

# Zee Entertainment

Refer to important disclosures at the end of this report

## Deal sealed; eyes now on execution and timelines

- Sony Pictures Networks India (SPNI) and ZEEL have signed a definitive agreement to merge ZEEL with and into SPNI. Under the deal, the entities' linear networks, digital assets, production operations and program libraries will be combined.
- Post deal closing, SPNI will have a cash balance of USD1.5bn, including USD1.06bn through a rights issue by the current SPNI shareholders and a fund infusion from ZEEL promoters. With a 50.9% stake, Sony will retain management control of the new entity.
- With the merger agreement signed, key things to watch out for now will be Invesco's support for the merger, timely regulatory approvals, smooth integration, strategic roadmap for OTT investments, and recovery in Zee's viewership share in select core markets.
- We have adjusted our pro-forma estimates assuming that the benefits from the merger will start reflecting from FY24 vs. FY23 earlier. Maintain Buy with a revised Mar'23E TP of Rs430 (11x Mar'24E pro-forma broadcasting EBITDA).

**Unraveling the deal: We have segregated the deal structure and equity capital increase into five parts:** 1) sub-division of SPNI (transferee company); 2) Rs79.5bn rights issue by Sony Pictures Entertainment Inc (SPE); 3) share issuance to ZEEL promoters for Rs11bn infusion; 4) share swap for 100 shares held in ZEEL with 85 shares of SPNI; and 5) share issuance to the shareholders of BEPL (Bangla Entertainment Pvt Ltd), which is wholly owned by SPNI promoters. ZEEL promoters will get a 2.11% stake in the merged entity in lieu of the non-compete agreement, and they will have the option to increase their stake from 3.99% to a maximum of 20% through open market purchases. In the merged company, ZEEL promoters will continue to be classified as promoters.

**Outlook:** The deal structure and valuations are in line with the non-definitive agreement signed by both parties in Sept'21. We continue to highlight that this deal is positive for ZEEL shareholders as it will resolve investor concerns around governance, board composition and funding for future expansion (through the cash pile at the merged entity). The merged entity will be the market leader in India with a comprehensive bouquet of offerings, and will have the necessary balance sheet strength to invest in digital businesses and acquisition of sports rights. We strongly believe that acquiring the rights to a major cricket event (IPL or ICC India cricket series) will play a critical role in the OTT platform's significant facelift, which could lead to a valuation re-rating as well. **Merger synergies include:** 1) enhanced bargaining power with content producers, distributors and advertisers; 2) cost optimization by shutting down tail-end channels; and 3) other scale benefits. The recovery of Zee's market share loss in Hindi GEC and select regional markets is key in the near term. **Key risks:** 1) integration challenges; 2) cultural issues; 3) delayed regulatory/shareholder approvals; 4) sustained slowdown in ad revenues; 5) higher-than-estimated losses from the digital business; and 6) significantly low OTT monetization.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Media & Entertainment \(Page 12\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	81,299	77,299	84,198	93,884	103,408
EBITDA	16,346	17,902	17,818	21,273	24,448
EBITDA Margin (%)	20.1	23.2	21.2	22.7	23.6
APAT	10,705	11,230	12,425	14,863	17,209
EPS (Rs)	10.3	11.7	12.6	15.5	17.9
EPS (% chg)	(37.9)	14.0	8.0	22.5	15.8
ROE (%)	10.8	11.7	11.7	13.3	14.0
P/E (x)	34.0	29.8	27.6	22.5	19.5
EV/EBITDA (x)	20.3	17.9	18.1	15.1	13.0
P/BV (x)	3.6	3.3	3.1	2.9	2.6

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
<b>Rs 349</b> as of (December 22, 2021)	<b>Rs 430 (▲)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (■)</b>	<b>23.3 %</b>

### Change in Estimates

EPS Chg FY22E/FY23E (%)	-/
Target Price change (%)	3.6
Target Period (Months)	12
Previous Reco	Buy

### Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	12.6	15.5
Consensus	13.3	16.6
Mean Consensus TP (12M)	Rs 373	

### Stock Details

Bloomberg Code	Z IN
Face Value (Rs)	1
Shares outstanding (mn)	961
52 Week H/L	379 / 167
M Cap (Rs bn/USD bn)	335 / 4.43
Daily Avg Volume (nos.)	29,818,450
Daily Avg Turnover (US\$ mn)	128.2

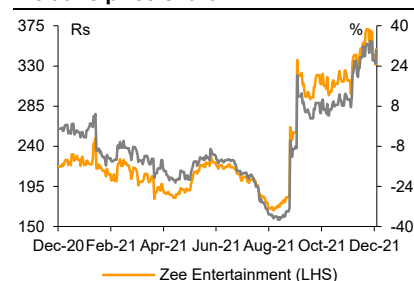
### Shareholding Pattern Sep '21

Promoters	4.0%
FII's	57.2%
DII's	16.0%
Public and Others	22.9%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	17	4	60	63
<b>Rel. to Nifty</b>	20	7	49	29

### Relative price chart



Source: Bloomberg

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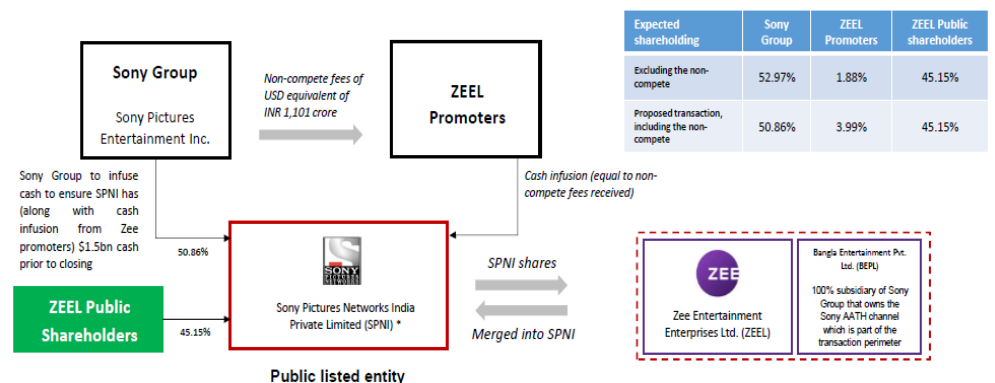
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## The Draft Scheme of Merger in detail

### We have divided the deal structure into 5 parts for easy understanding

- 1) Sub-division of the share capital of the Sony Pictures Networks India Private Limited (Transferee Company) and the issuance and allotment of bonus shares by way of a bonus issue.
- 2) Issuance of: a) 265mn equity shares of the Transferee Company to the existing shareholders of the Transferee Company, against an infusion of Rs79.6bn by way of a rights issue; and b) 36.5mn equity shares of the Transferee Company to Essel Holdings Limited, a promoter entity in Mauritius ("Essel Mauritius") and a wholly owned subsidiary of Essel Mauritius, against the infusion of Rs11bn.
- 3) SPE Mauritius Investments Limited will pay to Essel Mauritius an aggregate USD equivalent of Rs11bn toward non-compete obligations.
- 4) The merger of BEPL into the Transferee Company and the consequent issue of equity shares of the Transferee Company to the shareholders of BEPL.
  - Issuance of 133 fully paid-up equity shares of Rs1 of the Transferee Company to the shareholders of BEPL for every 10 fully paid up equity shares of Rs10 held by the shareholders of BEPL (dissolution without winding up of the company and BEPL).
- 5) Issuance of 85 fully paid-up equity shares of Rs1 of the Transferee Company to the shareholders of ZEEL for every 100 fully paid up equity shares of Rs1 held by ZEEL shareholders.
- Appointment of Mr. Punit Goenka as the Managing Director and CEO of the Transferee Entity under terms set out in the Scheme; and amendment of the Articles of Association of the Transferee Company.

### Exhibit 1: Draft scheme of arrangement



\* To be renamed

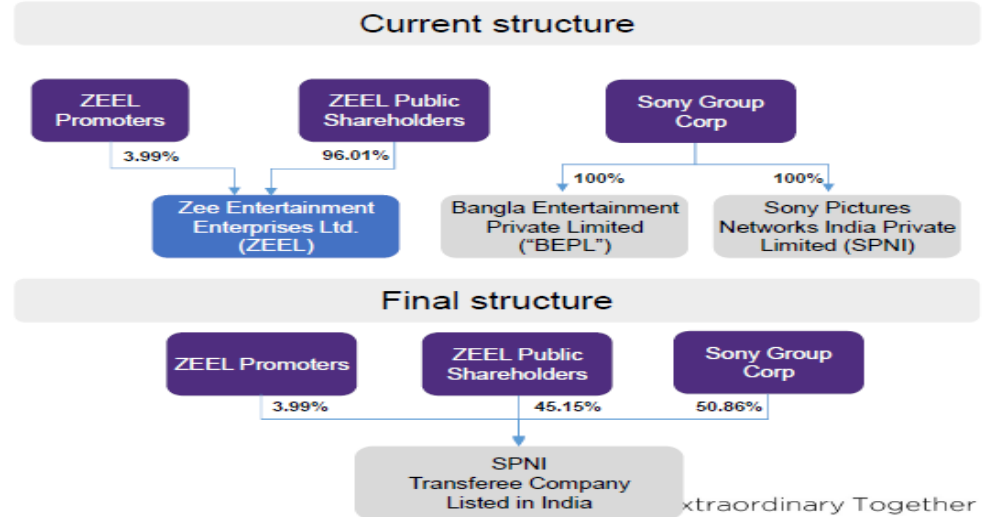
Illustrative chart which only reflects high level steps involved, subject to additional details regarding legal entities and structural steps

Extraordinary Together

Source: Company, Emkay Research

### Shareholding structure

As per the terms of the deal, Sony Pictures Entertainment Inc (SPE), through a subsidiary, will pay a non-compete fee to certain promoters of ZEEL, which will be used by them to infuse primary equity capital into SPNI, entitling ZEEL promoters (founders) to acquire SPNI shares amounting to about 2.11% of the shares of the combined entity on a post-close basis. After the deal closing, SPE will indirectly hold a majority stake of 50.86% in the combined company, while ZEEL promoters (founders) will hold a 3.99% stake. The remaining stake will be held by other shareholders of ZEEL.

**Exhibit 2: Shareholding structure**

Source: Company, Emkay Research

**Exhibit 3: Shareholding structure current and post-merger**

<b>ZEEL (The company shall cease to exist upon the effectiveness of the Scheme)</b>				
	<b>Before Scheme</b>			
<b>Category</b>	<b>No. of Equity Shares</b>	<b>% of Total</b>		
Promoters	38,316,284	4%		
Public	922,188,191	96%		
<b>Total</b>	<b>960,504,475</b>	<b>100%</b>		
<b>BEPL</b>				
	<b>Before Scheme</b>			
<b>Category</b>	<b>No. of Equity Shares</b>	<b>% of Total</b>		
Promoters	1,806,640	100%		
Public				
<b>Total</b>	<b>1,806,640</b>	<b>100%</b>		
	<b>Before Scheme</b>		<b>Post Scheme</b>	
<b>Category</b>	<b>No. of Equity Shares</b>	<b>% of Total</b>	<b>No of Equity Shares</b>	<b>% of Total</b>
Promoters	11,883,660	100%		
Sony	11,883,660		883,092,091	50.9%
Essel			69,279,147	4.0%
Public			783,948,248	45.2%
<b>Total</b>	<b>11,883,660</b>	<b>100%</b>	<b>173,63,19,486</b>	<b>100.0%</b>

Source: Company, Emkay Research

**Exhibit 4: Share issuance breakdown by SPNI to shareholders of transferor companies and fresh issuance**

Particulars	Rs bn	
SPNI shares o/s currently (mn)	118.8	
Stock split ratio (x)	5.0	
<b>Total shares after split (mn) [A]</b>	<b>594</b>	
Rights issue size	79.5	
<b>New issuance in Rights issue (mn) [B]</b>	<b>265</b>	
Rights issue price (Rs/share)	300	
Allotment size to Essel Mauritius	11.0	
<b>Shares allotment to Essel Mauritius (mn) [C]</b>	<b>37</b>	
Preferential allotment price (Rs/share)	300	
<b>Total SPNI shares before merger of ZEEL (mn) [D] = [A] + [B] + [C]</b>	<b>895.8</b>	
ZEEL shares o/s	960.5	
Swap ratio [SPNI shares issued to ZEEL shareholders] (x)	0.85	
<b>SPNI shares issued to ZEEL shareholders (mn) [E]</b>	<b>816.4</b>	
SPNI shares issued to Essel in lieu of ZEEL shares	32.6	
SPNI shares issued to ZEEL minorities	783.9	
<b>SPNI shares issued to BEPL promoters (mn) [F]</b>	<b>24.0</b>	
<b>Total SPNI shares post-merger (mn): [D] + [E] + [F]</b>	<b>1,736.3</b>	<b>(%) stake</b>
Merge-co shares held by Essel (mn)	69.3	3.99
Merge-co shares held by Sony promoters (mn)	883.2	50.86
Merge-co shares held by minorities (mn)	783.9	45.15

Source: Company, Emkay Research

**Increase in ZEEL promoters' stake in the merged co.**

As part of the definitive agreement, the promoters (founders) of ZEEL have agreed to limit the equity that they may own in the combined entity to 20% of its outstanding shares. This clause does not provide the promoters (founders) of ZEEL any preemptive or other rights to acquire the equity of the combined company from Sony Group, the combined company or any other party. Any shares purchased by the promoters (founders) of ZEEL must be in compliance with all applicable laws, including any pricing guidelines.

**Non-compete agreement**

A non-compete and non-solicitation agreement will be executed between SPE Mauritius Investments Limited and Essel Holdings Limited. A non-compete and non-solicitation agreement will be executed between SPE Mauritius Investments Limited and Subhash Chandra, Punit Goenka and Amit Goenka as well.

**A good strategic fit**

In our view, this merger could turn out to be a win-win situation for both companies as it will strengthen the channel offerings and content portfolio. Although Zee has suffered market share losses in a few channels recently, it could be recouped with increased investments and renewed management focus. Despite having a sizeable channel portfolio of 49 channels spread across various genres, Zee still 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 also support its overall viewership share.

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

The merged company currently has a 27% market share (Sony has a 9% market share and ZEEL has 18%), making it largest broadcasting company in India, surpassing Star India which commands a 24% share. As per media, articles, the merged co's OTT viewership share would stand at 13-14%.

**Exhibit 5: Merger to bridge gaps across genres...**

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>	
<b>OTT platforms</b>			
	Zee5	Sony LIV	
<b>Global MAUs (mn)</b>	<b>80.2#</b>	<b>45^</b>	
<b>Film studios</b>			
	Zee Studios	Sony Pictures Films India	
<b>Digital content</b>			
		Studio NXT	

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

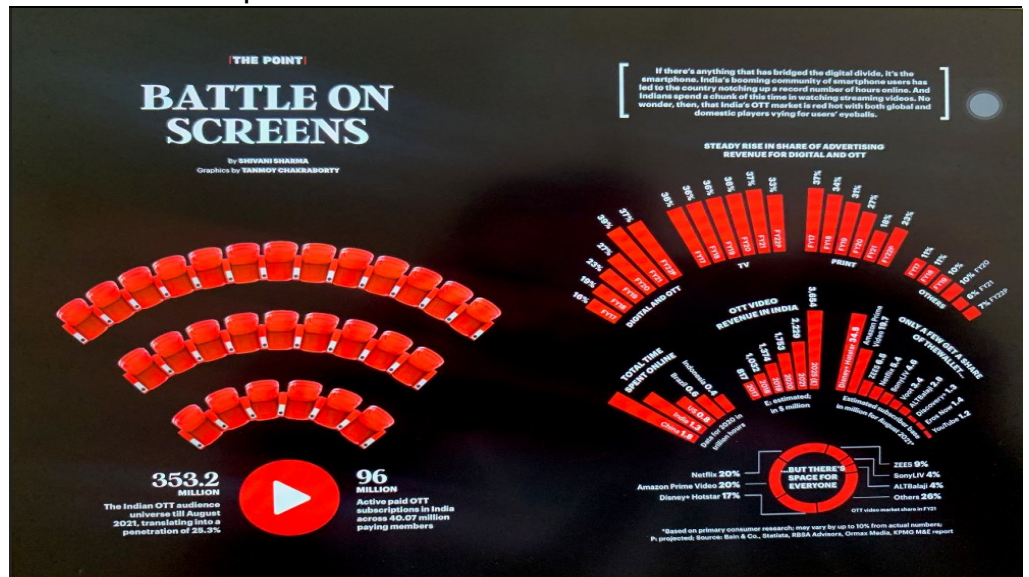
**Exhibit 6: ...while bouquet portfolio is also set to expand**

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.

**OTT – the next driver for the merged co:** As per media reports, Disney+ Hotstar, Amazon Prime Video and Netflix would corner ~80% subscribers and revenue market share by 2021-end. Disney+ Hotstar will lead in paying customers with an estimated 46mn subs by the end of 2021. As of now, both ZEE5 and SonyLIV are fringe players in the OTT space, with a combined market share of only 13-14%. We are of the view that ZEE+Sony should be using its balance sheet strength to acquire either IPL or ICC India cricket series rights (both currently with Star India) as that would play a critical role in the face-lifting its OTT platform and improving monetization capabilities for existing and potential non-sports content.

**Exhibit 7: OTT landscape in India**



Source: Business today

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## Key aspects of the merger and integration

**Focus on synergies:** We believe that once the merger moves toward completion (in the next 8-10 months), focus will be on achieving both revenue and cost synergies. Potential cost synergies can be higher than stated by management as ZEEL's employee cost as a % of sales is ~300bps above that of SPNI. In addition, further cost synergies can be achieved by shutting down tail/overlapping channels as well as cutting other corporate overheads. Cost savings on the content front can be attained only in the longer term as contract tenures could be different with various producers and the company might not want to disturb the equilibrium with content producers given the long-term partnerships.

**Investment in key sporting event rights for OTT expansion:** If the merged co. is able to win either IPL or India cricket rights for the next 5 years, it can provide strong leverage to its OTT expansion and brand strength.

**People integration:** One of the critical aspects will be cultural as both companies are culturally different (SPNI being an MNC and ZEEL a domestic company).

Both companies have different content amortization policies. We believe that currently Zee has an aggressive accounting policy for movie rights amortization (straight-line method over a period of 5 years or license period, whichever is shorter), while Sony's policy details are not available. This can have impact on our pro-forma estimates.

## Pro-forma financials

We have adjusted our pro-forma estimates in line with the merger timelines and expect benefits to start reflecting from FY24 vs. FY23 earlier. 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 estimating some EBITDA margin expansion in FY24E, driven by opex savings and revenue increase. Currently, we have assumed 6% of revenue synergies. If the merged entity manages to outpace our expectations, EBITDA margin could potentially surprise positively by surpassing 30% levels.

### Exhibit 8: 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>55,268</b>	<b>60,200</b>	<b>67,126</b>	<b>73,935</b>
<i>Growth</i>		25%	29%	-1%	-7%	-4%	9%	12%	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>10,654</b>	<b>13,846</b>	<b>15,439</b>	<b>17,005</b>
<i>EBITDA margin</i>	15%	14%	12%	11%	23%	19%	23%	23%	23%
RPAT	3,735	3,923	4,487	4,502	9,071	6,140	9,399	10,409	11,402

Source: Capitaline, Emkay Research, \*our assumption

### Exhibit 9: Pro-forma financials of the merged entity

Rs mn	FY21E	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>132,567</b>	<b>144,398</b>	<b>161,010</b>	<b>187,096</b>
<i>Growth</i>	-5%	9%	12%	16%
Expenses				
Prog. & Operating Cost	71,270	75,512	81,918	91,226
Employee expenses	12,291	12,793	14,020	13,034
Other expenses	20,450	24,430	27,421	30,210
Total expenditure	104,011	112,734	123,358	134,470
<b>EBITDA</b>	<b>28,556</b>	<b>31,664</b>	<b>37,652</b>	<b>52,626</b>
<b>EBITDA margin</b>	<b>22%</b>	<b>22%</b>	<b>23%</b>	<b>28%</b>
<b>PAT</b>	<b>14,143</b>	<b>21,461</b>	<b>25,916</b>	<b>36,900</b>
<b>PAT margin</b>	<b>11%</b>	<b>15%</b>	<b>16%</b>	<b>20%</b>

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

**Exhibit 10: 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	-	-
Total debt	3,251	6,875	8,344	1,810	-
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 11: 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 12: Breakdown of valuation**

Rs mn	Mar'24E
<b>Pro-forma EBITDA</b>	<b>52,626</b>
<b>OTT losses</b>	
Zee5	(9,981)
Sony LIV	(4,991)
<b>Broadcasting EBITDA</b>	<b>67,598</b>
EV/EBITDA multiple (x)	11
EV	743,580
Net cash	128,800
Market cap	872,380
No. of shares (mn)	2,041
<b>Target price (Rs/share)</b>	<b>430</b>

Source: Emkay Research

**Con-call highlights**

- The company will remain aggressive in acquiring sports rights while keeping shareholder returns in mind.
- The merger is not going to change the bidding aggression for movie rights in the industry.
- **Synergies:** Management expects revenue synergies of 6-8% and it would be achieved in first full year of operations. It has taken conservative approach on cost synergies of ~6-8%.
- **Cash utilization:** Will be used for accelerated investments in the digital business, along with bidding for sports rights, while the allocation policy will be defined by the new board. The company will continue to pay dividends.
  - SPNI will have closing cash at the time of merger of USD1.5bn vs. earlier stated USD1.575bn; the reduction of USD75mn is based on due diligence and relative valuations.
  - Cash infusion was based on growth capital requirements (decided between both the companies) and Sony's decision to become the majority shareholder.
- Content cost amortization policies are different for both the companies, with the major difference arising from movie rights.
- **Timeline:** The merger is expected to complete within a maximum of 8-10 months. **The first step would be filing with CCI and stock exchanges, followed by NCLT, shareholders and MIB approval.**
  - The new entity will get listed, and trading in existing shares will get suspended for 2-3 weeks. As the current company is not going to get delisted, it would be tax-neutral for minority shareholders.
- ZEEL's current contingent liabilities will be transferred to the merged company and will be treated in the same way as earlier.
- In connection with the deal, there is a binding exclusivity obligation on both companies, and any breach of it would result in penalties.



**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>84,198</b>	<b>93,884</b>	<b>103,408</b>
<b>Expenditure</b>	<b>64,953</b>	<b>59,397</b>	<b>66,380</b>	<b>72,611</b>	<b>78,960</b>
<b>EBITDA</b>	<b>16,346</b>	<b>17,902</b>	<b>17,818</b>	<b>21,273</b>	<b>24,448</b>
Depreciation	2,706	2,649	2,377	2,570	2,826
<b>EBIT</b>	<b>13,640</b>	<b>15,253</b>	<b>15,441</b>	<b>18,703</b>	<b>21,621</b>
Other Income	2,836	1,104	1,260	1,200	1,400
Interest expenses	1,449	571	101	120	120
<b>PBT</b>	<b>15,027</b>	<b>15,786</b>	<b>16,600</b>	<b>19,783</b>	<b>22,901</b>
Tax	4,317	4,625	4,294	4,979	5,764
Extraordinary Items	(5,440)	(3,229)	0	0	0
Minority Int./Income from Assoc.	(43)	(71)	(138)	(99)	(112)
<b>Reported Net Income</b>	<b>4,408</b>	<b>8,001</b>	<b>12,129</b>	<b>14,863</b>	<b>17,209</b>
<b>Adjusted PAT</b>	<b>10,705</b>	<b>11,230</b>	<b>12,425</b>	<b>14,863</b>	<b>17,209</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	106,451	116,855	128,901
<b>Net worth</b>	<b>93,440</b>	<b>100,945</b>	<b>107,411</b>	<b>117,815</b>	<b>129,861</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>4,231</b>	<b>375</b>	<b>375</b>	<b>375</b>
Net deferred tax liability	(2,742)	(3,151)	(3,151)	(3,151)	(3,151)
<b>Total Liabilities</b>	<b>97,634</b>	<b>102,154</b>	<b>104,764</b>	<b>115,168</b>	<b>127,215</b>
<b>Net block</b>	<b>13,147</b>	<b>11,862</b>	<b>11,925</b>	<b>11,356</b>	<b>10,529</b>
<b>Investment</b>	<b>3,248</b>	<b>7,983</b>	<b>7,983</b>	<b>7,983</b>	<b>7,983</b>
<b>Current Assets</b>	<b>102,824</b>	<b>103,695</b>	<b>108,178</b>	<b>120,281</b>	<b>136,559</b>
Cash & bank balance	7,346	10,957	5,087	7,136	10,325
Other Current Assets	4,161	3,765	4,099	4,570	5,034
<b>Current liabilities &amp; Provision</b>	<b>23,361</b>	<b>22,883</b>	<b>24,815</b>	<b>25,944</b>	<b>29,349</b>
<b>Net current assets</b>	<b>79,463</b>	<b>80,813</b>	<b>83,363</b>	<b>94,337</b>	<b>107,209</b>
Misc. exp	945	742	742	742	742
<b>Total Assets</b>	<b>97,634</b>	<b>102,154</b>	<b>104,764</b>	<b>115,168</b>	<b>127,215</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>14,682</b>	<b>15,340</b>	<b>18,583</b>	<b>21,501</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(12,021)	1,853	(8,421)	(8,925)	(9,683)
<b>Operating Cashflow</b>	<b>(5,222)</b>	<b>13,059</b>	<b>6,018</b>	<b>8,508</b>	<b>10,351</b>
Capital expenditure	(974)	(1,288)	(2,436)	(2,000)	(2,000)
<b>Free Cash Flow</b>	<b>(6,196)</b>	<b>11,772</b>	<b>3,582</b>	<b>6,508</b>	<b>8,351</b>
Investments	6,517	(4,735)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>8,379</b>	<b>(4,919)</b>	<b>(1,176)</b>	<b>(800)</b>	<b>(600)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(4,318)	(2,596)	(3,856)	0	0
Dividend paid (incl tax)	(4,928)	(288)	(3,915)	(4,459)	(5,163)
Other Financing Cash Flow	14,884	6,271	8,117	4,007	5,856
<b>Financing Cashflow</b>	<b>4,189</b>	<b>2,816</b>	<b>245</b>	<b>(572)</b>	<b>573</b>
<b>Net chg in cash</b>	<b>7,346</b>	<b>10,957</b>	<b>5,087</b>	<b>7,136</b>	<b>10,325</b>
Opening cash position	12,214	7,346	10,957	5,087	7,136
<b>Closing cash position</b>	<b>7,346</b>	<b>10,957</b>	<b>5,087</b>	<b>7,136</b>	<b>10,325</b>

Source: Company, Emkay Research

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**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	21.2	22.7	23.6
EBIT Margin	16.8	19.7	18.3	19.9	20.9
Effective Tax Rate	28.7	29.3	25.9	25.2	25.2
Net Margin	13.2	14.4	14.6	15.8	16.6
ROCE	16.6	16.5	16.3	18.2	19.1
ROE	10.8	11.7	11.7	13.3	14.0
RoIC	16.7	18.3	18.0	19.8	21.0

<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	15.5	17.9
CEPS	13.1	14.5	15.1	18.2	20.9
BVPS	96.3	104.3	111.1	121.9	134.5
DPS	4.4	0.3	4.1	4.6	5.4

<b>Valuations (x)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
PER	34.0	29.8	27.6	22.5	19.5
P/CEPS	26.7	24.1	23.1	19.2	16.7
P/BV	3.6	3.3	3.1	2.9	2.6
EV / Sales	4.1	4.1	3.8	3.4	3.1
EV / EBITDA	20.3	17.9	18.1	15.1	13.0
Dividend Yield (%)	1.3	0.1	1.2	1.3	1.5

<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)	(0.1)
Net Debt/EBIDTA	(0.2)	(0.8)	(0.7)	(0.7)	(0.7)
Working Cap Cycle (days)	323.8	329.9	339.3	339.0	342.0

<b>Growth (%)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
Revenue	2.5	(4.9)	8.9	11.5	10.1
EBITDA	(36.2)	9.5	(0.5)	19.4	14.9
EBIT	(41.4)	11.8	1.2	21.1	15.6
PAT	(71.9)	81.5	51.6	22.5	15.8

<b>Quarterly (Rs mn)</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>
Revenue	17,227	27,294	19,658	17,750	19,788
EBITDA	3,137	7,157	5,408	3,440	4,122
<b>EBITDA Margin (%)</b>	<b>18.2</b>	<b>26.2</b>	<b>27.5</b>	<b>19.4</b>	<b>20.8</b>
PAT	941	3,999	2,757	2,137	2,702
<b>EPS (Rs)</b>	<b>1.0</b>	<b>4.2</b>	<b>2.9</b>	<b>2.2</b>	<b>2.8</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-20</b>	<b>Dec-20</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>
Promoters	4.0	4.0	4.0	4.0	4.0
FIIIs	66.2	65.8	64.2	57.5	57.2
DIIs	11.1	12.0	12.4	18.5	16.0
Public and Others	18.6	18.2	19.5	20.1	22.9

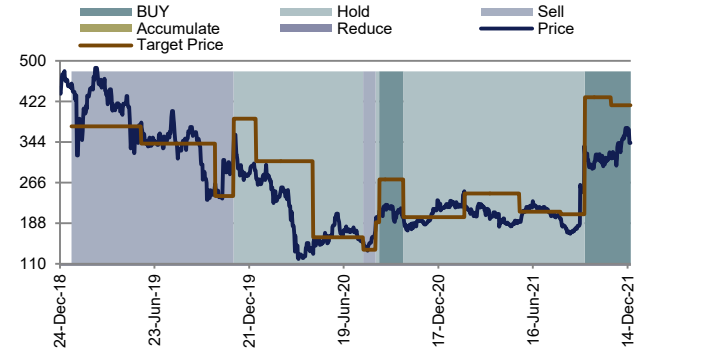
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
12-Nov-21	313	415	12m	Buy	Naval Seth
23-Sep-21	318	430	12m	Buy	Naval Seth
8-Aug-21	197	205	12m	Hold	Naval Seth
21-May-21	191	210	12m	Hold	Naval Seth
5-Feb-21	215	245	12m	Hold	Naval Seth
3-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
3-Jan-20	274	307	12m	Hold	Naval Seth
1-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
4-Apr-19	417	374	12m	Sell	Naval Seth
15-Jan-19	457	374	12m	Sell	Naval Seth

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Media & Entertainment



### Analyst: Naval Seth

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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 based on Current NAV	Change vs last published EAP (bps)
<b>Media &amp; Entertainment</b>	<b>0.39</b>	<b>0.39</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>	
Inox Leisure	0.00	0.00	NA	0	0.00	0
PVR	0.00	0.00	NA	0	0.00	0
Sun TV Network	0.04	0.04	-9%	0	9.95	0
Zee Entertainment	0.34	0.35	1%	0	90.05	0
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.00</b>	<b>0</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

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

### Sector portfolio NAV

	Base					Latest
	01-Apr-19	21-Dec-20	21-Jun-21	21-Sep-21	22-Nov-21	21-Dec-21
EAP - Media & Entertainment	100.0	57.8	61.3	68.0	79.2	90.0
BSE200 Neutral Weighted Portfolio (ETF)	100.0	52.0	55.7	61.6	71.5	81.0

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

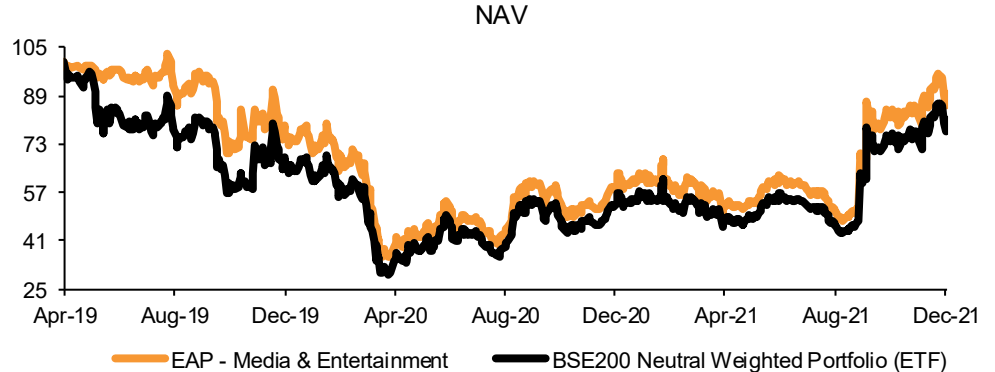
Source: Emkay Research

### Price Performance (%)

	1m	3m	6m	12m
EAP - Media & Entertainment	13.7%	32.3%	46.9%	55.7%
BSE200 Neutral Weighted Portfolio (ETF)	13.4%	31.7%	45.4%	55.9%

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”

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

Completed Date: 23 Dec 2021 02:12:04 (SGT)

Dissemination Date: 23 Dec 2021 02:13:04 (SGT)

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