

# Zee Entertainment

Refer to important disclosures at the end of this report

## A masterstroke; upgrade to Buy

- Zee and Sony Pictures Networks India (SPNI) have entered into a non-binding term sheet (with a 90-day exclusivity period) for the merger of the two companies. The deal should address investor concerns, and fill the content gaps each of them are currently having.
- Combined entity is valued at Rs502bn (incl. Rs116bn cash from SPNI) based on merger-terms. Zee shareholders would own 49.1% of the merge-co, including a 2% stake transfer by SPNI to Essel Group towards non-compete; Sony will have control over the board.
- Essel Group will maintain its ~4% stake post-merger, with an option to raise it up to 20%. The merger will result in scale (USD2bn revenues), leadership (~25% revenue share), complementary assets, and an USD1.8bn cash pile to ramp up growth.
- As a result, we turn constructive on Zee with the assumption of successful synergies accruing on both revenue and cost fronts. We upgrade to Buy from Hold and raise our Sept'22E TP to Rs430 (11x Sept'23E pro-forma broadcasting EBITDA) from Rs205.

**Event:** Zee and SPNI have entered into an exclusive, non-binding term sheet for the merger of the two companies. There will be an exclusive negotiating period of 90 days, prior to the formation of a definitive and binding agreement. The parent company of SPNI will invest growth capital of ~USD1.6bn to advance the merged co's businesses. Post this, Zee shareholders will have a stake of 49.1% (61.25% prior to the aforementioned capital infusion), with ~2% of this being transferred by SPNI to Zee's promoters. In addition, Zee's promoters will have the option of increasing their stake to up to 20% without any pre-conditions. The appointment of Mr. Punit Goenka as MD and CEO of the merged entity for a period of five years is an integral part of the deal.

**Outlook:** We view this transaction as a big positive as it might resolve a slew of issues relating to corporate governance and investor activism, with the board of directors to be decided by Sony. The merged entity will become the market leader with a comprehensive bouquet of offerings, along with the necessary balance sheet strength to invest in digital businesses and sports rights. SPNI's emphasis has been on building sports and HSM portfolios, while Zee has been focused on regional, HSM and movie channels. The merged entity will benefit from: 1) increased bargaining power with content producers and distributors; 2) optimization of costs by shutting down tail-end channels, thus, freeing up management bandwidth and costs attached to them; and 3) competitive edge. All these factors should augur well for better valuation. Zee's underlying broadcasting business has been facing challenges due to the Covid-induced shift toward digital. However, in our view, the merged entity's comprehensive offerings will place it ahead of competitors on the growth front. **Key risks:** 1) integration challenges, 2) cultural differences, 3) delayed regulatory approvals, 4) sustained slowdown in underlying ad revenues and 5) higher than estimated losses from digital business.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Media & Entertainment \(Page 10\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	81,299	77,299	83,476	94,988	1,04,645
EBITDA	16,346	17,901	18,336	22,472	25,176
EBITDA Margin (%)	20.1	23.2	22.0	23.7	24.1
APAT	10,705	11,229	12,415	15,488	17,563
EPS (Rs)	10.3	11.7	12.6	16.1	18.3
EPS (% chg)	(37.9)	14.0	7.9	27.8	13.4
ROE (%)	10.8	11.7	11.8	14.1	14.4
P/E (x)	32.8	28.8	26.7	20.9	18.4
EV/EBITDA (x)	19.6	17.2	17.0	13.7	12.0
P/BV (x)	3.5	3.2	3.1	2.8	2.5

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 337</b>	<b>Rs 430 (▲)</b>
as of (September 22, 2021)	12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (▲)</b>	<b>27.6 %</b>

### Change in Estimates

EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	109.7
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	12.6	16.1
Consensus	13.7	16.8
Mean Consensus TP (12M)	Rs 257	

### Stock Details

Bloomberg Code	Z IN
Face Value (Rs)	1
Shares outstanding (mn)	961
52 Week H/L	355 / 167
M Cap (Rs bn/USD bn)	324 / 4.38
Daily Avg Volume (nos.)	1,75,09,750
Daily Avg Turnover (US\$ mn)	54.3

### Shareholding Pattern Jun '21

Promoters	4.0%
FIIIs	57.5%
DIIIs	18.5%
Public and Others	20.1%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	98	54	57	71
<b>Rel. to Nifty</b>	85	39	32	9

### Relative price chart



Source: Bloomberg

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### A good strategic fit

In our view, this merger could turn out to be a win-win situation as this will strengthen the channel offerings and content portfolio for both the companies. Although Zee has been losing some ground recently with market share losses in a few channels, this could be arrested by increased investments and management focus. Despite having a sizeable channel portfolio, with a total of 49 channels spread across various genres, Zee currently has gaps in Comedy, Sports and Kids genres. That said, one of the largest gaps in Zee's portfolio has been in the Sports genre, a business that it sold to SPNI a few years ago. In our view, SPNI's emphasis on this genre augurs well in bridging this particular gap. SPNI has also garnered significant market share in some of its Hindi GEC and movie channels, which should support overall viewership share.

While this helps in enhancing the content portfolio, we do not expect to see significant consolidation in genres in which there is an overlap (Hindi GEC and movies), primarily due to both companies' diverse content offerings and with their channels being established brands.

In the OTT space, both companies have their own platforms, which have been performing well. SPNI-owned Sony LIV has witnessed healthy traction in the last year and had a total of 6.8mn paid subscribers at the beginning of Aug'21. The platform is targeting to achieve 10mn paid subscribers by CY21-end. Zee5 has also been doing well, with a recent strategy change by reducing annual pack prices.

#### Exhibit 1: Gaps across genres to be bridged...

Particulars	Zee Entertainment	Sony Pictures Network India	Merged entity
<b>Total number of channels</b>	<b>49</b>	<b>26</b>	<b>75</b>
<b>Genre</b>			
Hindi GEC	6	5	11
Hindi Movies	9	4	13
Sports		10	10
Regional	25	2	27
English	9	4	13
Kids		1	1
<b>Overall all India network share</b>	<b>17%</b>	<b>10%*</b>	
OTT platforms	Zee5	Sony LIV	
Global MAUs (mn)	80.2#	45^	

Film studios	Zee Studios	Sony Pictures Films India
Digital content		Studio NXT

Source: Company, Media Articles, Emkay Research. \*Our assumption, #in June'21, ^in July'21

#### Exhibit 2: ...while bouquet portfolio is also set to expand

Particulars	Zee Entertainment	Sony Pictures Network India	Merged entity
<b>Total number of channels</b>	<b>49</b>	<b>26</b>	<b>75</b>
<b>Genre</b>			
Hindi GEC	✓	✓	✓
Hindi Movies	✓	✓	✓
Sports		✓	✓
Regional	✓		✓
English	✓	✓	✓
Kids		✓	✓

Source: Company, Emkay Research. Sony's presence in regional is limited to two genres and market share.

### Shareholding structure and merger scheme

As per the details in the term sheet, Zee shareholders will have a total stake of ~49% in the merged company, while SPNI shareholders will have a ~51% stake, after capital infusion of USD1.6bn and the transfer of a 2% stake to Zee promoters.

#### Exhibit 3: Shareholding structure of the merged entity

Particulars	Current	Merged entity	Post stake transfer to promoters from SPNI
<b>Zee shareholders</b>			
Promoter	4.0%	1.9%	4.0%
Public	96.0%	45.2%	45.2%
SPNI		52.9%	50.8%
<b>Total</b>	<b>100.0%</b>	<b>47.1%</b>	<b>100.0%</b>
<b>No. of shares (mn)</b>			
<b>Zee shareholders</b>			
Promoter	38	38	81
Public	922	922	922
SPNI		1,080	1,037
<b>Total</b>	<b>961</b>	<b>2,041</b>	<b>2,041</b>

Source: Company, Emkay Research

#### Exhibit 4: Total value of the merged entity

Particulars	Rs bn	Comments
Zee's stake prior to cash infusion	61.3%	
Zee's number of shares (mn)	961	Current outstanding shares
Merged entity number of shares (mn)	1,568	
SPNIs shares (mn)	608	
<b>Post capital infusion by SPNI</b>		
Zee's stake	47.1%	
Zee's number of shares (mn)	961	Assumed to be constant
Merged entity number of shares (mn)	2,041	
Increase in number of shares of merged entity (mn)	472	
Capital infusion	116	\$1.575bn at exchange rate of Rs73.8
<b>Value of merged company</b>	<b>502</b>	

Source: Company, Emkay Research

### Pro-forma financials

Given the sheer size and brand of both the companies, we are expecting ad and subscription revenues to increase considerably, going forward, and also benefits to accrue from Zee's strengths. Management highlighted that the prime focus area in the beginning would be attaining revenue synergies, after which the attention will be on potential cost rationalization and opex synergies. We are penciling in an EBITDA margin expansion in FY23E, driven by opex savings and increase in revenues. Currently, we have projected 6% revenue synergies for FY23E and FY24E, while opex synergies are assumed to be lower at ~4-5%. If the merged company manages to outpace our expectations, then EBITDA margin could potentially surprise positively by surpassing 30%. We believe that currently Zee has an aggressive accounting policy for movie rights amortization (straight line method over the period of 5 years or license period, whichever is shorter). If same policy is followed for SPNI then, margin expansion could be higher.

#### Exhibit 5: SPNI's financials

Rs mn	FY16	FY17	FY18	FY19	FY20	FY21E*	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>39,090</b>	<b>48,832</b>	<b>62,773</b>	<b>62,237</b>	<b>57,813</b>	<b>54,885</b>	<b>59,270</b>	<b>67,444</b>	<b>74,301</b>
<i>Growth</i>		25%	29%	-1%	-7%	-5%	8%	14%	10%
<b>EBITDA</b>	<b>5,972</b>	<b>6,751</b>	<b>7,504</b>	<b>6,925</b>	<b>13,108</b>	<b>10,825</b>	<b>13,632</b>	<b>15,512</b>	<b>17,089</b>
<i>EBITDA margin</i>	15%	14%	12%	11%	23%	20%	23%	23%	23%
RPAT	3,735	3,923	4,487	4,502	9,071	5,822	10,175	11,368	12,376

Source: Capitaline, Emkay Research, \*our assumption

#### Exhibit 6: Pro-forma financials of the merged entity

Rs mn	FY21E*	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>1,32,184</b>	<b>1,42,746</b>	<b>1,72,178</b>	<b>1,89,683</b>
<i>Growth</i>	-5%	8%	21%	10%
<b>Expenses</b>				
Prog. & Operating Cost	70,984	75,706	84,911	92,759
Employee expenses	12,290	13,240	12,901	13,972
Other expenses	20,183	21,832	24,747	27,869
<b>Total expenditure</b>	<b>1,03,457</b>	<b>1,10,778</b>	<b>1,22,560</b>	<b>1,34,600</b>
<b>EBITDA</b>	<b>28,726</b>	<b>31,968</b>	<b>49,618</b>	<b>55,082</b>
<i>EBITDA margin</i>	22%	22%	29%	29%
<b>PAT</b>	<b>13,825</b>	<b>22,456</b>	<b>35,500</b>	<b>39,457</b>
<i>PAT margin</i>	10%	16%	21%	21%
Number of Shares (mn)		2,041	2,041	2,041
<b>EPS (Rs)</b>		<b>11</b>	<b>17</b>	<b>19</b>

Source: Company, Emkay Research, \*SPNI's financials are our assumption

**Exhibit 7: SPNI's balance sheet**

Rs mn	FY16	FY17	FY18	FY19	FY20
Share capital	92	119	119	119	119
Reserves & surplus	19,386	46,031	50,565	47,287	56,991
<b>Total shareholders fund</b>	<b>19,478</b>	<b>46,150</b>	<b>50,684</b>	<b>47,405</b>	<b>57,110</b>
Secured loans	-	-	-	1,810	-
Unsecured loans	3,251	6,875	8,344	-	-
<b>Total debt</b>	<b>3,251</b>	<b>6,875</b>	<b>8,344</b>	<b>1,810</b>	<b>-</b>
Deferred tax liability	-	-	-	1,119	1,409
Other non-current liabilities	3,378	3,215	4,563	4,196	5,060
<b>Total</b>	<b>26,107</b>	<b>56,240</b>	<b>63,591</b>	<b>54,531</b>	<b>63,579</b>
<b>Assets</b>					
<b>Gross block</b>	<b>837</b>	<b>14,652</b>	<b>24,951</b>	<b>23,244</b>	<b>22,242</b>
Accumulated depreciation	272	369	2,221	1,009	1,428
<b>Net block</b>	<b>566</b>	<b>14,283</b>	<b>22,730</b>	<b>22,235</b>	<b>20,814</b>
CWIP	56	295	245	210	1,929
<b>Total fixed assets</b>	<b>622</b>	<b>14,577</b>	<b>22,975</b>	<b>22,445</b>	<b>22,743</b>
Investments	222	171	839	17	2,926
Deferred tax	755	1,236	371	4,725	5,110
Inventories	17,847	18,174	18,520	20,823	20,495
Debtors	6,082	10,361	13,593	15,358	13,274
Cash & Bank	1,257	3,430	12,289	2,267	6,618
Loans & advances	13,595	11,254	8,276	7,558	6,883
Other assets	911	2,821	3,295	648	1,244
<b>Total current assets</b>	<b>39,692</b>	<b>46,040</b>	<b>55,973</b>	<b>46,654</b>	<b>48,515</b>
Current liabilities	15,183	5,784	16,567	19,311	15,714
<b>Net current assets</b>	<b>24,509</b>	<b>40,256</b>	<b>39,406</b>	<b>27,344</b>	<b>32,801</b>
<b>Total</b>	<b>26,107</b>	<b>56,240</b>	<b>63,591</b>	<b>54,531</b>	<b>63,579</b>

Source: Capitaline, Bloomberg

**Exhibit 8: Trend for net working capital days**

Particulars	FY16	FY17	FY18	FY19	FY20	FY21
<b>Zee</b>						
Inventory days	83	96	143	177	240	255
Receivable days	85	70	84	84	94	92
Payable days	27	47	63	69	75	66
<b>Net Working capital days</b>	<b>140</b>	<b>119</b>	<b>165</b>	<b>193</b>	<b>258</b>	<b>281</b>
<b>SPNI</b>						
Inventory days	167	136	108	122	129	
Receivable days	57	77	79	90	84	
Payable days	142	43	96	113	99	
<b>Net Working capital days</b>	<b>82</b>	<b>170</b>	<b>90</b>	<b>99</b>	<b>114</b>	

Source: Company, Capitaline, Emkay Research

**Exhibit 9: Breakdown of valuation**

Rs mn	Sept'23E
<b>Pro-forma EBITDA</b>	<b>52,350</b>
<b>OTT losses</b>	
Zee5	(10,204)
Sony LIV	(5,102)
<b>Broadcasting EBITDA</b>	<b>67,656</b>
EV/EBITDA multiple (x)	11
EV	7,44,214
Net cash	1,32,840
<b>Market cap</b>	<b>8,77,054</b>
<b>No. of shares (mn)</b>	<b>2,041</b>
<b>Target price (Rs/share)</b>	<b>430</b>

Source: Emkay Research

**Con-call highlights**

- The merged entity will have a 25% market share in the broadcasting business in India.
- **Deal:** Management is comfortable with the share swap and it would not change after due diligence. No open offer is required or applicable in the merger scheme. **Sony has made it clear that Mr. Punit Goenka continuing as the MD and CEO of the merged company is an integral part of the deal.**
- **Zee promoters' stake:** The stake can potentially go up to 20% but does not have any pre-conditions attached to it. As of now, options are open-ended & the stake increase can happen either through open market purchases or a preferential issue. **Sony will transfer shares to Zee promoters in lieu of non-compete agreements, and this would proportionately reduce Sony's stake in the merged company to ~51%. The non-compete agreement requires the approval of majority of the public shareholders.** Only Mr. Punit Goenka will be on the board of the merged company to represent the promoter family, while all others will be independent directors.
- **Sports business:** In the last five years, the digital landscape has transformed the content monetization of this segment. This segment has strong growth opportunities.
- **Cost synergies:** Globally, M&As have led to revenue synergies in the range of 6-10%. Management expects maximum benefits to accrue on ad revenues, followed by subscription and international revenues. Initially, the focus will be on achieving revenue synergies while the shift in focus to cost optimization will happen over time. Channel rationalization will not be the focus area as maintaining and increasing reach would be the most important target.
  - The overlap between Zee and SPNI is in Hindi GEC; however, most of these channels have unique content offerings and their own established brand identities.
- **Timelines:** After due diligence, the company will apply for regulatory approvals (CCI, NCLT, SEBI and others). It does not believe there would be any challenges in getting CCI approval. CCI might look into the national-level market share and not state-level share. It would take 6-8 months for the completion of the merger process.
- **Cash pile:** The use of funds will be decided by the reconstituted board of the merged entity. Zee had a cash balance of ~USD170mn as of Q1FY22 and Sony's infusion will be over and above this.

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>81,299</b>	<b>77,299</b>	<b>83,476</b>	<b>94,988</b>	<b>1,04,645</b>
<b>Expenditure</b>	<b>64,953</b>	<b>59,398</b>	<b>65,140</b>	<b>72,516</b>	<b>79,469</b>
<b>EBITDA</b>	<b>16,346</b>	<b>17,901</b>	<b>18,336</b>	<b>22,472</b>	<b>25,176</b>
Depreciation	2,706	2,649	2,746	2,937	3,084
<b>EBIT</b>	<b>13,640</b>	<b>15,252</b>	<b>15,589</b>	<b>19,535</b>	<b>22,092</b>
Other Income	2,836	1,104	1,190	1,200	1,400
Interest expenses	1,449	571	109	120	120
<b>PBT</b>	<b>15,027</b>	<b>15,785</b>	<b>16,670</b>	<b>20,615</b>	<b>23,372</b>
Tax	4,317	4,625	4,343	5,189	5,883
Extraordinary Items	(5,440)	(3,229)	0	0	0
Minority Int./Income from Assoc.	(43)	(71)	(119)	(102)	(113)
<b>Reported Net Income</b>	<b>4,408</b>	<b>8,001</b>	<b>12,119</b>	<b>15,488</b>	<b>17,563</b>
<b>Adjusted PAT</b>	<b>10,705</b>	<b>11,229</b>	<b>12,415</b>	<b>15,488</b>	<b>17,563</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	960	961	961	961	961
Reserves & surplus	92,479	99,985	1,04,484	1,15,326	1,27,620
<b>Net worth</b>	<b>93,440</b>	<b>1,00,945</b>	<b>1,05,445</b>	<b>1,16,287</b>	<b>1,28,581</b>
<b>Minority Interest</b>	<b>110</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>129</b>
<b>Loan Funds</b>	<b>6,827</b>	<b>4,028</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	(2,742)	(3,151)	(3,151)	(3,151)	(3,151)
<b>Total Liabilities</b>	<b>97,634</b>	<b>1,01,951</b>	<b>1,02,423</b>	<b>1,13,265</b>	<b>1,25,559</b>
<b>Net block</b>	<b>13,147</b>	<b>11,912</b>	<b>11,184</b>	<b>10,246</b>	<b>9,163</b>
<b>Investment</b>	<b>3,248</b>	<b>7,983</b>	<b>7,983</b>	<b>12,983</b>	<b>17,983</b>
<b>Current Assets</b>	<b>1,02,824</b>	<b>1,03,644</b>	<b>1,06,693</b>	<b>1,16,663</b>	<b>1,27,243</b>
Cash & bank balance	7,346	10,906	4,616	1,622	2,143
Other Current Assets	4,161	3,992	4,064	4,624	5,094
<b>Current liabilities &amp; Provision</b>	<b>23,361</b>	<b>23,085</b>	<b>24,929</b>	<b>28,120</b>	<b>30,323</b>
<b>Net current assets</b>	<b>79,463</b>	<b>80,559</b>	<b>81,764</b>	<b>88,543</b>	<b>96,921</b>
Misc. exp	945	742	742	742	742
<b>Total Assets</b>	<b>97,634</b>	<b>1,01,950</b>	<b>1,02,423</b>	<b>1,13,265</b>	<b>1,25,559</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>12,191</b>	<b>14,681</b>	<b>15,480</b>	<b>19,415</b>	<b>21,972</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(12,021)	2,056	(7,495)	(9,773)	(7,857)
<b>Operating Cashflow</b>	<b>(5,222)</b>	<b>13,262</b>	<b>7,532</b>	<b>8,653</b>	<b>12,790</b>
Capital expenditure	(974)	(1,338)	(2,014)	(2,000)	(2,000)
<b>Free Cash Flow</b>	<b>(6,196)</b>	<b>11,924</b>	<b>5,518</b>	<b>6,653</b>	<b>10,790</b>
Investments	6,517	(4,735)	0	(5,000)	(5,000)
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>8,379</b>	<b>(4,968)</b>	<b>(824)</b>	<b>(5,800)</b>	<b>(5,600)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(4,318)	(2,800)	(4,028)	0	0
Dividend paid (incl tax)	(4,928)	(2,401)	(3,980)	(4,646)	(5,269)
Other Financing Cash Flow	14,884	8,384	6,025	3,536	342
<b>Financing Cashflow</b>	<b>4,189</b>	<b>2,613</b>	<b>(2,092)</b>	<b>(1,231)</b>	<b>(5,047)</b>
<b>Net chg in cash</b>	<b>7,346</b>	<b>10,906</b>	<b>4,616</b>	<b>1,622</b>	<b>2,143</b>
Opening cash position	12,214	7,346	10,906	4,616	1,622
<b>Closing cash position</b>	<b>7,346</b>	<b>10,906</b>	<b>4,616</b>	<b>1,622</b>	<b>2,143</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EBITDA Margin	20.1	23.2	22.0	23.7	24.1
EBIT Margin	16.8	19.7	18.7	20.6	21.1
Effective Tax Rate	28.7	29.3	26.1	25.2	25.2
Net Margin	13.2	14.4	14.8	16.2	16.7
ROCE	16.6	16.5	16.5	19.4	19.8
ROE	10.8	11.7	11.8	14.1	14.4
RoIC	16.7	18.3	18.4	21.1	22.0

<b>Per Share Data (Rs)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EPS	10.3	11.7	12.6	16.1	18.3
CEPS	13.1	14.5	15.5	19.2	21.5
BVPS	96.3	104.3	109.0	120.3	133.1
DPS	4.4	2.5	4.1	4.8	5.5

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	32.8	28.8	26.7	20.9	18.4
P/CEPS	25.8	23.3	21.8	17.6	15.7
P/BV	3.5	3.2	3.1	2.8	2.5
EV / Sales	3.9	4.0	3.7	3.3	2.9
EV / EBITDA	19.6	17.2	17.0	13.7	12.0
Dividend Yield (%)	1.3	0.7	1.2	1.4	1.6

<b>Gearing Ratio (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Net Debt/ Equity	0.0	(0.1)	(0.1)	(0.1)	(0.2)
Net Debt/EBIDTA	(0.2)	(0.8)	(0.7)	(0.6)	(0.8)
Working Cap Cycle (days)	323.8	328.9	337.3	334.0	330.6

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	2.5	(4.9)	8.0	13.8	10.2
EBITDA	(36.2)	9.5	2.4	22.6	12.0
EBIT	(41.4)	11.8	2.2	25.3	13.1
PAT	(71.9)	81.5	51.5	27.8	13.4

<b>Quarterly (Rs mn)</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>
Revenue	13,120	17,227	27,294	19,658	17,750
EBITDA	2,199	3,137	7,157	5,408	3,440
<b>EBITDA Margin (%)</b>	<b>16.8</b>	<b>18.2</b>	<b>26.2</b>	<b>27.5</b>	<b>19.4</b>
PAT	304	941	3,999	2,757	2,137
<b>EPS (Rs)</b>	<b>0.3</b>	<b>1.0</b>	<b>4.2</b>	<b>2.9</b>	<b>2.2</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>
Promoters	4.8	4.0	4.0	4.0	4.0
FIIIs	67.3	66.2	65.8	64.2	57.5
DIIIs	9.7	11.1	12.0	12.4	18.5
Public and Others	18.2	18.6	18.2	19.5	20.1

Source: Capitaline

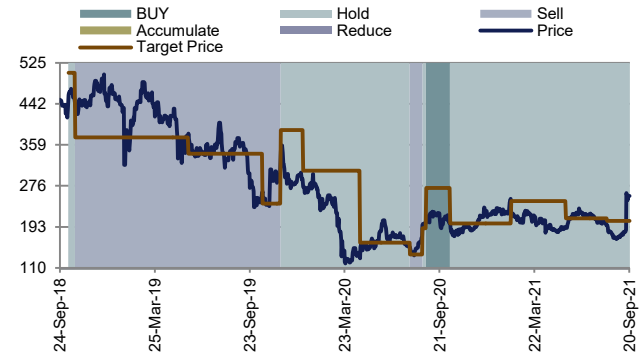


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
08-Aug-21	197	205	12m	Hold	Naval Seth
21-May-21	191	210	12m	Hold	Naval Seth
05-Feb-21	215	245	12m	Hold	Naval Seth
03-Nov-20	182	200	12m	Hold	Naval Seth
11-Oct-20	201	200	12m	Hold	Naval Seth
26-Aug-20	212	272	12m	Buy	Naval Seth
19-Aug-20	197	190	12m	Hold	Naval Seth
26-Jul-20	152	137	12m	Sell	Naval Seth
21-Apr-20	129	161	12m	Hold	Naval Seth
22-Jan-20	300	307	12m	Hold	Naval Seth
03-Jan-20	274	307	12m	Hold	Naval Seth
01-Jan-20	289	389	12m	Hold	Naval Seth
21-Nov-19	345	389	12m	Hold	Naval Seth
17-Oct-19	264	240	12m	Sell	Naval Seth
23-Sep-19	272	341	12m	Sell	Naval Seth
31-Jul-19	362	341	12m	Sell	Naval Seth
23-Jul-19	361	341	12m	Sell	Naval Seth
28-May-19	382	341	12m	Sell	Naval Seth
04-Apr-19	417	374	12m	Sell	Naval Seth
15-Jan-19	457	374	12m	Sell	Naval Seth
14-Nov-18	435	374	12m	Sell	Naval Seth
23-Oct-18	438	374	12m	Sell	Naval Seth
10-Oct-18	460	505	12m	Hold	Naval Seth

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Media & Entertainment



**Analyst: Naval Seth**

**Contact Details**

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**Sector**

Consumer Durables, Media & Entertainment, SMID and Telecom

**Analyst bio**

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

**EAP sector portfolio**

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Media &amp; Entertainment</b>	<b>0.28</b>	<b>0.28</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Inox Leisure	0.00	0.00	NA	0	0.00
PVR	0.00	0.00	NA	0	0.00
Sun TV Network	0.04	0.03	-18%	-1	11.50
Zee Entertainment	0.24	0.25	3%	1	88.50
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

**Sector portfolio NAV**

	Base					Latest
	1-Apr-19	22-Sep-20	23-Mar-21	22-Jun-21	20-Aug-21	21-Sep-21
EAP - Media & Entertainment	100.0	55.1	58.3	60.4	48.5	68.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	49.6	52.5	55.0	43.9	61.6

\*Performance measurement base date 1<sup>st</sup> April 2019

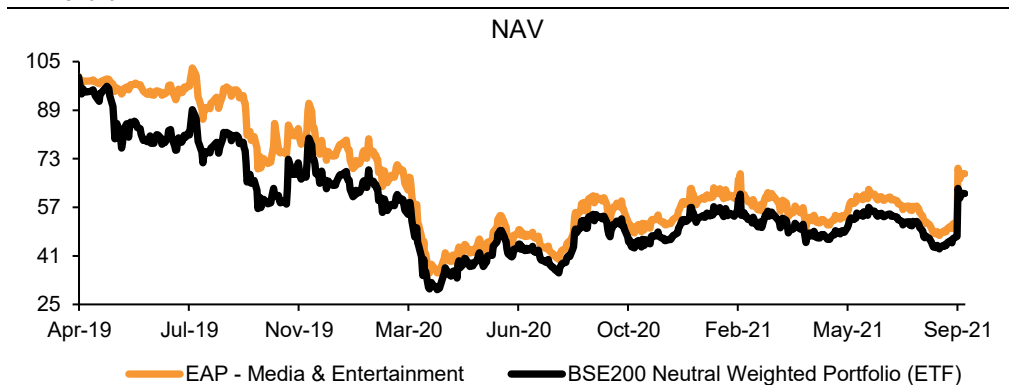
Source: Emkay Research

**Price Performance (%)**

	1m	3m	6m	12m
EAP - Media & Entertainment	40.4%	12.6%	16.6%	23.4%
BSE200 Neutral Weighted Portfolio (ETF)	40.2%	12.0%	17.1%	24.1%

Source: Emkay Research

**NAV chart**



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 23 Sep 2021 02:45:16 (SGT)

Dissemination Date: 23 Sep 2021 02:46:16 (SGT)

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