

Rating: HOLD | CMP: Rs141 | TP: Rs160

May 20, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	160		164	
Sales (Rs. m)	92,909	1,01,550	92,619	1,01,691
% Chng.	0.3	(0.1)		
EBITDA (Rs. m)	15,330	19,498	15,560	19,830
% Chng.	(1.5)	(1.7)		
EPS (Rs.)	10.0	13.3	10.2	13.6
% Chng.	(2.5)	(2.4)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	80,879	86,372	92,909	1,01,550
EBITDA (Rs. m)	11,011	9,071	15,330	19,498
Margin (%)	13.6	10.5	16.5	19.2
PAT (Rs. m)	5,811	4,738	9,595	12,786
EPS (Rs.)	6.0	4.9	10.0	13.3
Gr. (%)	(51.2)	(18.5)	102.5	33.3
DPS (Rs.)	-	1.0	2.5	3.3
Yield (%)	-	0.7	1.8	2.4
RoE (%)	5.4	4.4	8.5	10.6
RoCE (%)	7.2	5.4	10.6	13.2
EV/Sales (x)	1.6	1.4	1.3	1.2
EV/EBITDA (x)	11.8	13.8	8.1	6.3
PE (x)	23.3	28.6	14.1	10.6
P/BV (x)	1.3	1.2	1.2	1.1

Key Data

ZEE.BO | Z IN

52-W High / Low	Rs.300 / Rs.129
Sensex / Nifty	74,027 / 22,506
Market Cap	Rs.135bn / \$ 1,624m
Shares Outstanding	961m
3M Avg. Daily Value	Rs.3444.82m

Shareholding Pattern (%)

Promoter's	3.99
Foreign	19.18
Domestic Institution	35.30
Public & Others	41.53
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.7)	(42.7)	(23.9)
Relative	(3.9)	(49.2)	(36.5)

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Early signs of recovery visible

Quick Pointers:

- After declining for 6 quarters, domestic ad-revenue increased 10.6% YoY. Noteworthy achievement was a sequential growth of 8.0% on festive base.
- Content inventory, advances & deposits declined by Rs5.4bn in FY24.

ZEEL reported better than expected performance with revenue beat of 11% led by recovery in ad-environment while EBITDA margin stood at 9.7% (PLe 7.2%) aided by effective cost management & operating leverage. We believe recalibration measures taken to reset the cost base by re-visiting content, technology, marketing and employee spends will start yielding results from 2HFY25E and accordingly we expect EBITDA margin of 16.5%/19.2% in FY25E/FY26E. Further, likely improvement in ad-environment and accrual of benefits from NTO 3.0 is likely to result in sales CAGR of 8% over FY24-FY26E. ZEEL trades at 14x/11x our FY25E/FY26E EPS and early sign of recovery in ad-environment presents a bottom-fishing opportunity at current levels. Nonetheless, we would like to see effectiveness of the strategy pertaining to cost re-alignment and trend in digital losses (EBITDA loss was flat at Rs11bn in FY24) before we turn constructive. We broadly maintain our estimates and retain HOLD with a TP of Rs160 (12x FY26E EPS; no change in target multiple).

Top-line up 2.7% YoY: Revenues increased 2.7% YoY to Rs21,699mn (PLe Rs19,522mn) led by steady improvement in ad-environment. Ad revenues grew by 10.4% YoY to Rs11,102mn while subscription revenues increased 12.0% YoY to Rs9,494mn. Network share stood at 16.8%.

EBITDA margin improves 250bps YoY to 9.7%: EBITDA increased 38.6% YoY to Rs2,103mn (PLe Rs1,408mn) with a margin 9.7% (PLe 7.2%) aided by effective cost management & operating leverage.

ZEE5's revenue grew 7.8% YoY: ZEE5's revenues increased by 7.8% YoY to Rs2,372mn. 16 new shows/movies were launched in 4QFY24 and EBITDA loss declined to Rs2,652mn from Rs3,113mn in 4QFY23.

Con-call highlights: 1) ZEEL has withdrawn its merger implementation application from NCLT. Nonetheless, arbitration at Singapore International arbitration centre is ongoing. 2) Revenues from other sales & services declined 57.4% YoY in 4QFY24 due to a lean movie calendar and line-up. 3) EBITDA margin guidance for FY26E stands at 18-20%. 4) Following the cost optimization initiative launched in 4QFY24, one-time cost impact is anticipated in 1QFY25E, and ZEEL foresees margin improvement starting 2QFY25E. 5) Cash on books is Rs11,932mn. 6) Content inventory decreased in 4QFY24 due to optimized acquisition and spends are likely to remain under check in near term. 7) Tax rate was high at 89.3% due to reversal in DTA. 8) Majority of cost rationalization in digital business has been on technology side. 9) Ad-revenues have demonstrated a positive trend in April and May 2025.

Exhibit 1: 4QFY24 Result Overview - Consolidated (Rs mn)

Consolidated (Rs mn)	Q4FY24	Q4FY23	YoY gr.	Q3FY24	QoQ gr.	FY24	FY23	YoY gr.
Net Sales	21,699	21,121	2.7%	20,457	6.1%	86,372	80,879	6.8%
Operational cost	12,830	13,222	-3.0%	11,876	8.0%	50,393	44,686	12.8%
<i>As a % of sales</i>	<i>59.1%</i>	<i>62.6%</i>		<i>58.1%</i>		<i>58.3%</i>	<i>55.3%</i>	
Employee expenses	2,552	2,154	18.4%	2,442	4.5%	10,188	8,238	23.7%
<i>As a % of sales</i>	<i>11.8%</i>	<i>10.2%</i>		<i>11.9%</i>		<i>11.8%</i>	<i>10.2%</i>	
Other expenses	1,573	1,521	3.4%	1,516	3.7%	6,042	6,390	-5.4%
<i>As a % of sales</i>	<i>7.2%</i>	<i>7.2%</i>		<i>7.4%</i>		<i>7.0%</i>	<i>7.9%</i>	
A&P spends	2,642	2,707	-2.4%	2,531	4.4%	10,677	10,554	1.2%
<i>As a % of sales</i>	<i>12.2%</i>	<i>12.8%</i>		<i>12.4%</i>		<i>12.4%</i>	<i>13.0%</i>	
Total Expenditure	19,597	19,604	0.0%	18,365	6.7%	77,301	69,868	10.6%
EBITDA	2,103	1,517	38.6%	2,092	0.5%	9,071	11,011	-17.6%
<i>EBITDA Margin</i>	<i>9.7%</i>	<i>7.2%</i>		<i>10.2%</i>		<i>10.5%</i>	<i>13.6%</i>	
Depreciation	772	833	-7.4%	761	1.4%	3,091	3,128	-1.2%
EBIT	1,331	684	94.6%	1,330	0.0%	5,980	7,884	-24.1%
<i>EBIT Margin</i>	<i>6.1%</i>	<i>3.2%</i>		<i>6.5%</i>		<i>6.9%</i>	<i>9.7%</i>	
Interest	69	396	-82.6%	183	-62.4%	721	702	2.6%
Other income	154	142	7.9%	277	-44.5%	1,293	797	62.2%
Fair value (gain)/loss on financial instruments	-	-	NM	-	NM	(38)	(58)	NM
PBT before exceptional items	1,415	430	229.2%	1,424	-0.6%	6,591	8,037	-18.0%
Exceptional items	(276)	(900)	NM	(603)	NM	(2,784)	(3,355)	NM
Share of profit in associates and joint ventures	1	1	-22.2%	1	-30.0%	4	(1)	NM
PBT	1,140	(469)	NM	821	38.8%	3,811	4,681	-18.6%
Tax	1,018	260	291.5%	288	253.4%	1,818	2,167	-16.1%
<i>Tax Rate</i>	<i>89.3%</i>	<i>NM</i>		<i>NM</i>		<i>47.7%</i>	<i>46.3%</i>	
PAT	122	(729)	NM	533	-77.2%	1,993	2,514	-20.7%
<i>PAT Margin</i>	<i>0.6%</i>	<i>NM</i>		<i>2.6%</i>		<i>2.3%</i>	<i>3.1%</i>	
Other comprehensive income	24	(82)	NM	94	-74.5%	95	970	-90.2%
Adjusted PAT	398	171	133.1%	1,137	-65.0%	4,738	5,811	-18.5%
Loss from discontinued operations	12	(1,231)	NM	52	-77.5%	(578)	(2,036)	NM
PAT/Loss including discontinued operations	133	(1,960)	NM	585	-77.2%	1,414	478	195.9%
EPS (Rs)	0.1	(2)	NM	0.6	-78.7%	1.5	0.5	194.0%
Adjusted EPS	0.4	0.2	133.1%	1.2	-65.0%	4.9	6.0	-18.5%

Source: Company, PL Note: Adjusted PAT is prior to losses from discontinued operations

Exhibit 2: Domestic ad-revenue grew by 10.6% YoY in 4QFY24 (Rs mn)

Particulars (Rs mn)	Q4FY24	Q4FY23	YoY gr.	Q3FY24	QoQ gr.
Domestic ad-revenue	10,660	9,635	10.6%	9,874	8.0%
<i>As a % of ad-revenue</i>	<i>96.0%</i>	<i>95.8%</i>		<i>96.1%</i>	
International ad-revenue	442	423	4.5%	400	10.5%
<i>As a % of ad-revenue</i>	<i>4.0%</i>	<i>4.2%</i>		<i>3.9%</i>	
Total ad-revenue	11,102	10,058	10.4%	10,274	8.1%
Domestic subscription revenue	8,474	7,428	14.1%	8,269	2.5%
<i>As a % of subscription-revenue</i>	<i>89.3%</i>	<i>87.7%</i>		<i>89.8%</i>	
International subscription revenue	1,020	1,046	-2.5%	944	8.1%
<i>As a % of subscription-revenue</i>	<i>10.7%</i>	<i>12.3%</i>		<i>10.2%</i>	
Total subscription revenue	9,494	8,474	12.0%	9,213	3.0%
Other sales & services	1,103	2,589	-57.4%	970	13.7%
Total Revenues	21,699	21,121	2.7%	20,457	6.1%

Source: Company, PL

Exhibit 3: ZEE5's EBITDA loss stood at Rs2,652mn in 4QFY24

Particulars	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Global MAU	113.8mn	NA	NA	NA	NA
Global DAU	11.1mn	NA	NA	NA	NA
Average watch time (per viewer/per month)	229 minutes (in 4QFY23)	NA	NA	NA	NA
Revenue	Rs2,200mn	Rs1,939mn	Rs2,652mn	Rs2,232mn	Rs2,372mn
EBITDA	Rs(3,109mn)	Rs(3,421mn)	Rs(2,539mn)	Rs(2,440mn)	Rs(2,652mn)
Number of originals/movies released	42	32	22	19	16

Source: Company, PL Note: MAU/DAU/viewership data was not disclosed in 1Q, 2Q and 3Q of FY24.

Exhibit 4: Movie rights constitute 64% of the content pie in 4QFY24

Particulars (Rs bn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Movie Rights	45.7	46.3	50.5	51.7	50.9	50.9	49.1	48.1	41.8
<i>As % of total</i>	<i>63%</i>	<i>62%</i>	<i>64%</i>	<i>65%</i>	<i>64%</i>	<i>64%</i>	<i>64%</i>	<i>64%</i>	<i>64%</i>
Shows	10.2	11.2	11.0	11.1	11.1	11.1	10.7	10.5	9.1
<i>As % of total</i>	<i>14%</i>	<i>15%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>
Movie production, Music & Others	8.0	10.4	9.5	10.3	10.3	11.1	10.7	10.5	15.1
<i>As % of total</i>	<i>11%</i>	<i>14%</i>	<i>12%</i>	<i>13%</i>	<i>13%</i>	<i>14%</i>	<i>14%</i>	<i>14%</i>	<i>23%</i>
Content advances & deposits	8.7	6.7	7.1	6.4	6.4	6.4	6.1	6.0	2.3
<i>As % of total</i>	<i>12%</i>	<i>9%</i>	<i>9%</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>	<i>8%</i>	<i>3%</i>
Grand Total (Inventory & advances/deposits)	72.5	74.6	78.9	79.5	79.6	79.6	76.7	75.2	65.3

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	80,879	86,372	92,909	1,01,550
YoY gr. (%)	(1.2)	6.8	7.6	9.3
Cost of Goods Sold	44,686	50,393	49,242	52,806
Gross Profit	36,193	35,979	43,667	48,744
Margin (%)	44.7	41.7	47.0	48.0
Employee Cost	8,238	10,188	10,870	11,475
Other Expenses	6,390	6,042	6,318	6,601
EBITDA	11,011	9,071	15,330	19,498
YoY gr. (%)	(38.2)	(17.6)	69.0	27.2
Margin (%)	13.6	10.5	16.5	19.2
Depreciation and Amortization	3,128	3,091	3,205	3,351
EBIT	7,884	5,980	12,125	16,146
Margin (%)	9.7	6.9	13.1	15.9
Net Interest	702	721	279	203
Other Income	855	1,331	1,208	1,219
Profit Before Tax	4,682	3,807	13,054	17,162
Margin (%)	5.8	4.4	14.1	16.9
Total Tax	2,167	1,818	3,459	4,376
Effective tax rate (%)	46.3	47.8	26.5	25.5
Profit after tax	2,515	1,989	9,595	12,786
Minority interest	-	-	-	-
Share Profit from Associate	(1)	4	-	-
Adjusted PAT	5,811	4,738	9,595	12,786
YoY gr. (%)	(51.2)	(18.5)	102.5	33.3
Margin (%)	7.2	5.5	10.3	12.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,514	1,993	9,595	12,786
YoY gr. (%)	(76.3)	(20.7)	381.5	33.3
Margin (%)	3.1	2.3	10.3	12.6
Other Comprehensive Income	970	95	-	-
Total Comprehensive Income	3,484	2,088	9,595	12,786
Equity Shares O/s (m)	961	961	961	961
EPS (Rs)	6.0	4.9	10.0	13.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	23,808	25,350	27,493	30,017
Tangibles	16,565	17,857	19,251	20,774
Intangibles	7,243	7,493	8,243	9,243
Acc: Dep / Amortization	14,013	17,104	20,309	23,660
Tangibles	9,450	11,459	13,543	15,721
Intangibles	4,563	5,645	6,767	7,940
Net fixed assets	10,295	8,736	7,674	6,846
Tangibles	7,615	6,888	6,198	5,543
Intangibles	2,680	1,848	1,476	1,303
Capital Work In Progress	210	121	121	121
Goodwill	3,302	3,303	3,303	3,303
Non-Current Investments	919	971	832	774
Net Deferred tax assets	4,229	4,542	2,350	3,089
Other Non-Current Assets	4,410	4,546	3,188	3,979
Current Assets				
Investments	-	-	-	-
Inventories	73,079	69,129	75,091	77,901
Trade receivables	16,088	17,016	19,091	21,145
Cash & Bank Balance	8,040	11,931	12,367	13,998
Other Current Assets	11,433	9,725	12,078	14,217
Total Assets	1,37,283	1,34,496	1,41,122	1,50,788
Equity				
Equity Share Capital	961	961	961	961
Other Equity	1,06,258	1,07,768	1,14,964	1,24,554
Total Networkth	1,07,219	1,08,729	1,15,925	1,25,514
Non-Current Liabilities				
Long Term borrowings	2,167	1,622	1,622	1,622
Provisions	1,362	1,671	1,487	1,625
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	17,494	14,355	15,782	16,137
Other current liabilities	9,042	8,120	6,308	5,892
Total Equity & Liabilities	1,37,284	1,34,497	1,41,122	1,50,789

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	4,681	3,811	13,054	17,162
Add. Depreciation	3,413	3,167	3,205	3,351
Add. Interest	707	724	279	203
Less Financial Other Income	855	1,331	1,208	1,219
Add. Other	(896)	(1,575)	(800)	(3,947)
Op. profit before WC changes	7,905	6,126	15,738	16,770
Net Changes-WC	(2,722)	3,418	(6,610)	(4,509)
Direct tax	(3,893)	(2,401)	(3,459)	(4,376)
Net cash from Op. activities	1,291	7,143	5,669	7,884
Capital expenditures	(2,560)	(1,087)	(2,144)	(2,523)
Interest / Dividend Income	403	465	-	-
Others	141	148	(412)	(330)
Net Cash from Inv. activities	(2,016)	(474)	(2,556)	(2,854)
Issue of share cap. / premium	-	-	-	-
Debt changes	24	(4)	-	-
Dividend paid	(2,882)	-	(2,399)	(3,196)
Interest paid	(80)	(671)	(279)	(203)
Others	(1,145)	(2,060)	-	-
Net cash from Fin. activities	(4,082)	(2,735)	(2,677)	(3,400)
Net change in cash	(4,807)	3,933	436	1,631
Free Cash Flow	(1,386)	5,838	3,525	5,361

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	6.0	4.9	10.0	13.3
CEPS	9.3	8.1	13.3	16.8
BVPS	111.6	113.2	120.7	130.7
FCF	(1.4)	6.1	3.7	5.6
DPS	-	1.0	2.5	3.3
Return Ratio(%)				
RoCE	7.2	5.4	10.6	13.2
ROIC	4.2	3.2	8.8	11.1
RoE	5.4	4.4	8.5	10.6
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	323	303	308	298
Valuation(x)				
PER	23.3	28.6	14.1	10.6
P/B	1.3	1.2	1.2	1.1
P/CEPS	15.1	17.3	10.6	8.4
EV/EBITDA	11.8	13.8	8.1	6.3
EV/Sales	1.6	1.4	1.3	1.2
Dividend Yield (%)	-	0.7	1.8	2.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

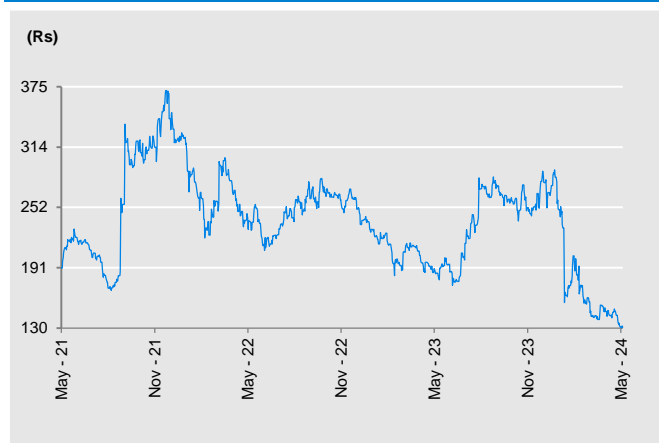
Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	19,838	24,378	20,457	21,699
YoY gr. (%)	7.6	20.5	(3.0)	2.7
Raw Material Expenses	11,433	14,254	11,876	12,830
Gross Profit	8,405	10,124	8,581	8,869
Margin (%)	42.4	41.5	41.9	40.9
EBITDA	1,549	3,328	2,092	2,103
YoY gr. (%)	(42.3)	5.7	(42.9)	38.6
Margin (%)	7.8	13.6	10.2	9.7
Depreciation / Depletion	785	772	761	772
EBIT	764	2,555	1,330	1,331
Margin (%)	3.9	10.5	6.5	6.1
Net Interest	234	234	183	69
Other Income	183	718	277	154
Profit before Tax	6	1,842	820	1,139
Margin (%)	-	7.6	4.0	5.2
Total Tax	(31)	544	288	1,018
Effective tax rate (%)	(480.0)	29.5	35.1	89.4
Profit after Tax	38	1,298	532	121
Minority interest	-	-	-	-
Share Profit from Associates	1	1	1	1
Adjusted PAT	707	2,497	1,137	398
YoY gr. (%)	(55.8)	35.8	(48.4)	133.1
Margin (%)	3.6	10.2	5.6	1.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	39	1,299	533	122
YoY gr. (%)	(97.0)	(5.3)	(6.5)	NA
Margin (%)	0.2	5.3	2.6	0.6
Other Comprehensive Income	(139)	116	94	24
Total Comprehensive Income	(100)	1,415	627	146
Avg. Shares O/s (m)	961	961	961	961
EPS (Rs)	(0.6)	(0.1)	0.6	0.1

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Hold	164	150
2	05-Mar-24	Hold	167	155
3	14-Feb-24	Reduce	167	189
4	23-Jan-24	Reduce	151	156
5	08-Jan-24	BUY	330	284
6	10-Nov-23	BUY	314	263
7	04-Oct-23	BUY	314	262
8	10-Aug-23	BUY	276	242
9	06-Jul-23	BUY	236	183
10	26-May-23	BUY	240	179

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	830	789
2	Indian Railway Catering and Tourism Corporation	Hold	825	1,023
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	4,315	3,982
5	Lemon Tree Hotels	BUY	153	141
6	Navneet Education	BUY	182	151
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,431	1,285
9	S Chand and Company	BUY	315	245
10	Safari Industries (India)	BUY	2,225	2,019
11	V.I.P. Industries	Hold	557	528
12	Zee Entertainment Enterprises	Hold	164	150

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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