

Zee Entertainment

| | |
|------------------|---|
| Estimate changes |    |
| TP change | |
| Rating change | |

| | |
|-----------------------|-------------|
| Bloomberg | Z IN |
| Equity Shares (m) | 961 |
| M.Cap.(INRb)/(USDb) | 106.8 / 1.2 |
| 52-Week Range (INR) | 169 / 89 |
| 1, 6, 12 Rel. Per (%) | -5/-10/-26 |
| 12M Avg Val (INR M) | 2072 |

Financials & Valuations (INR b)

| Y/E Mar | FY25 | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Sales | 82.9 | 88.0 | 93.2 |
| EBITDA | 12.0 | 13.2 | 14.6 |
| Adj. PAT | 7.9 | 8.8 | 10.0 |
| EBITDA Margin (%) | 14.4 | 15.0 | 15.6 |
| Adj. EPS (INR) | 8.2 | 9.2 | 10.4 |
| EPS Gr. (%) | 80.8 | 12.0 | 13.7 |
| BV/Sh. (INR) | 120.1 | 126.3 | 133.7 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.2 | -0.2 | -0.3 |
| RoE (%) | 7.0 | 7.4 | 7.9 |
| RoCE (%) | 6.7 | 7.4 | 7.9 |
| Payout (%) | 40.8 | 32.7 | 28.8 |

Valuations

| | | | |
|----------------|------|------|------|
| P/E (x) | 13.6 | 12.1 | 10.7 |
| P/B (x) | 0.9 | 0.9 | 0.8 |
| EV/EBITDA (x) | 7.2 | 5.9 | 4.8 |
| Div. Yield (%) | 2.2 | 2.2 | 2.2 |

Shareholding pattern (%)

| As On | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 4.0 | 4.0 | 4.0 |
| DII | 16.0 | 18.0 | 35.6 |
| FII | 22.8 | 20.1 | 19.2 |
| Others | 57.2 | 58.0 | 41.3 |

FII Includes depository receipts

CMP: INR111

TP: INR125 (+12%)

NEUTRAL

Sustained recovery in ad revenue a key to re-rating

- Zee Entertainment's (Zee) revenue was largely flat at INR22b (+10% QoQ, 5% beat) as the impact of weak domestic ad revenues (-27% YoY) was offset by a 3.2x YoY jump in other sales and services (movie releases).
- However, EBITDA was broadly in line (-10% QoQ), as margins are typically lower in the movie business and cost control benefits are largely realized.
- Zee5 losses declined to INR750m (from INR1.4b QoQ), led by higher syndication revenue.
- With the costs largely optimized, focus is now on: 1) driving 8-10% revenue growth through re-entry into Free-to-Air (FTA), focus on new-genres and regional languages, and 2) achieving guided EBITDA margins of 18-20% in FY26E.
- Our FY26-27E revenue and EBITDA estimates remain largely unchanged, while the increase in PAT is largely driven by higher other income and lower interest costs.
- Zee's valuations have turned attractive. However, a sustained recovery in domestic advertisement revenue and a favorable outcome in ongoing litigation for ICC rights with Star remain the key drivers for a re-rating. **We reiterate our neutral rating with a TP of INR125 (earlier INR115).**

Largely in-line 4Q; sharp dip in domestic ad revenue (-27% YoY)

- 4Q consol. revenue grew 10% QoQ (flat YoY) to INR21.8b (~5% beat), led by a stronger growth (6.5x QoQ, 3.3x YoY) in other sales and services.
- Advertisement revenues declined 25% YoY to INR8.4b (in line), as **domestic ad revenues dipped ~27% YoY** (vs. -11% YoY in 3Q) due to weaker-than-anticipated rural demand recovery, busy sports calendar (CT, IPL), and YoY higher base (due to elections in FY24).
- Subscription revenue grew 4% YoY to INR9.9b (flat QoQ), with **domestic subscription revenue rising ~4.5% YoY** (vs. 8.4% YoY in 3Q), driven by a pick-up in both Linear subscription and ZEE5.
- Revenues from other sales and services grew sharply to INR3.6b, driven by a higher number of movie releases and higher syndication revenue.
- Zee continued to demonstrate good cost control, with total operating expenses declining ~3% YoY to INR19b. However, expenses rose 14% QoQ and were 6% higher than our estimate, primarily due to higher movie production and syndication costs.
- Employee costs declined ~10% YoY, and other expenses were also lower due to provision reversals.
- As a result, EBITDA increased 36% YoY to INR2.85b (-10% QoQ, in line), as margin expanded 335bp YoY to 13.1% (though -300bp QoQ, 50bp miss).
- Adj. PAT grew 9% YoY to INR1.9b (9% beat) on account of lower depreciation and finance costs.

Zee5: Revenue growth and lower losses driven by movie syndication

- Zee5 revenue grew 14% QoQ to INR2.75b (+16% YoY), driven by healthy trends in usage and engagement metrics and higher syndication revenue.

- Operating loss declined to INR750b (from INR1.4b QoQ and INR2.7b YoY).
- Adjusted for Zee5, linear TV business revenue declined 1% YoY, while EBITDA grew 6% YoY to INR3.6b.

Sluggish ad revenue impacts growth; Zee5's loss reduction boosts margin

- Consol. revenue at INR83b dipped 4% YoY, as sluggish domestic ad revenue (-13% YoY) and lower other sales and services (on a high base in FY24) were partly offset by a 9% increase in domestic subscription revenue.
- However, Zee's superior cost control led to ~32% YoY growth in EBITDA to INR12b, as margin expanded ~390bp YoY to 14.4%. Adj. PAT was up 3.5x YoY.
- Zee5's revenue grew ~6% YoY to INR9.8b in FY25, while operating losses declined to INR5.5b (vs. INR11b YoY), driven by robust cost rationalization.
- Adjusted for Zee5, linear TV revenue declined ~5% YoY to INR73.2b, while linear TV EBITDA dip ~13% YoY to INR17.4b as margin contracted ~225bp YoY to 23.8%
- Zee generated OCF of ~INR11.9b in FY25 (up 66% YoY) and FCF of INR10b (~2.2X YoY) driven by improved profitability, favorable WC changes and tax refunds.
- Zee's cash position improved to INR23b (vs. INR12b YoY).
- With 16.8% share, Zee lost ~30bp YoY in All India TV network viewership share.

Key highlights from the management commentary

- **FY25 review:** FY25 was a mixed bag for the media industry, underpinned by sluggishness in ad. revenue, with some offset from improvement in subscription revenue on the back of price revisions. Zee's focus remained on enhancing profitability and generating robust cash flows through cost control and a reduction in Zee5's losses.
- **Ad revenue trends and outlook:** Management indicated that the momentum in rural recovery did not sustain as per the expectations. Further, a busy sports calendar in 4Q also impacted ad revenue for Zee (GEC in general). While macroeconomic challenges persist in FY26, management is targeting improvement in ad revenue through re-entry into FTA, launch of new genres such as mini-series, and a focus on regional languages. The company remains hopeful of a high single-digit growth in ad revenue in FY26.
- **Zee5:** Management indicated that the sharp QoQ reduction in Zee5's losses was driven by a higher syndication revenue in 4Q. However, even without the boost from syndication revenue, Zee5 would have achieved revenue growth and a reduction in operating losses. Going forward, further reduction in Zee5's losses will be on the back of pick-up in revenue growth as cost efficiencies are already realized. Management believes Zee5 can break even in the next three years.

Valuation and view

- Zee aspires to deliver a revenue CAGR of 8-10% with its current portfolio and improve EBITDA margins to an industry-leading range of 18-20% by FY26. We believe that a sustainable recovery in ad revenue remains key to achieving these aspirations and driving a potential re-rating of multiples.
- Our FY26-27E revenue and EBITDA remain largely unchanged, while the increase in PAT is largely driven by higher other income and lower interest cost.
- We build in a CAGR of 4%/7%/8% in revenue/EBITDA/PAT over FY25-27E.
- Zee's valuations have turned attractive. However, a sustained recovery in domestic advertisement revenue and a favorable outcome in ongoing litigation for ICC rights with Star remain key for rerating. **We reiterate our neutral rating with a TP of INR125 (earlier INR115).**

Consolidated - Quarterly Earnings

(INR m)

| Y/E March | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25 | v/s |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Revenue | 19,838 | 24,378 | 20,457 | 21,699 | 21,305 | 20,007 | 19,788 | 21,841 | 86,372 | 82,941 | 20,724 | 5.4 |
| YoY Change (%) | 7.5 | 20.6 | -3.0 | 2.7 | 7.4 | -17.9 | -3.3 | 0.7 | 6.8 | -4.0 | -4.5 | |
| Total Expenditure | 18,289 | 21,050 | 18,365 | 19,597 | 18,589 | 16,797 | 16,604 | 18,989 | 77,301 | 70,979 | 17,917 | 6.0 |
| EBITDA | 1,549 | 3,328 | 2,092 | 2,102 | 2,717 | 3,210 | 3,184 | 2,852 | 9,071 | 11,963 | 2,807 | 1.6 |
| EBITDA Margin (%) | 7.8% | 13.6% | 10.2% | 9.7% | 12.8% | 16.0% | 16.1% | 13.1% | 10.5% | 14.4% | 13.5% | 48 bp |
| Depreciation | 785 | 772 | 761 | 772 | 756 | 732 | 658 | 639 | 3,091 | 2,785 | 772 | -17.2 |
| Interest | 234 | 234 | 183 | 69 | 55 | 83 | 108 | 81 | 721 | 327 | 104 | -21.8 |
| Other Income | 145 | 718 | 276 | 154 | 190 | 337 | 345 | 362 | 1,292 | 1,234 | 378 | -4.3 |
| Fair Value through P&L gain/(loss) | 38 | 0 | | | -11 | 22 | 23 | 125 | 38 | 159 | 0 | |
| PBT before EO expense | 713 | 3,039 | 1,423 | 1,415 | 2,084 | 2,754 | 2,786 | 2,619 | 6,590 | 10,243 | 2,309 | 13.4 |
| Extra-Ord expense | 706 | 1,198 | 603 | 276 | 286 | -109 | 809 | 0 | 2,784 | 986 | 0 | |
| PBT | 6 | 1,842 | 819 | 1,139 | 1,798 | 2,863 | 1,977 | 2,619 | 3,806 | 9,257 | 2,309 | 13.4 |
| Tax | -31 | 544 | 288 | 1,018 | 542 | 769 | 342 | 734 | 1,818 | 2,387 | 581 | 26.3 |
| Rate (%) | -480.0 | 29.5 | 35.1 | 89.4 | 30.2 | 26.9 | 17.3 | 28.0 | 47.8 | 25.8 | 25.2 | |
| MI & P/L of Asso. Cos. | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -1 | -4 | -4 | -1 | |
| Reported PAT | 39 | 1,299 | 532 | 122 | 1,257 | 2,095 | 1,636 | 1,886 | 1,992 | 6,874 | 1,728 | 9.1 |
| Adj PAT | 496 | 1,726 | 1,065 | 1,059 | 1,543 | 1,986 | 2,445 | 1,886 | 4,346 | 7,860 | 1,728 | 9.1 |
| YoY Change (%) | -57 | 21 | -19 | 58 | 211 | 15 | 130 | 78 | -5 | 81 | 63 | |

E: MOFSL Estimates

Exhibit 1: We value Zee at a TP of INR125, based on 12x FY27E P/E

| Valuation | FY27E |
|---------------------------|------------|
| EPS | 10.4 |
| PE multiple (x) | 12 |
| Target Price (INR) | 125 |
| CMP (INR) | 111 |
| Upside (%) | 12.5 |

Source: MOFSL, Company



Detailed takeaways from management interaction

- **FY25 review:** FY25 was a mixed bag for the overall media industry, underpinned by sluggish advertisement revenue, though partially offset by improved subscription revenue following price revisions. Zee focused on enhancing profitability through cost controls, Zee5's loss reduction, and generating robust cash flows.
- **Ad revenue trends and outlook:** Management indicated that rural recovery momentum did not sustain as per the expectations. Further, a busy sports calendar in 4Q also impacted ad revenue for Zee (GEC in general). While macroeconomic challenges persist in FY26, management is targeting improvement in ad revenue through a re-entry into FTA, the launch of new genres such as mini-series, and a focus on regional languages. The company remains hopeful of high single-digit growth in ad revenue in FY26.
- **Zee5:** Management indicated that a sharp QoQ reduction in Zee5 losses was driven by higher syndication revenue in 4Q. However, even without the boost from syndication revenue, Zee5 would have delivered revenue growth and a reduction in operating losses. Going forward, a further reduction in Zee5 losses would be on the back of pick-up in revenue growth, as cost efficiencies are already realized. Management believes Zee5 can break even in the next three years.
- **Jiostar impact:** Management noted that it is still early to draw any definite conclusions but remains optimistic that the merger will have a positive overall impact on the industry. It is already witnessing positive signs in the acquisition of content such as OTT, films, etc.
- **Star arbitration:** Management indicated that the company remains open to all possibilities, both legal and non-legal, including an out-of-court settlement. The verdict on the matter is expected early next year.
- **Lower other expenses:** The reversal of certain bad debt provisions led to lower other expenses in 4QFY25. Management indicated that the 9MFY25 run-rate should serve as the sustainable run-rate for other expenses going forward.
- **Movie production and distribution:** Zee is looking to distribute ~18-21 films in FY26, which have been hand-picked based on the content that resonates with the audiences.
- **ZeeMusic:** Growth in ZeeMusic tapered to single digits in FY25, primarily due to the shutdown of some homegrown streaming platforms. Excluding this impact, growth on other platforms remained healthy. The company plans to continue adding adequate number of songs to keep the library refreshed and growing.
- **FCCB funding utilization:** The company is still evaluating a couple of assets and will take a call based on the right mix of valuation and potential scalability of any acquisition to ensure it is value accretive.

Quarterly performance (INR m)

| | 4QFY24 | 3QFY25 | 4QFY25 | YoY% | QoQ% | 4QFY25E | v/s est (%) |
|--------------------------------------|---------------|---------------|---------------|--------------|---------------|----------------|--------------------|
| Advertising revenue | 11,102 | 9,406 | 8,375 | -24.6 | -11.0 | 8,493 | -1.4 |
| Subscription revenue | 9,494 | 9,825 | 9,865 | 3.9 | 0.4 | 9,703 | 1.7 |
| Other sales and services | 1,103 | 557 | 3,601 | 226.4 | 546.5 | 2,528 | 42.4 |
| Total revenue | 21,699 | 19,788 | 21,841 | 0.7 | 10.4 | 20,724 | 5.4 |
| Total operating expenses | 19,597 | 16,604 | 18,989 | -3.1 | 14.4 | 17,917 | 6.0 |
| EBITDA | 2,102 | 3,184 | 2,852 | 35.7 | -10.4 | 2,807 | 1.6 |
| EBITDA margin (%) | 9.7 | 16.1 | 13.1 | 337bp | -303bp | 13.5 | -48bp |
| Depreciation | 772 | 658 | 639 | -17.2 | -2.9 | 772 | -17.2 |
| Finance Cost | 69 | 108 | 81 | 17.4 | -25 | 104 | -22 |
| Other income | 154 | 345 | 362 | 135.5 | 4.9 | 378 | -4.3 |
| PBT | 1,415 | 2,786 | 2,619 | 85.1 | -6.0 | 2,309 | 13.4 |
| Exceptional item gain/(loss) | -276 | -809 | 0 | NM | NM | 0 | NM |
| Reported PBT | 1,139 | 1,977 | 2,619 | 130.0 | 32.5 | 2,309 | 13 |
| Tax | 1,018 | 342 | 734 | -27.9 | 114.6 | 581 | 26 |
| Effective Tax Rate (%) | 89.4 | 17.3 | 28.0 | | | 25.2 | |
| Reported PAT | 121 | 1,635 | 1,885 | 1,459 | 15 | 1,728 | 9 |
| Associates/Minority Interest | -1 | -1 | -1 | 43 | 0 | -1 | |
| Reported PAT (after Asso./MI) | 122 | 1,636 | 1,886 | 1,451 | 15 | 1,728 | 9 |
| Adjusted PAT | 1,726 | 1,543 | 1,886 | 9 | 22 | 1,728 | 9 |
| Operating expenses (INR m) | 4QFY24 | 3QFY25 | 4QFY25 | YoY% | QoQ% | 4QFY25E | v/s est (%) |
| Prog, Transmission & Direct Exp | 12,830 | 9,968 | 12,819 | -0.1 | 28.6 | 11,448 | 12.0 |
| Employee Cost | 2,552 | 2,433 | 2,300 | -9.9 | -5.5 | 2,458 | -6.4 |
| Selling and Other Exp | 4,215 | 4,203 | 3,870 | -8.2 | -7.9 | 4,012 | -3.5 |
| Total operating costs | 19,597 | 16,604 | 18,989 | -3.1 | 14.4 | 17,917 | 6.0 |

Source: MOFSL, Company

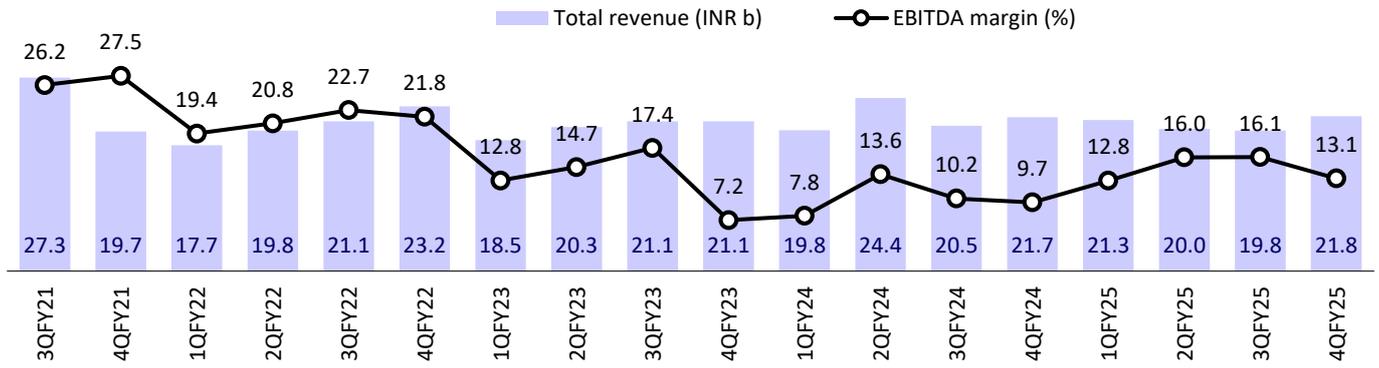
Exhibit 2: Summary of our estimate changes (INR b)

| | FY25 | FY26E | FY27E |
|-------------------------------------|------|-------|-------|
| Ad revenue (INR b) | | | |
| Old | 36.0 | 38.0 | 40.0 |
| Actual/New | 35.9 | 38.2 | 40.4 |
| Change (%) | -0.3 | 0.5 | 0.9 |
| Subscription revenue (INR b) | | | |
| Old | 39.1 | 41.6 | 44.0 |
| New | 39.3 | 41.5 | 43.8 |
| Change (%) | 0.4 | -0.4 | -0.4 |
| Total revenue (INR b) | | | |
| Old | 81.8 | 87.0 | 92.1 |
| New | 82.9 | 88.0 | 93.2 |
| Change (%) | 1.4 | 1.2 | 1.3 |
| EBITDA (INR b) | | | |
| Old | 11.9 | 13.3 | 14.2 |
| New | 12.0 | 13.2 | 14.6 |
| Change (%) | 0.4 | -0.5 | 2.3 |
| EBITDA margin (%) | | | |
| Old | 14.6 | 15.3 | 15.5 |
| New | 14.4 | 15.0 | 15.6 |
| Change (bp) | -14 | -25 | 15 |
| PAT (INR b) | | | |
| Old | 6.7 | 8.5 | 9.2 |
| New | 6.9 | 8.8 | 10.0 |
| Change (%) | 2.3 | 3.4 | 9.0 |
| EPS (INR) | | | |
| Old | 7.0 | 8.9 | 9.6 |
| New | 7.2 | 9.2 | 10.4 |
| Change (%) | 2.3 | 3.4 | 9.0 |

Source: MOFSL, Company

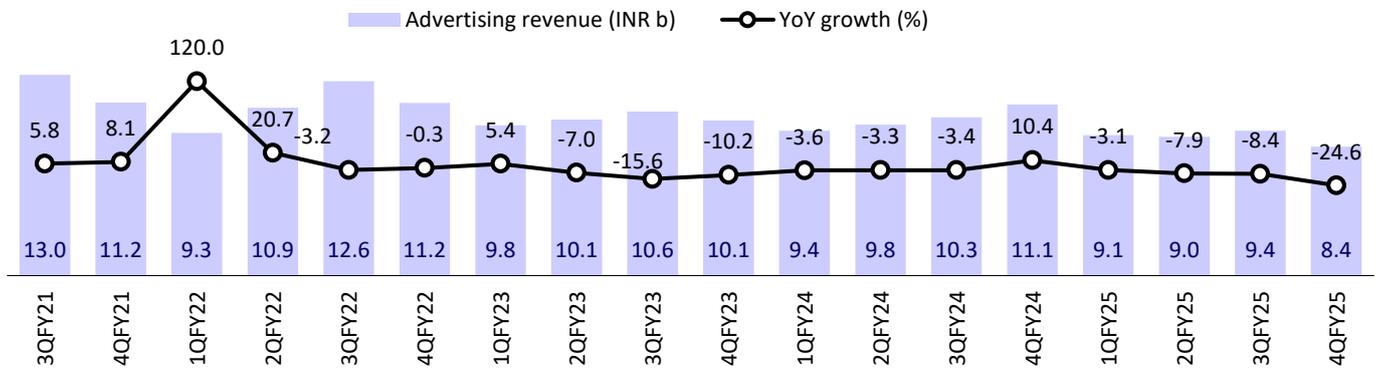
Story in charts

Exhibit 1: Consol. revenue flat YoY while margin expanded ~337bp YoY, driven by a reduction in Zee5's losses



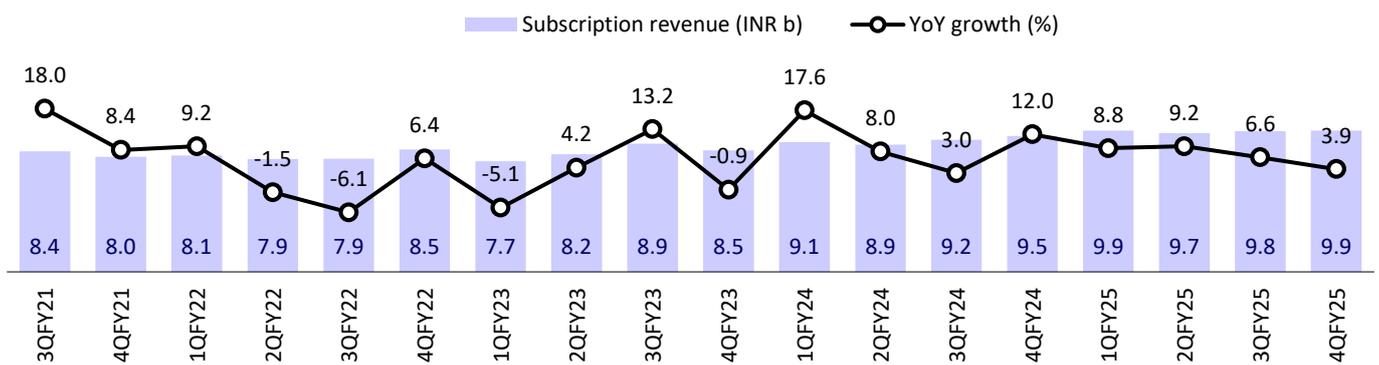
Source: Company, MOFSL

Exhibit 2: Overall ad revenue declined ~25% YoY in 4Q due to ~27% YoY decline in domestic ad revenue



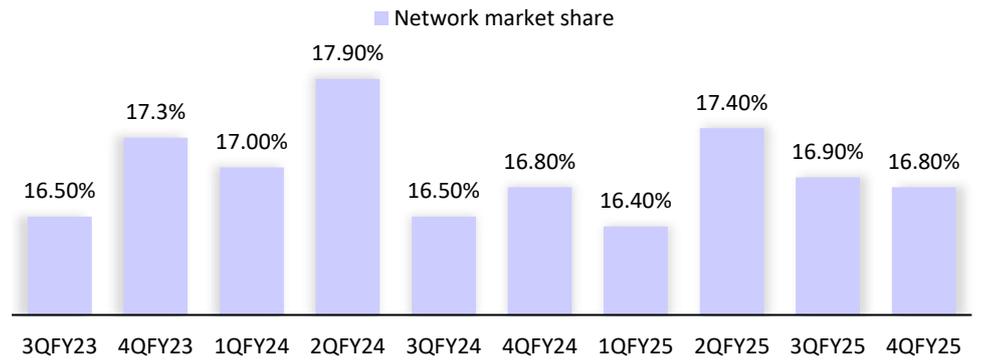
Source: Company, MOFSL

Exhibit 3: Overall subscription grew 4% YoY, driven by growth in domestic Zee5's subscriptions



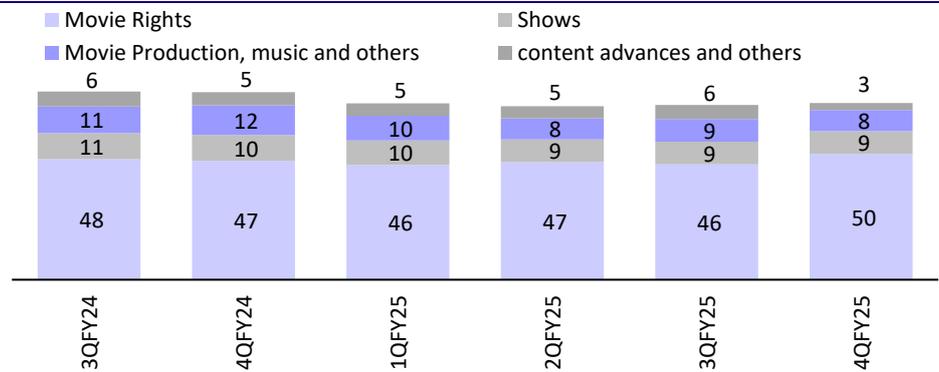
Source: Company, MOFSL

Exhibit 4: All-India market share down 10bp QoQ (flat YoY); down ~30bp YoY in FY25



Source: MOFSL, Company

Exhibit 5: Break-up of content inventory, advances, and deposits (INR b)



Source: Company, MOFSL

Exhibit 6: Zee5's losses continue to decline; sharper decline in 4Q driven by higher movie syndication revenue

| ZEE5 KPIs (INR m) | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| ZEE5 Revenue | 1,943 | 2,200 | 1,939 | 2,652 | 2,232 | 2,372 | 2,237 | 2,363 | 2,413 | 2,747 |
| as % of total revenue | 9% | 10% | 10% | 11% | 11% | 11% | 10% | 12% | 12% | 16% |
| ZEE5 Operating Costs | 4,763 | 5,313 | 5,360 | 5,191 | 4,672 | 5,024 | 4,014 | 3,951 | 3,775 | 3,500 |
| YoY growth | 45% | 49% | 36% | 22% | -2% | -5% | -25% | -24% | -19% | -30% |
| as % of total Costs | 27% | 27% | 29% | 26% | 25% | 26% | 22% | 24% | 23% | 18% |
| ZEE5 EBITDA | (2,820) | (3,113) | (3,421) | (2,539) | (2,440) | (2,652) | (1,777) | (1,588) | (1,362) | (753) |

Source: Company, MOFSL

Financials and Valuations

| Consolidated - Income Statement | | | | | | | | | (INR m) |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Total Income from Operations | 79,339 | 81,299 | 77,299 | 81,893 | 80,879 | 86,372 | 82,941 | 88,047 | 93,248 |
| Change (%) | 18.7 | 2.5 | -4.9 | 5.9 | -1.2 | 6.8 | -4.0 | 6.2 | 5.9 |
| Programming/Production expenses | 30,758 | 38,285 | 37,505 | 40,449 | 44,686 | 50,393 | 45,172 | 48,006 | 50,819 |
| Employees Cost | 7,249 | 7,805 | 8,183 | 8,641 | 8,238 | 10,188 | 9,266 | 9,729 | 10,216 |
| Other Expenses | 15,692 | 18,863 | 13,710 | 15,582 | 16,944 | 16,719 | 16,541 | 17,063 | 17,640 |
| Total Expenditure | 53,700 | 64,953 | 59,398 | 64,672 | 69,868 | 77,301 | 70,979 | 74,798 | 78,675 |
| % of Sales | 67.7 | 79.9 | 76.8 | 79.0 | 86.4 | 89.5 | 85.6 | 85.0 | 84.4 |
| EBITDA | 25,639 | 16,345 | 17,901 | 17,221 | 11,011 | 9,071 | 11,963 | 13,248 | 14,572 |
| Margin (%) | 32.3 | 20.1 | 23.2 | 21.0 | 13.6 | 10.5 | 14.4 | 15.0 | 15.6 |
| Depreciation | 2,347 | 2,706 | 2,649 | 2,459 | 3,128 | 3,091 | 2,785 | 2,885 | 3,042 |
| EBIT | 23,292 | 13,639 | 15,252 | 14,762 | 7,884 | 5,980 | 9,177 | 10,364 | 11,530 |
| Int. and Finance Charges | 1,304 | 1,449 | 571 | 451 | 702 | 721 | 327 | 300 | 250 |
| Other Income | 2,515 | 2,836 | 1,104 | 1,213 | 797 | 1,292 | 1,234 | 1,700 | 2,100 |
| Fair Value through P&L gain/(loss) | 36 | -2,597 | -1,962 | -37 | 58 | 38 | 159 | 0 | 0 |
| PBT bef. EO Exp. | 24,538 | 12,430 | 13,823 | 15,487 | 8,037 | 6,590 | 10,243 | 11,764 | 13,380 |
| EO Items | -218 | -2,843 | -1,266 | -1,333 | -3,355 | -2,784 | -986 | 0 | 0 |
| PBT after EO Exp. | 24,320 | 9,587 | 12,558 | 14,154 | 4,682 | 3,806 | 9,257 | 11,764 | 13,380 |
| Total Tax | 8,673 | 4,317 | 4,625 | 4,597 | 2,167 | 1,818 | 2,387 | 2,961 | 3,368 |
| Tax Rate (%) | 35.7 | 45.0 | 36.8 | 32.5 | 46.3 | 47.8 | 25.8 | 25.2 | 25.2 |
| Minority Interest/Associate | -23 | 5 | -69 | -89 | 1 | -4 | -4 | 0 | 0 |
| Reported PAT | 15,671 | 5,265 | 8,002 | 9,646 | 2,514 | 1,992 | 6,874 | 8,803 | 10,013 |
| Adjusted PAT | 15,775 | 9,424 | 10,620 | 11,129 | 4,568 | 4,346 | 7,860 | 8,803 | 10,013 |
| Change (%) | 12.7 | -40.3 | 12.7 | 4.8 | -59.0 | -4.9 | 80.8 | 12.0 | 13.7 |
| Margin (%) | 19.9 | 11.6 | 13.7 | 13.6 | 5.6 | 5.0 | 9.5 | 10.0 | 10.7 |

| Consolidated - Balance Sheet | | | | | | | | | (INR m) |
|-------------------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| Equity Share Capital | 961 | 961 | 961 | 961 | 961 | 961 | 961 | 961 | 961 |
| Total Reserves | 88,279 | 92,479 | 99,985 | 107,667 | 106,258 | 107,768 | 114,373 | 1,20,294 | 1,27,425 |
| Net Worth | 89,239 | 93,439 | 100,945 | 108,627 | 107,219 | 108,729 | 115,334 | 1,21,255 | 1,28,385 |
| Minority Interest | 143 | 110 | 129 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Loans | 11,134 | 6,476 | 4,028 | 556 | 2,820 | 2,303 | 3,209 | 2,709 | 2,209 |
| Deferred Tax Liabilities | 1,262 | 0 | -1,207 | -3,080 | -4,229 | -4,542 | -4,101 | -4,101 | -4,101 |
| Capital Employed | 1,01,778 | 100,025 | 103,894 | 106,103 | 105,810 | 106,490 | 114,442 | 1,19,863 | 1,26,493 |
| Gross Block | 17,299 | 19,799 | 21,870 | 30,164 | 29,644 | 31,174 | 31,966 | 33,966 | 35,966 |
| Less: Accum. Deprn. | 8,406 | 10,722 | 13,762 | 21,363 | 19,348 | 22,439 | 25,224 | 28,108 | 31,150 |
| Net Fixed Assets | 8,893 | 9,077 | 8,108 | 8,801 | 10,296 | 8,736 | 6,742 | 5,857 | 4,815 |
| Goodwill on Consolidation | 5,252 | 4,070 | 3,804 | 3,450 | 3,302 | 3,303 | 3,304 | 3,304 | 3,304 |
| Capital WIP | 1,561 | 832 | 782 | 871 | 191 | 98 | 14 | 14 | 14 |
| Total Investments | 9,765 | 3,247 | 7,983 | 651 | 330 | 368 | 11,921 | 11,921 | 11,921 |
| Curr. Assets, Loans&Adv. | 1,03,859 | 106,511 | 106,303 | 110,636 | 118,723 | 117,451 | 111,259 | 1,22,063 | 1,30,950 |
| Inventory | 38,505 | 53,475 | 54,030 | 63,862 | 73,079 | 69,129 | 67,748 | 69,049 | 69,615 |
| Account Receivables | 18,274 | 20,847 | 21,286 | 17,375 | 16,088 | 17,016 | 15,325 | 16,886 | 17,883 |
| Cash and Bank Balance | 12,218 | 7,345 | 10,907 | 12,733 | 8,040 | 11,932 | 12,500 | 18,037 | 24,291 |
| Loans and Advances | 34,861 | 24,845 | 20,080 | 16,666 | 21,516 | 19,374 | 15,686 | 18,092 | 19,161 |
| Curr. Liability & Prov. | 27,552 | 23,712 | 23,086 | 18,306 | 27,032 | 23,465 | 18,798 | 23,297 | 24,510 |
| Account Payables | 14,897 | 16,803 | 13,982 | 13,719 | 17,494 | 14,355 | 11,907 | 14,262 | 15,005 |
| Other Current Liabilities | 11,204 | 5,383 | 7,395 | 3,429 | 8,040 | 7,266 | 5,123 | 7,131 | 7,502 |
| Provisions | 1,451 | 1,526 | 1,709 | 1,159 | 1,498 | 1,844 | 1,768 | 1,904 | 2,003 |
| Net Current Assets | 76,307 | 82,799 | 83,218 | 92,329 | 91,691 | 93,986 | 92,461 | 98,767 | 1,06,440 |
| Appl. of Funds | 1,01,778 | 100,025 | 103,894 | 106,103 | 105,810 | 106,490 | 114,442 | 1,19,863 | 1,26,493 |

Financials and Valuations

Ratios

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|-------------|------------|-------------|-------------|------------|------------|------------|------------|-------------|
| Basic (INR) | | | | | | | | | |
| EPS | 16.4 | 5.5 | 11.1 | 11.6 | 4.8 | 4.5 | 8.2 | 9.2 | 10.4 |
| Cash EPS | 17.8 | 11.8 | 13.4 | 13.9 | 8.0 | 7.7 | 11.1 | 12.2 | 13.6 |
| BV/Share | 92.9 | 97.3 | 105.1 | 113.1 | 111.6 | 113.2 | 120.1 | 126.3 | 133.7 |
| DPS | 3.5 | 3.0 | 2.5 | 3.0 | 3.0 | 0.0 | 2.4 | 2.5 | 2.5 |
| Payout (%) | 25.7 | 65.7 | 36.0 | 35.8 | 137.6 | 0.0 | 40.8 | 32.7 | 28.8 |
| Valuation (x) | | | | | | | | | |
| P/E | 7.3 | 20.3 | 10.1 | 9.6 | 23.4 | 24.6 | 13.6 | 12.1 | 10.7 |
| Cash P/E | 6.7 | 9.4 | 8.3 | 8.0 | 13.9 | 14.4 | 10.0 | 9.1 | 8.2 |
| P/BV | 1.3 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 0.9 | 0.9 | 0.8 |
| EV/Sales | 1.3 | 1.3 | 1.2 | 1.1 | 1.3 | 1.1 | 1.0 | 0.9 | 0.8 |
| EV/EBITDA | 4.1 | 6.3 | 5.1 | 5.5 | 9.2 | 10.7 | 7.2 | 6.0 | 5.0 |
| Dividend Yield (%) | 2.9 | 2.7 | 2.2 | 2.7 | 2.7 | 0.0 | 2.2 | 2.2 | 2.2 |
| FCF per share | -1.5 | 1.1 | 14.3 | 0.4 | -1.3 | 6.3 | 11.4 | 7.8 | 8.1 |
| Return Ratios (%) | | | | | | | | | |
| RoE | 19.1 | 10.3 | 10.9 | 10.6 | 4.2 | 4.0 | 7.0 | 7.4 | 8.0 |
| RoCE | 17.4 | 9.0 | 10.1 | 10.1 | 4.3 | 3.4 | 6.7 | 7.4 | 8.0 |
| RoIC | 21.6 | 9.0 | 11.1 | 11.3 | 4.5 | 3.3 | 7.4 | 8.6 | 9.6 |
| Working Capital Ratios | | | | | | | | | |
| Fixed Asset Turnover (x) | 4.6 | 4.1 | 3.5 | 2.7 | 2.7 | 2.8 | 2.6 | 2.6 | 2.6 |
| Asset Turnover (x) | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| Inventory (Days) | 177 | 240 | 255 | 285 | 330 | 292 | 298 | 286 | 272 |
| Debtor (Days) | 84 | 94 | 101 | 77 | 73 | 72 | 67 | 70 | 70 |
| Creditor (Days) | 69 | 75 | 66 | 61 | 79 | 61 | 52 | 59 | 59 |
| Leverage Ratio (x) | | | | | | | | | |
| Current Ratio | 3.8 | 4.5 | 4.6 | 6.0 | 4.4 | 5.0 | 5.9 | 5.2 | 5.3 |
| Interest Cover Ratio | 17.9 | 9.4 | 26.7 | 32.7 | 11.2 | 8.3 | 28.0 | 34.5 | 46.1 |
| Net Debt/Equity | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 | -0.2 | -0.3 |

Consolidated - Cash Flow Statement

(INR m)

| Y/E March | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|----------------------------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|
| OP/(Loss) before Tax | 24,345 | 9,563 | 12,556 | 14,155 | 4,681 | 3,811 | 9,261 | 11,764 | 13,380 |
| Depreciation | 2,565 | 5,550 | 2,649 | 2,459 | 3,413 | 3,167 | 2,785 | 2,885 | 3,042 |
| Interest & Finance Charges | 139 | 135 | 104 | 226 | 707 | 724 | 296 | 300 | 250 |
| Direct Taxes Paid | -9,299 | -3,114 | -5,011 | -4,965 | -3,893 | -2,401 | -734 | -2,961 | -3,368 |
| (Inc)/Dec in WC | -17,151 | -16,758 | 809 | -9,638 | -2,722 | 3,418 | 739 | -769 | -1,419 |
| CF from Operations | 599 | -4,624 | 11,107 | 2,237 | 2,186 | 8,718 | 12,347 | 11,218 | 11,886 |
| Others | 734 | 7,124 | 4,370 | 478 | -896 | -1,574 | -487 | -1,700 | -2,100 |
| CF from Operating incl EO | 1,333 | 2,499 | 15,477 | 2,714 | 1,291 | 7,143 | 11,860 | 9,518 | 9,786 |
| (Inc)/Dec in FA | -2,814 | -1,451 | -1,740 | -2,286 | -2,560 | -1,087 | -880 | -2,000 | -2,000 |
| Free Cash Flow | -1,481 | 1,048 | 13,737 | 429 | -1,269 | 6,056 | 10,980 | 7,518 | 7,786 |
| (Pur)/Sale of Investments | 5,930 | 3,163 | -3,765 | 16,361 | -553 | 75 | -15,748 | 0 | 0 |
| Others | 1,316 | 1,451 | -951 | -8,219 | 1,212 | 496 | 5,070 | 1,700 | 2,100 |
| CF from Investments | 4,432 | 3,163 | -6,456 | 5,856 | -1,900 | -517 | -11,558 | -300 | 100 |
| Issue of Equity | 0 | -4,867 | -4,027 | -4,034 | 0 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -4,876 | -12 | 4 | 9 | -256 | -1,204 | 2,217 | -500 | -500 |
| Interest Paid | -54 | -67 | -43 | -49 | -80 | -671 | -120 | -300 | -250 |
| Dividend Paid | -4,734 | -5,227 | -1,118 | -2,850 | -2,882 | 0 | -961 | -2,882 | -2,882 |
| Others | 0 | -362 | -275 | 180 | -865 | -860 | -870 | 0 | 0 |
| CF from Fin. Activity | -9,664 | -10,535 | -5,459 | -6,745 | -4,082 | -2,735 | 266 | -3,682 | -3,632 |
| Inc/Dec of Cash | -3,899 | -4,873 | 3,561 | 1,826 | -4,692 | 3,891 | 568 | 5,536 | 6,254 |
| Opening Balance | 16,117 | 12,218 | 7,345 | 10,907 | 12,732 | 8,041 | 11,932 | 12,500 | 18,037 |
| Closing Balance | 12,218 | 7,345 | 10,907 | 12,732 | 8,041 | 11,932 | 12,500 | 18,037 | 24,291 |

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|----------------------------------|--|
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| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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