Zee Entertainment Enterprises | REDUCE

SEBI final order and warrant issue

At the EGM held on 31st Jul'26, ZEEL shareholders approved the issuance of 249.5mn fully convertible warrants to promoter-group entity Sunbright Mauritius Investments at INR 126 per warrant, with 76.6% of votes cast in favour, enabling an INR 31.4bn infusion and potentially increasing promoter ownership to 23.79%. This follows the failed Jul'25 attempt, which received only 59.51% support. Separately, SEBI issued a final order on the matter of unauthorised pledge of immovable property of ZEEL on the same day. The order restrains ZEEL from the securities market for two months and Mr Punit Goenka and Mr Subhash Chandra for 12 months, creating uncertainty. ZEEL is evaluating the impact of the order and exploring available options. Our view - i) The warrant issue, alongside a potential stake sale in Zee Music, reflects efforts to build up significant capital for sports, content, digital and other growth initiatives. ii) While the fund-raise could strengthen ZEEL's balance sheet and promoter alignment, the SEBI order creates uncertainty, and further clarity is needed on the matter. Maintain REDUCE.

- **SEBI order – alleged unauthorised mortgage of Hyderabad land:** SEBI's case concerns ZEEL-owned land measuring 17,639.64 square metres at Road No. 78, Jubilee Hills, Shaikpet Village, Hyderabad. Four Essel Group entities had availed loans from Indiabulls Housing Finance (IHFL) in Dec'16. After IHFL sought additional security due to a shortfall in security cover, SEBI alleged that Mr Subhash Chandra, acting as ZEEL's authorised signatory, deposited the original title deeds with IHFL on 27th Dec'18 with the aim of creating a first-ranking mortgage to secure these loans. SEBI linked the borrowers to the promoter family and alleged that the mortgage lacked prior approval from the Audit Committee, Board or shareholders. The encumbrance, related-party nature, associated court proceedings and contingent liability were also allegedly not appropriately disclosed. The deeds were released on 1st Jun'20 after IHFL received INR 2.25bn. SEBI debarred ZEEL for two months and Mr Goenka and Mr Chandra for 12 months, besides imposing penalties. ZEEL is evaluating the order; the restraint could affect the warrant issuance.

- **Shareholders approve promoter warrants:** At the EGM on 31st Jul'26, the warrant resolution received 76.64% of votes cast in favour—378.6mn votes in favour versus 115.4mn against—narrowly exceeding the 75% threshold for a special resolution. Shareholders approved 249.5mn fully convertible warrants to Sunbright Mauritius Investments at INR 126 per warrant, enabling an INR 31.4bn promoter infusion. Promoters will pay 25% upfront and the balance on conversion within 18 months; full conversion would increase promoter ownership to 23.79%. This follows the Jun'25 proposal to issue 169.5mn warrants at INR 132 and raise INR 22.3bn. That proposal received only 59.51% support at the Jul'25 EGM and was not approved, amid dilution and minority-shareholder concerns.

- **Approval adds to growth capital:** Chairman Mr R Gopalan stated the approval reflected shareholder confidence and would strengthen ZEEL's financial foundation, resilience and promoter skin in the game. The capital is intended to accelerate strategic growth initiatives and enhance existing businesses. Potential deployment areas highlighted earlier include sports content, a refreshed content slate, the Bullet micro-drama app, KidZ, Z Live, content and VFX capabilities, and potential M&A. Shareholders also approved the "Truly Yours" ESOP covering up to 37.4mn options for eligible employees of ZEEL and its subsidiaries.

- **Significant capital build-up:** ZEEL had INR 27.6bn of cash and treasury investments at end-Q4FY26. The warrants could add INR 7.9bn upfront and INR 23.6bn upon conversion. Separately, media reports indicate that ZEEL is exploring a ~49% stake sale in Zee Music, potentially after a carve-out as a subsidiary. At the reported INR 60bn valuation, this could generate ~INR 29.4bn. Together, the warrant proceeds and potential music monetisation could take aggregate capital resources to ~INR 88.4bn before deployment and transaction adjustments, supporting sports, content, digital, live entertainment, VFX and potential acquisitions.

- **JMF view – warrant completion uncertain:** Shareholder approval of the warrant issue allows the company to shore up capital in line with its efforts to invest in growth initiatives. However, the SEBI order adds uncertainty. The company is evaluating the impact of the order and exploring available options. There is a need for further clarity to emerge on the matter and the developments will need to be monitored. Maintain REDUCE.

Recommendation and Price Target	
Current Reco.	REDUCE
Previous Reco.	REDUCE
Current Price Target (12M)	107
Upside/(Downside)	-7.0%
Previous Price Target	107
Change	0.0%

Key Data – Z IN	
Current Market Price	INR115
Market cap (bn)	INR110.0/US$1.2
Free Float (%)	95.2
Shares in issue (mn)	960.5
Diluted share (mn)	960.5
3-mon avg daily val (mn)	INR3,974.0/US$41.7
52-week range	INR124/68
Sensex/Nifty	78,095/24,384
INR/US$	95.4

Price Performance

%	1M	6M	12M
Absolute	5.8	40.4	-1.5
Relative*	5.3	50.5	1.6

*To the NSE Nifty 50

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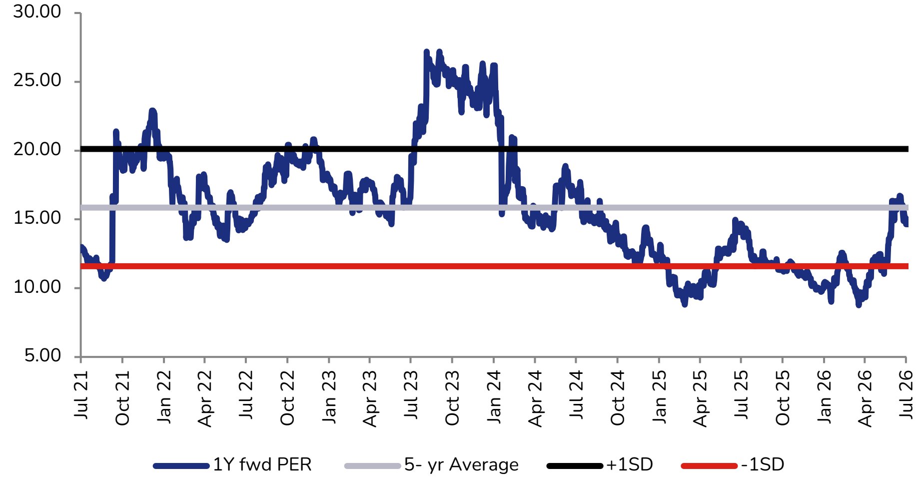
Valuation chart

Exhibit 1: Zee Entertainment – 1Y forward PER

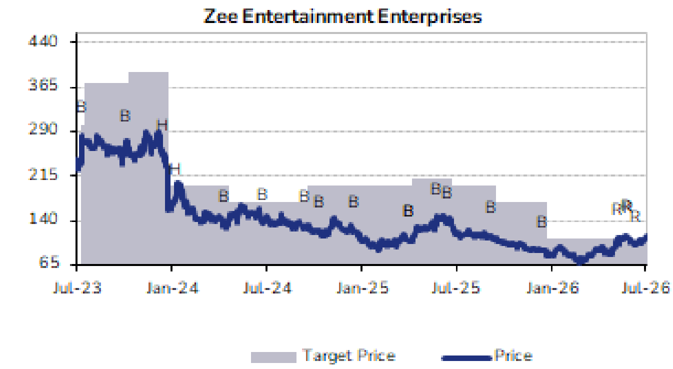


Source: Bloomberg, JM Financial

Z – Recommendation history table

Date	Recommendation	Target Price	% Chg.
20-Jul-26	REDUCE	107	6.9
7-Jul-26	REDUCE	100	-11.1
2-Jul-26	REDUCE	112	0.0
17-Jun-26	REDUCE	112	1.9
22-Jan-26	BUY	110	-35.0
16-Oct-25	BUY	170	-15.0
22-Jul-25	BUY	200	-4.8
3-Jul-25	BUY	210	0.0
11-May-25	BUY	210	0.0
9-May-25	BUY	210	5.0
24-Jan-25	BUY	200	0.0
20-Nov-24	BUY	200	0.0
20-Oct-24	BUY	200	17.6
1-Aug-24	BUY	170	0.0
18-May-24	BUY	170	-15.0
14-Feb-24	HOLD	200	0.0
22-Jan-24	HOLD	200	-48.7
10-Nov-23	BUY	390	5.4
17-Aug-23	BUY	370	23.3
10-Aug-23	BUY	300	

Z – Recommendation history chart



APPENDIX I

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Rating	**Meaning**
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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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