<b>93,350</b>	<b>107,116</b>
<b>Appl. of Funds</b>	<b>64,573</b>	<b>88,035</b>	<b>93,010</b>	<b>101,778</b>	<b>100,025</b>	<b>103,895</b>	<b>114,012</b>	<b>127,023</b>

## Financials and valuations

Ratios								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>9.5</b>	<b>15.7</b>	<b>14.6</b>	<b>16.4</b>	<b>5.5</b>	<b>8.3</b>	<b>16.5</b>	<b>18.9</b>
Cash EPS	8.8	15.6	15.2	17.8	11.8	13.4	19.3	22.2
BV/Share	50.0	69.7	78.7	92.9	97.3	105.1	118.0	133.3
DPS	2.3	2.5	2.9	3.5	3.0	2.5	3.0	3.0
Payout (%)	31.7	13.0	22.6	25.7	65.7	36.0	21.8	19.1
<b>Valuation (x)</b>								
P/E	26.3	15.9	17.1	15.2	45.4	23.0	11.6	10.1
Cash P/E	28.4	15.9	16.4	14.0	21.1	14.3	9.9	8.6
P/BV	5.0	3.6	3.2	2.7	2.6	1.8	1.6	1.4
EV/Sales	4.1	3.4	3.3	2.9	2.9	2.2	1.9	1.6
EV/EBITDA	15.6	11.5	10.7	8.9	14.4	9.4	7.1	6.1
Dividend Yield (%)	0.9	1.0	1.2	1.4	1.2	1.3	1.6	1.6
<b>Return Ratios (%)</b>								
RoE	21.8	26.2	19.6	19.1	10.3	10.9	14.8	15.0
RoCE	16.2	20.2	16.5	17.4	9.0	10.1	14.6	14.9
RoIC	21.4	30.7	22.4	21.6	9.0	11.1	17.0	17.8
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.9	0.7	0.7	0.8	0.8	0.7	0.8	0.8
Inventory (Days)	83	96	143	177	240	255	260	263
Debtor (Days)	85	70	84	84	94	101	100	95
Creditor (Days)	30	47	63	69	75	66	63	63
<b>Leverage Ratio (x)</b>								
Net Debt/Equity	-0.1	-0.3	-0.2	-0.1	0.0	-0.1	-0.2	-0.2

Consolidated - Cash Flow Statement							(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	14,040	29,009	23,187	24,345	9,563	12,556	21,114	24,160
Depreciation	777	1,152	1,821	2,565	5,550	2,649	2,944	3,256
Interest & Finance Charges	28	73	101	139	135	104	296	136
Direct Taxes Paid	-5,827	-6,810	-8,295	-9,299	-3,114	-5,011	-5,314	-6,081
(Inc)/Dec in WC	-2,497	-6,036	-8,551	-17,151	-16,758	809	-6,482	-7,934
<b>CF from Operations</b>	<b>6,521</b>	<b>17,388</b>	<b>8,263</b>	<b>599</b>	<b>-4,624</b>	<b>11,107</b>	<b>12,557</b>	<b>13,536</b>
Others	781	-10,698	-2,673	734	7,124	4,370	-1,572	-1,925
<b>CF from Operating incl EO</b>	<b>7,302</b>	<b>6,690</b>	<b>5,590</b>	<b>1,333</b>	<b>2,499</b>	<b>15,477</b>	<b>10,985</b>	<b>11,611</b>
(Inc)/Dec in FA	-2,716	-2,704	-3,146	-2,814	-1,451	-1,740	-2,500	-2,500
<b>Free Cash Flow</b>	<b>4,586</b>	<b>3,986</b>	<b>2,444</b>	<b>-1,481</b>	<b>1,048</b>	<b>13,737</b>	<b>8,485</b>	<b>9,111</b>
(Pur)/Sale of Investments	-611	-2,975	-1,413	5,930	3,163	-3,765	0	0
Others	4,531	19,629	-145	1,316	1,451	-951	1,571	1,924
<b>CF from Investments</b>	<b>1,204</b>	<b>13,950</b>	<b>-4,704</b>	<b>4,432</b>	<b>3,163</b>	<b>-6,456</b>	<b>-929</b>	<b>-576</b>
Issue of Equity	59	0	0	0	-4,867	-4,027	-2,223	-1,610
Inc/(Dec) in Debt	-4	0	-6,967	-4,876	-12	4	0	0
Interest Paid	-28	-73	-101	-54	-67	-43	-296	-136
Dividend Paid	-4,051	-4,065	-3,834	-4,734	-5,227	-1,118	-3,458	-3,458
Others	-22	0	0	0	-362	-275	0	0
<b>CF from Fin. Activity</b>	<b>-4,046</b>	<b>-4,138</b>	<b>-10,902</b>	<b>-9,664</b>	<b>-10,535</b>	<b>-5,459</b>	<b>-5,976</b>	<b>-5,203</b>
<b>Inc/Dec of Cash</b>	<b>4,460</b>	<b>16,502</b>	<b>-10,016</b>	<b>-3,899</b>	<b>-4,873</b>	<b>3,561</b>	<b>4,080</b>	<b>5,832</b>
Opening Balance	5,171	9,631	26,133	16,117	12,218	7,345	10,907	14,986
<b>Closing Balance</b>	<b>9,631</b>	<b>26,133</b>	<b>16,117</b>	<b>12,218</b>	<b>7,345</b>	<b>10,907</b>	<b>14,986</b>	<b>20,818</b>

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=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 within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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