

# Zee Entertainment

Estimate changes



TP change



Rating change


**CMP: INR314**
**TP: INR335 (+7%)**
**Neutral**

Bloomberg	Z IN
Equity Shares (m)	961
M.Cap.(INRb)/(USDb)	301.6 / 4
52-Week Range (INR)	363 / 167
1, 6, 12 Rel. Per (%)	3/46/23
12M Avg Val (INR M)	4988

## Financials & Valuations (INR b)

Y/E Mar	FY21	FY22E	FY23E	FY24E
Sales	77.3	82.9	91.7	102.0
EBITDA	17.9	19.4	21.5	24.2
Adj. PAT	10.6	13.3	15.2	16.9
EBITDA Margin (%)	23.2	23.4	23.4	23.7
Adj. EPS (INR)	11.1	13.9	15.8	17.6
EPS Gr. (%)	101.7	25.5	14.1	11.4
BV/Sh. (INR)	105.1	115.1	127.3	141.3

## Ratios

Net D:E	-0.1	-0.2	-0.2	-0.2
RoE (%)	10.9	12.6	13.1	13.1
RoCE (%)	10.1	12.3	12.9	13.0
Payout (%)	36.0	26.6	22.7	20.4

## Valuations

P/E (x)	28.4	22.6	19.8	17.8
P/B (x)	3.0	2.7	2.5	2.2
EV/EBITDA (x)	16.0	14.5	12.8	11.2
Div. Yield (%)	0.8	1.0	1.0	1.0
FCF Yield (%)	4.8	2.9	2.6	2.7

## Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	4.0	4.0	4.0
DII	16.1	18.6	11.3
FII	57.2	57.5	66.2
Others	22.7	19.9	18.5

FII Includes depository receipts

## Gradual recovery in market share, ad spends

- Zee Entertainment (Z)'s EBITDA / adj. PAT jumped 31%/70% YoY (6%/7% miss) on a lower base, as ad revenues were up 21% YoY, (11% below pre-COVID – 2QFY20), given the impact of COVID in the first half of the quarter.
- We largely maintain our estimates, factoring in FY23E EBITDA/PAT at 10%/17% above FY20 levels, after two consecutive quarters of cuts in estimates and margin guidance. Gradual improvement in network market share and Zee5 KPIs bode well, but clarity on acquisitions and leadership are key to the stock performance. We maintain Neutral.

## EBITDA up 31% YoY on lower base (6% miss)

- Zee's consolidated revenues grew 14.9% YoY to INR19.8b (11.5% QoQ; in-line), as ad revenue was up 20.7%, partially impacted by COVID in 1HFY22. Compared with pre-COVID levels (1QFY20), domestic ad revenues were lower by 11%.
- Zee's total operating expenses grew 11% YoY to INR15.7b (in-line) on account of higher programming and marketing costs, led by new content launches across markets and investments in ZEE5. An additional cost of INR53.9m was incurred towards pandemic-related shifts in shooting locations. Subsequently, EBITDA came in at INR4.1b, up 31.4% YoY (5.7% miss), with margins at 20.8%.
- Adj. PAT grew 70% YoY (29% QoQ) to INR2.8b (7% miss), while reported PAT came in at INR2.7b (up 27% QoQ).
- Zee5's MAU/DAU grew by a healthy 16%/31% QoQ to 93.2m/9.3m. It has grown by 70–80% in the last year. This has led to revenue growth of 17% QoQ to INR1.3b and curtailed EBITDA loss to INR1.7b v/s INR2b in 1QFY22.
- It launched 13 original shows/movies (24/75 new launches in 1HFY22/FY21), while the all-India viewership share in 2QFY22 improved to 17.7% (70bp QoQ).

## Highlights from management commentary

- **Ad revenue recovery:** Ad revenues are expected to reach pre-COVID levels in 2HFY22 on the back of easing restrictions and a strong content pipeline.
- **NTO 2.0:** Disruption is expected in subscription revenues in 1HFY23 as the implementation timeline is being shifted to Apr'22. Revenues would grow over the long term.
- **Zee5:** The business is seeing healthy subscriber growth on the back of improved content and user experience. The content pipeline remains strong for 2HFY22.
- **SONY merger:** The due diligence process is well underway and expected to be completed within the given timeline.
- **Outlook:** The company has reiterated its medium-term margin targets at 25%.

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

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**Valuation and view**

- Recovery in ad revenues with the phasing out of COVID woes bodes well. However, high raw material costs across multiple sectors could pose a risk as discretionary spending may be cut, impacting advertisement spending.
- The series of new content launches and investments in OTT has improved network market share and also resulted in better KPIs for Zee5.
- Clarity on Sony acquisition timelines and the leadership position are key to the stock performance.
- We largely maintain our estimates, factoring in FY23E EBITDA/PAT at 10%/17% above FY20 levels, after two consecutive quarters of cuts in estimates and margin guidance.
- The stock trades at an attractive valuation of 19.8x P/E on an FY23E basis. This is a far cry from its historic multiples of >25–30x around three years ago. Any potential re-rating would be governed by a) steady earnings growth, led by network market share improvement, b) the success of Zee5, and c) a disciplined investment approach and avoiding non-core investments.
- For now, we value Z at 20x Sept'23 EPS, with Target Price of INR335. **Maintain Neutral.**

**Consolidated - Quarterly Earning Model**

(INR m)

Y/E March	FY21				FY22E				FY21	FY22E	FY22E 2Q	v/s Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Revenue</b>	<b>13,120</b>	<b>17,227</b>	<b>27,294</b>	<b>19,658</b>	<b>17,750</b>	<b>19,788</b>	<b>22,874</b>	<b>22,472</b>	<b>77,299</b>	<b>82,884</b>	<b>20,147</b>	<b>-1.8</b>
YoY Change (%)	-34.7	-18.8	33.2	0.8	35.3	14.9	-16.2	14.3	-4.9	7.2	17.0	
Total Expenditure	10,921	14,090	20,137	14,250	14,310	15,666	16,198	17,323	59,398	63,496	15,774	-0.7
<b>EBITDA</b>	<b>2,199</b>	<b>3,137</b>	<b>7,157</b>	<b>5,408</b>	<b>3,440</b>	<b>4,122</b>	<b>6,676</b>	<b>5,150</b>	<b>17,901</b>	<b>19,388</b>	<b>4,373</b>	<b>-5.7</b>
EBITDA Margin (%)	16.8%	18.2%	26.2%	27.5%	19.4%	20.8%	29.2%	22.9%	23.2%	23.4%	21.7%	-4
Depreciation	719	651	652	627	590	598	664	738	2,649	2,590	648	-7.6
Interest	45	13	21	491	19	22	21	233	571	296	13	67.2
Other Income	264	379	276	186	336	317	331	339	1,104	1,322	358	-11.4
Fair Value through P&L gain/(loss)	-1,123	-207	-839	207	-97	-89	0	0	-1,962	-186	0	
<b>PBT before EO expense</b>	<b>576</b>	<b>2,644</b>	<b>5,920</b>	<b>4,683</b>	<b>3,069</b>	<b>3,730</b>	<b>6,321</b>	<b>4,517</b>	<b>13,823</b>	<b>17,638</b>	<b>4,070</b>	<b>-8.3</b>
Extra-Ord expense	0	970	0	295	37	140	0	0	1,266	177	0	
<b>PBT</b>	<b>576</b>	<b>1,674</b>	<b>5,920</b>	<b>4,388</b>	<b>3,032</b>	<b>3,590</b>	<b>6,321</b>	<b>4,517</b>	<b>12,558</b>	<b>17,461</b>	<b>4,070</b>	<b>-11.8</b>
Tax	284	740	1,937	1,664	945	930	1,580	1,129	4,625	4,584	1,017	-8.6
Rate (%)	49.2	44.2	32.7	37.9	31.2	25.9	25.0	25.0	36.8	26.3	25.0	
MI & P/L of Asso. Cos.	-11	-7	-16	-34	-50	-42	-28	-31	-69	-150	-31	
<b>Reported PAT</b>	<b>304</b>	<b>942</b>	<b>3,999</b>	<b>2,757</b>	<b>2,137</b>	<b>2,702</b>	<b>4,769</b>	<b>3,419</b>	<b>8,002</b>	<b>13,027</b>	<b>3,083</b>	<b>-12.4</b>
<b>Adj PAT</b>	<b>1,416</b>	<b>1,683</b>	<b>4,822</b>	<b>2,700</b>	<b>2,210</b>	<b>2,853</b>	<b>4,741</b>	<b>3,388</b>	<b>10,620</b>	<b>13,192</b>	<b>3,052</b>	<b>-6.5</b>
YoY Change (%)	-69	-70	24	LP	56	70	-2	26	13	24	81	

E: MOFSL Estimates

**Key Performance Indicators**

Y/E March	FY21				FY22E				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>Advertisement revenue</b>	4,211	9,028	13,020	11,230	9,266	10,893	13,822	12,914	37,489	46,896
Domestic revenue	3,840	8,666	12,443	10,704	8,752	10,406	13,306	12,392	35,653	44,856
International revenue	371	362	577	526	514	487	517	522	1,836	2,040
<b>Subscription revenue</b>	7,443	8,003	8,419	8,034	8,131	7,885	8,079	8,373	31,899	32,468
Domestic revenue	6,625	7,172	7,328	7,481	7,175	7,007	7,201	7,509	28,606	28,892
International revenue	818	831	1,091	553	956	878	878	864	3,293	3,576
<b>Other sales and services</b>	1,466	196	5,854	395	353	1,010	972	1,185	7,911	3,520
Domestic revenue	1,316	54	159	195	244	875	739	728	1,724	2,586
International revenue	150	142	5,695	200	109	135	234	457	6,187	934
Production Costs (%)	50	48	52	43	49	46	43	47	49	46
EBITDA Margin (%)	16.8	18.2	26.2	27.5	19.4	20.8	29.2	22.9	23.2	23.4
EBIT Margins (%)	11.3	14.4	23.8	24.3	16.1	17.8	26.3	19.6	19.7	20.3

E: MOFSL Estimates

### Segmental highlights

- Domestic ad revenue increased 20% YoY to INR10.4b. Compared to Q1FY20, domestic ad revenues were lower by 11%
- Domestic subscription revenue declined 2.3% YoY to INR7b. International subscription revenue grew 5.7% YoY to INR878m.
- ZEE's network share improved 70bps sequentially to 17.7% in 2QFY22.

### Online platform ZEE5 gaining scale

- MAU's stood at 93.2m and DAU's stood at 9.3m as on Sep'21.
- Revenue came at INR1.3b (+17% QoQ) while EBITDA loss declined at INR1.7b (recovering 15% QoQ).
- Launched a total of 13 original shows and movies released during the quarter (24 new launches in 1HFY22).

### Other Highlights

- ZEEL reported exceptional expenses of INR140m towards credit risk evaluation of SNL (Siti Network – related party), w.r.t. the Debt Service Reserve Account (DSRA guarantee) provided.
- During the quarter, the Group incurred additional costs aggregating INR53.9m relating to shifting shooting locations to ensure uninterrupted operations.

### Exhibit 1: Valuation based on P/E

Valuation	Sept'23
EPS	17
PE multiple (x)	20
Target Price (INR)	335
CMP (INR)	314
Upside (%)	7%

Source: MOFSL, Company



## Management commentary highlights

### Key Highlights

- **Ad revenue recovery:** Ad revenues expected to reach pre-covid levels in 2HFY22 on the backs of easing of restrictions and strong pipeline of content.
- **NTO 2.0:** Disruption in subscription revenues expected in 1HFY23 expected as implementation timeline being shifted to Apr'22. Revenues to grow in long term.
- **Zee5:** Business witnessing healthy subscriber growth on the backs of improved content and user experience. Content pipeline remains strong for 2HFY22.
- **SONY merger:** The due diligence process is well under progress and is expected to be completed within the timeline.
- **Outlook:** Company has reiterated its medium term margin targets to be at 25%.

### Detailed Notes:

#### Zee 5 (Digital Business):

- Business witnessed a healthy growth with global DAU/MAU at 9.3m/93.2m on the backs of improved user experience and launch of new content.
- Launched 13 original shows and movies released during the quarter. Further, content pipeline for 2HFY22 remains strong with ~17-18 new shows to be launched in Q3FY22.

- Company expects revenue in this segment to see sequential growth going ahead on the backs of compelling line-up of content release and business entering growth mode.
- Share of USA in DAUs remains in fraction as major users predominantly belong to the Indian Territory.

**Advertisement Revenues:**

- Ad revenue was up 20.5% YoY for 2QFY22, while these revenues witnessed a growth of 52.3% in 1HFY22 v/s 1HFY21.
- Ad revenues are expected to witness strong recovery in 2HFY22 on the backs of increased vaccination coupled with easing of restrictions in opening of malls and theatres and festive season.
- Launch of high impact content across segments has further encouraged advertisers to spend more.
- Company expects the ad revenues to reach pre-covid levels in 2HFY22.
- Company is further working on improving yields from this segment.

**Subscription Revenue:**

- Expects some disruption in subscription revenues during the 1HFY23 as the new implementation timeline for NTO 2.0 has been postponed to April 01, 2022. Revenues to see healthy growth thereafter.
- International subscription revenue declined sequentially as company has shifted from normal route of distribution in USA to Zee5. This might impact the yields for a short period of time.

**Zee Studios:**

- Released 5 movies during the quarter which included 3 theatrical releases. Witnessed good response to the theatrical release.
- Company is confident of strong performance in 2HFY22 on the backs of strong slate of movies across Hindi and regional languages being planned for release in H2FY22.
- Opening of cinemas across the country is further expected to boost theatrical revenue.

**Viewership trends**

- Network share improved 70bps sequentially to 17.7% aided by new show launches across all markets.
- While the Bengali, Kannada & Telugu market continued to see strong performance, company plans to improve share in the other segments on the backs of improved launches in Q3FY22.
- Viewership share of new channels stood at 1.2%.
- Company has maintained its No. 2 spot in tv entertainment network.
- Expects improved share in 2HFY22 with improvements in flagship channel to be seen.

**Other Highlights:**

- **Outlook:** Company has reiterated its medium term margin targets to be at 25%.
- **Cash:** Cash balance (incl. investments) as on Sep'21 stood at INR16.2b after payment of INR2.4b towards dividend.
- **Ad-Spends:** Company expects the expenditure in advertising to remain at elevated levels for 2HFY22 due to strong content release lined up. Spends to stabilize from FY23 onwards.
- **Merger with SONY:** Company has stated that the Due diligence process has commenced and is expected to be completed within timeline stated.

**Exhibit 2: Quarterly performance (INR m)**

	2QFY21	1QFY22	2QFY22	YoY%	QoQ%	2QFY22E	v/s est (%)
Advertising revenue	9,028	9,266	10,893	20.7	17.6	11,429	-4.7
Subscription revenue	8,003	8,131	7,885	-1.5	-3.0	8,209	-3.9
Other sales and services	196	353	1,010	415.3	185.9	509	98.2
<b>Total revenue</b>	<b>17,227</b>	<b>17,750</b>	<b>19,788</b>	<b>14.9</b>	<b>11.5</b>	<b>20,147</b>	<b>-1.8</b>
Total operating expenses	14,090	14,310	15,666	11.2	9.5	15,774	-0.7
<b>EBITDA</b>	<b>3,137</b>	<b>3,440</b>	<b>4,122</b>	<b>31.4</b>	<b>19.8</b>	<b>4,373</b>	<b>-5.7</b>
<b>EBITDA margin (%)</b>	<b>18.2</b>	<b>19.4</b>	<b>20.8</b>	<b>262bp</b>	<b>145bp</b>	<b>21.7</b>	<b>-87bp</b>
Depreciation	651	590	598	-8.2	1.5	648	-7.6
Finance Cost	13	19	22	67.2	13	13	67
Other income	379	336	317	-16.4	-5.7	358	-11.4
Fair Value gain/(loss) through P&L	-207	-97	-89	NM	NM	0	NM
<b>PBT</b>	<b>2,644</b>	<b>3,069</b>	<b>3,730</b>	<b>41.1</b>	<b>21.5</b>	<b>4,070</b>	<b>-8.3</b>
Exceptional item gain/(loss)	-970	-37	-140	NM	NM	0	NM
<b>Reported PBT</b>	<b>1,674</b>	<b>3,032</b>	<b>3,590</b>	<b>114.5</b>	<b>18.4</b>	<b>4,070</b>	<b>-12</b>
Tax	740	945	930	25.7	-1.6	1,017	-9
<b>Effective Tax Rate (%)</b>	<b>44.2</b>	<b>31.2</b>	<b>25.9</b>	<b>-1,829.4</b>	<b>-526.3</b>	<b>25.0</b>	<b>89.4</b>
<b>Reported PAT</b>	<b>934</b>	<b>2,087</b>	<b>2,660</b>	<b>185</b>	<b>27</b>	<b>3,052</b>	<b>-13</b>
Associates/Minority Interest	-7	-50	-42	462	-16	-31	
<b>Reported PAT (after Asso./MI)</b>	<b>942</b>	<b>2,137</b>	<b>2,702</b>	<b>187</b>	<b>26</b>	<b>3,083</b>	<b>-12</b>
<b>Adjusted PAT</b>	<b>1,683</b>	<b>2,210</b>	<b>2,853</b>	<b>70</b>	<b>29</b>	<b>3,052</b>	<b>-7</b>

Detailed segments	2QFY21	1QFY22	2QFY22	YoY%	QoQ%	2QFY22E	v/s est (%)
<b>Advertisement revenue (INR m)</b>							
Domestic	8,666	8,752	10,406	20.1	18.9	10,872	-4.3
International	362	514	487	34.5	-5.3	557	-12.6
<b>Total Ad revenue</b>	<b>9,028</b>	<b>9,266</b>	<b>10,893</b>	<b>20.7</b>	<b>17.6</b>	<b>11,429</b>	<b>-4.7</b>
<b>Subscription revenue (INR m)</b>							
Domestic	7,172	7,175	7,007	-2.3	-2.3	7,234	-3.1
International	831	956	878	5.7	-8.2	975	-10.0
<b>Total subscription revenue</b>	<b>8,003</b>	<b>8,131</b>	<b>7,885</b>	<b>-1.5</b>	<b>-3.0</b>	<b>8,209</b>	<b>-3.9</b>
<b>Operating costs (INR m)</b>							
Prog, Transmission & Direct Exp	8,342	8,664	9,037	8.3	4.3	9,769	-7.5
Employee Cost	1,967	2,280	2,038	3.6	-10.6	2,314	-11.9
Selling and Other Exp	3,782	3,366	4,591	21.4	36.4	3,692	24.4
<b>Total operating costs</b>	<b>14,090</b>	<b>14,310</b>	<b>15,666</b>	<b>11.2</b>	<b>9.5</b>	<b>15,774</b>	<b>-0.7</b>

Source: MOFSL, Company

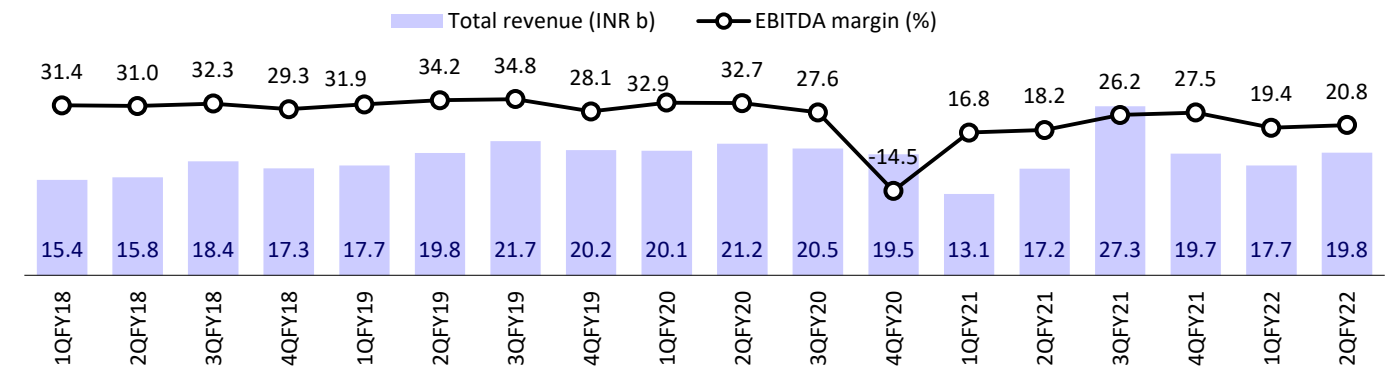
**Exhibit 3: Summary of estimate change (INR b)**

	FY22E	FY23E
<b>Ad revenue (INR b)</b>		
Old	46.7	52.7
Actual/New	46.9	52.8
<i>Change (%)</i>	0.3	0.4
<b>Subscription revenue (INR b)</b>		
Old	31.5	34.2
New	32.5	34.9
<i>Change (%)</i>	3.0	1.9
<b>Total revenue (INR b)</b>		
Old	80.6	89.5
New	82.9	91.7
<i>Change (%)</i>	2.9	2.5
<b>EBITDA (INR b)</b>		
Old	18.5	20.8
New	19.4	21.5
<i>Change (%)</i>	4.8	3.5
<b>EBITDA margin (%)</b>		
Old	23.0	23.2
New	23.4	23.4
<i>Change (bp)</i>	42.7	22.5
<b>PAT (INR b)</b>		
Old	12.6	14.7
New	13.0	15.2
<i>Change (%)</i>	3.0	3.7
<b>EPS (INR)</b>		
Old	13.3	15.3
New	13.9	15.8
<i>Change (%)</i>	4.5	3.7

Source: MOFSL, Company

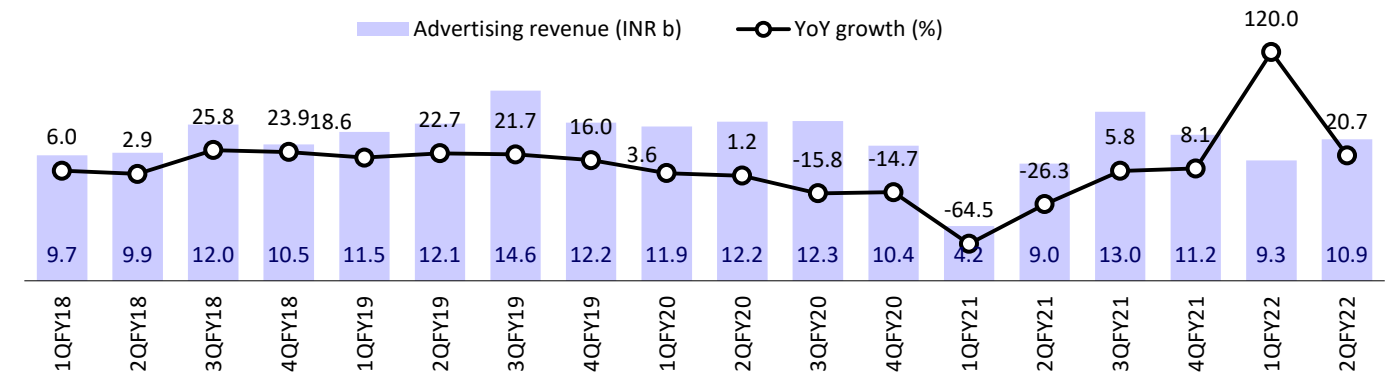
## Story in charts

**Exhibit 4: Consol. revenue grew 20.8% YoY (INR b, %)**



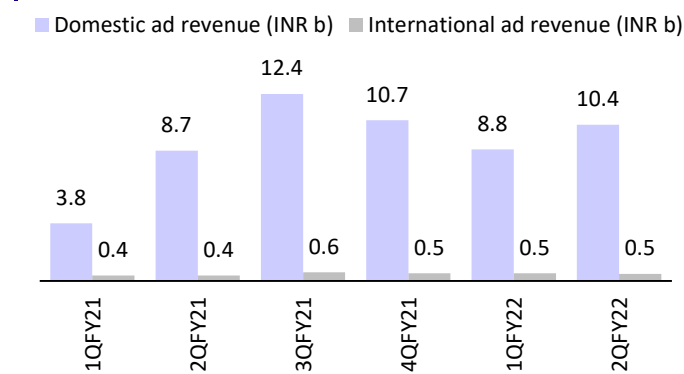
Source: Company, MOFSL

**Exhibit 5: Total ad revenue up 20.7% YoY (INR b, %)**



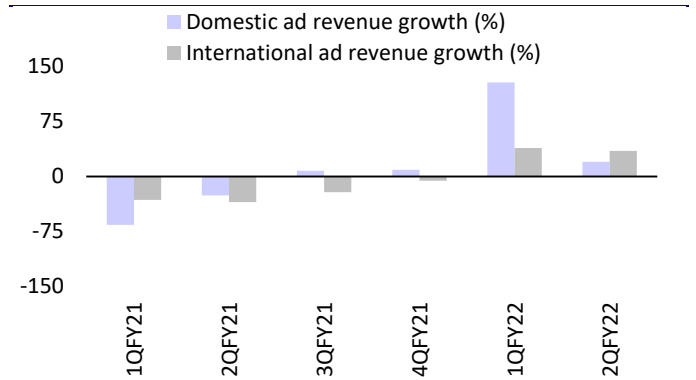
Source: Company, MOFSL

**Exhibit 6: Domestic/international ad revenue trend**



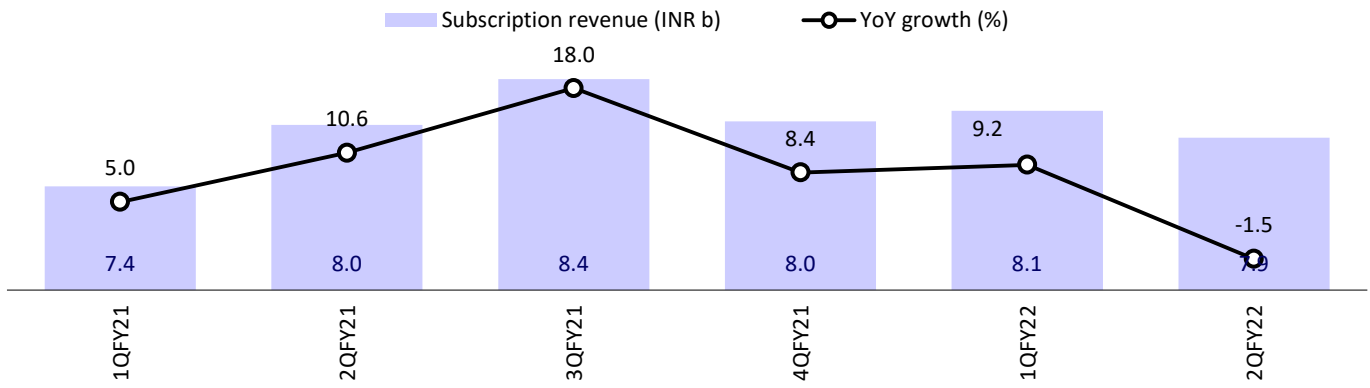
Source: MOFSL, Company

**Exhibit 7: Domestic/international ad revenue growth trend (%)**



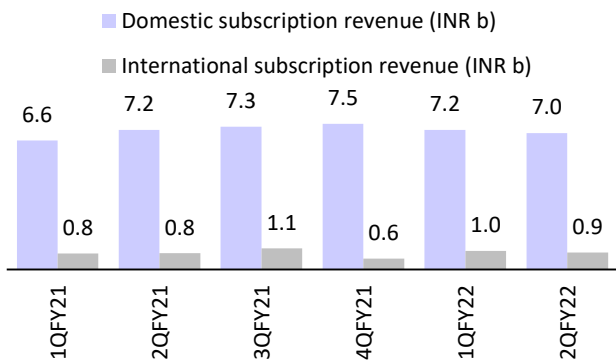
Source: MOFSL, Company

**Exhibit 8: Total subscription revenue declined 1.5% YoY (INR b, %)**



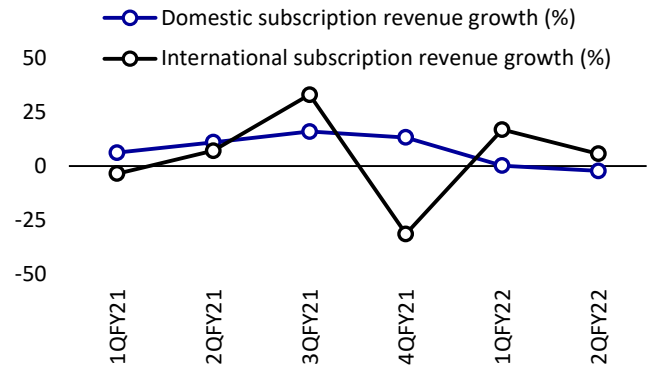
Source: Company, MOFSL

**Exhibit 9: Domestic/international subscription revenue trend**



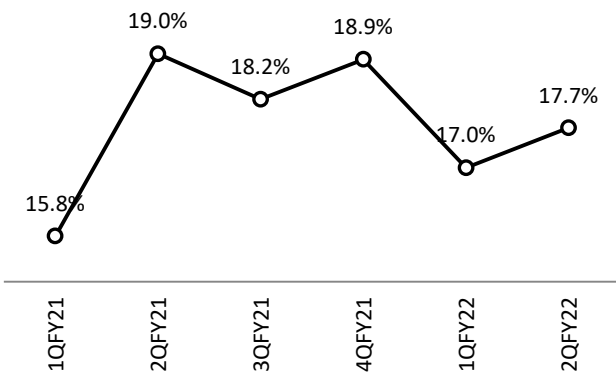
Source: MOFSL, Company

**Exhibit 10: Domestic/international subscription revenue growth trend (%)**



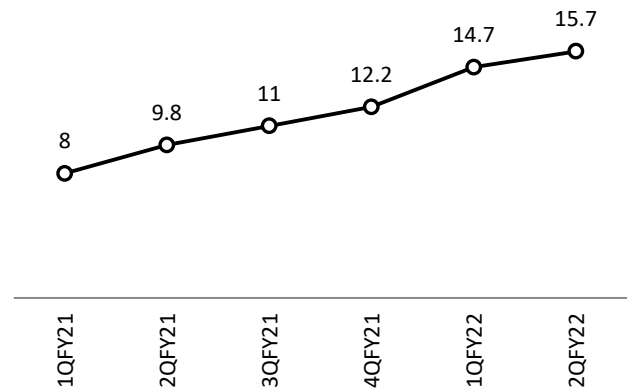
Source: MOFSL, Company

**Exhibit 11: Zee Network Market Share (%)**



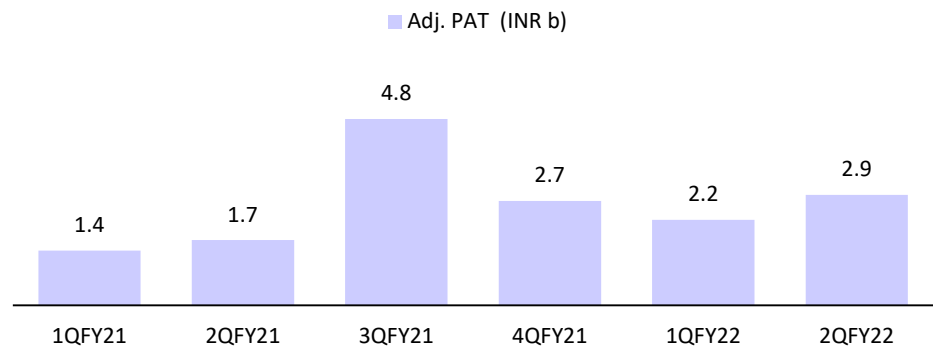
Source: MOFSL, Company

**Exhibit 12: Zee music YouTube views (bn)**

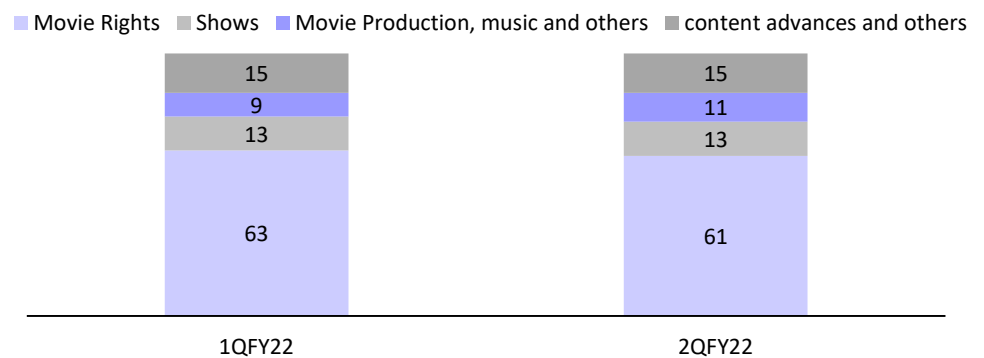


Source: MOFSL, Company



**Exhibit 13: Adj. PAT came in at INR2.9b**

Source: Company, MOFSL

**Exhibit 14: Break-up of content inventory, advances and deposits (%)**

Source: Company, MOFSL

**Exhibit 15: ZEE5 KPIs (INRm)**

ZEE5 KPIs	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22
DAUs (m)	4	5.2	5.4	6.1	7.1	9.3
MAUs (m)	39.7	54.7	65.9	72.6	80.2	93.2
Avg watch time (mnts/month)	112	152	133	156	190	186
Revenue (INRm)	949	989	1178	1075	1117	1305
as % of total revenue	7%	6%	4%	5%	6%	7%

Source: Company, MOFSL

## Financials and Valuations

Consolidated - Income Statement							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<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>82,884</b>	<b>91,749</b>	<b>1,01,956</b>
Change (%)	19.0	10.7	3.9	18.7	2.5	-4.9	7.2	10.7	11.1
Programming/Production expenses	25,984	27,757	25,275	30,758	38,285	37,505	38,058	42,950	48,425
Employees Cost	4,986	6,043	6,657	7,249	7,805	8,183	9,165	9,898	10,690
Other Expenses	12,019	11,273	14,164	15,692	18,863	13,710	16,273	17,412	18,631
<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>63,496</b>	<b>70,261</b>	<b>77,747</b>
% of Sales	74.0	70.1	68.9	67.7	79.9	76.8	76.6	76.6	76.3
<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>19,388</b>	<b>21,488</b>	<b>24,210</b>
Margin (%)	26.0	29.9	31.1	32.3	20.1	23.2	23.4	23.4	23.7
Depreciation	777	1,152	1,821	2,347	2,706	2,649	2,590	3,126	3,426
<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>16,798</b>	<b>18,362</b>	<b>20,784</b>
Int. and Finance Charges	1,598	1,372	1,448	1,304	1,449	571	296	150	20
Other Income	1,951	2,241	4,404	2,515	2,836	1,104	1,322	1,924	1,680
Fair Value through P&L gain/(loss)	-673	-2,205	-68	36	-2,597	-1,962	-186	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>17,638</b>	<b>20,135</b>	<b>22,444</b>
EO Items	-331	12,234	1,346	-218	-2,843	-1,266	-177	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>17,461</b>	<b>20,135</b>	<b>22,444</b>
Total Tax	5,491	6,809	8,409	8,673	4,317	4,625	4,584	5,068	5,649
Tax Rate (%)	40.1	23.5	36.3	35.7	45.0	36.8	26.3	25.2	25.2
Minority Interest/Associate	-14	-8	-25	-23	5	-69	-139	-139	-139
<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>13,016</b>	<b>15,206</b>	<b>16,934</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>13,333</b>	<b>15,206</b>	<b>16,934</b>
Change (%)	-6.9	65.4	-7.0	12.7	-40.3	12.7	25.5	14.1	11.4
Margin (%)	15.7	23.4	20.9	19.9	11.6	13.7	16.1	16.6	16.6

Consolidated - Balance Sheet							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	960	960	961	961	961	961	961	961	961
Total Reserves	47,079	65,945	74,657	88,279	92,479	99,985	1,09,543	1,21,292	1,34,769
<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>1,00,945</b>	<b>1,10,504</b>	<b>1,22,252</b>	<b>1,35,729</b>
Minority Interest	22	10	142	143	110	129	-11	-152	-292
Total Loans	17,159	22,023	15,255	11,134	6,476	4,028	2,011	195	-188
Deferred Tax Liabilities	-648	-903	1,996	1,262	0	-1,207	-1,207	-1,207	-1,207
<b>Capital Employed</b>	<b>64,573</b>	<b>88,035</b>	<b>93,010</b>	<b>1,01,778</b>	<b>1,00,025</b>	<b>1,03,895</b>	<b>1,11,296</b>	<b>1,21,089</b>	<b>1,34,042</b>
Gross Block	9,221	10,944	15,353	17,299	19,799	22,299	24,799	27,299	29,799
Less: Accum. Deprn.	3,792	4,464	6,058	8,406	10,722	13,762	16,352	19,478	22,904
<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>8,447</b>	<b>7,821</b>	<b>6,895</b>
Goodwill on Consolidation	8,843	2,676	5,467	5,252	4,070	3,804	3,804	3,804	3,804
Capital WIP	1,104	1,558	920	1,561	832	782	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>7,983</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>53,135</b>	<b>77,525</b>	<b>80,327</b>	<b>1,03,859</b>	<b>1,06,511</b>	<b>1,05,874</b>	<b>1,18,789</b>	<b>1,32,373</b>	<b>1,49,765</b>
Inventory	13,180	16,962	26,278	38,505	53,475	54,030	59,954	67,661	76,286
Account Receivables	13,482	12,418	15,365	18,274	20,847	21,286	22,708	23,880	25,140
Cash and Bank Balance	9,631	26,133	16,117	12,218	7,345	10,907	14,575	18,209	23,199
Loans and Advances	16,842	22,012	22,567	34,861	24,845	19,651	21,553	22,623	25,140
<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>28,509</b>	<b>31,674</b>	<b>35,187</b>
Account Payables	4,768	8,343	11,497	14,897	16,803	13,982	14,885	16,538	18,372
Other Current Liabilities	9,060	4,436	5,816	11,204	5,383	7,395	11,908	13,230	14,697
Provisions	611	858	975	1,451	1,526	1,709	1,716	1,906	2,118
<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>90,280</b>	<b>1,00,699</b>	<b>1,14,578</b>
<b>Appl. of Funds</b>	<b>64,573</b>	<b>88,035</b>	<b>93,010</b>	<b>1,01,778</b>	<b>1,00,025</b>	<b>1,03,895</b>	<b>1,11,296</b>	<b>1,21,089</b>	<b>1,34,042</b>

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<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>11.1</b>	<b>13.9</b>	<b>15.8</b>	<b>17.6</b>
Cash EPS	8.8	15.6	15.2	17.8	11.8	13.4	16.3	19.0	21.2
BV/Share	50.0	69.7	78.7	92.9	97.3	105.1	115.1	127.3	141.3
DPS	2.3	2.5	2.9	3.5	3.0	2.5	3.0	3.0	3.0
Payout (%)	31.7	13.0	22.6	25.7	65.7	36.0	26.6	22.7	20.4
<b>Valuation (x)</b>									
P/E	33.1	20.0	21.5	19.1	57.3	28.4	22.6	19.8	17.8
Cash P/E	35.8	20.1	20.7	17.6	26.6	23.5	19.3	16.6	14.8
P/BV	6.3	4.5	4.0	3.4	3.2	3.0	2.7	2.5	2.2
EV/Sales	5.1	4.4	4.3	3.7	3.7	3.7	3.4	3.0	2.7
EV/EBITDA	19.7	14.7	13.7	11.3	18.2	16.0	14.5	12.8	11.2
Dividend Yield (%)	0.7	0.8	0.9	1.1	1.0	0.8	1.0	1.0	1.0
<b>Return Ratios (%)</b>									
RoE	21.8	26.2	19.6	19.1	10.3	10.9	12.6	13.1	13.1
RoCE	16.2	20.2	16.5	17.4	9.0	10.1	12.3	12.9	13.0
RoIC	21.4	30.7	22.4	21.6	9.0	11.1	14.4	15.1	15.9
<b>Working Capital Ratios</b>									
Asset Turnover (x)	0.9	0.7	0.7	0.8	0.8	0.7	0.7	0.8	0.8
Inventory (Days)	83	96	143	177	240	255	264	269	273
Debtor (Days)	85	70	84	84	94	101	100	95	90
Creditor (Days)	30	47	63	69	75	66	66	66	66
<b>Leverage Ratio (x)</b>									
Net Debt/Equity	-0.1	-0.3	-0.2	-0.1	0.0	-0.1	-0.2	-0.2	-0.2

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	14,040	29,009	23,187	24,345	9,563	12,556	17,461	20,135	22,444
Depreciation	777	1,152	1,821	2,565	5,550	2,649	2,590	3,126	3,426
Interest & Finance Charges	28	73	101	139	135	104	296	150	20
Direct Taxes Paid	-5,827	-6,810	-8,295	-9,299	-3,114	-5,011	-4,584	-5,068	-5,649
(Inc)/Dec in WC	-2,497	-6,036	-8,551	-17,151	-16,758	809	-3,823	-6,785	-8,889
<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>11,940</b>	<b>11,559</b>	<b>11,351</b>
Others	781	-10,698	-2,673	734	7,124	4,370	-1,323	-1,925	-1,681
<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>10,616</b>	<b>9,634</b>	<b>9,670</b>
(Inc)/Dec in FA	-2,716	-2,704	-3,146	-2,814	-1,451	-1,740	-2,500	-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>8,116</b>	<b>7,134</b>	<b>7,170</b>
(Pur)/Sale of Investments	-611	-2,975	-1,413	5,930	3,163	-3,765	0	0	0
Others	4,531	19,629	-145	1,316	1,451	-951	1,322	1,924	1,680
<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>-1,178</b>	<b>-576</b>	<b>-820</b>
Issue of Equity	59	0	0	0	-4,867	-4,027	-2,017	-1,815	-383
Inc/(Dec) in Debt	-4	0	-6,967	-4,876	-12	4	0	0	0
Interest Paid	-28	-73	-101	-54	-67	-43	-296	-150	-20
Dividend Paid	-4,051	-4,065	-3,834	-4,734	-5,227	-1,118	-3,458	-3,458	-3,458
Others	-22	0	0	0	-362	-275	0	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>-5,770</b>	<b>-5,423</b>	<b>-3,861</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>3,668</b>	<b>3,634</b>	<b>4,990</b>
Opening Balance	5,171	9,631	26,133	16,117	12,218	7,345	10,907	14,575	18,209
<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>14,575</b>	<b>18,209</b>	<b>23,199</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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