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India | Equity Research | Results Update

Zee Entertainment

Media

Ad weakness persists, standoff with DPOs impacts subscriptions; digital losses narrow

ZEEL's advertising revenue declined 9.4% QoQ/16.8% YoY, impacted by the IPL and weak FMCG spending. However, management commentary suggests early signs of stabilisation, with potential recovery supported by festive tailwinds and improving rural demand. Gains in TV market share and early traction in Zee Anmol are key positives in linear TV. However, Pay TV subscription revenue declined ~9% YoY, due to pending negotiations with DTH operators on price increase. ZEE5 revenue grew 30% YoY, led by regional language subscription packs, while losses narrowed to INR 658mn. We expect losses to reduce further with operating leverage. While the stock is inexpensive at CMP, we believe a tangible recovery in ad income / resolution of standoff with DPOs may be key for re-rating. Maintain **BUY**.

Q1FY26 performance review

ZEEL's overall ad revenue was down 9.4% QoQ/16.8% YoY to INR 7.6bn. Domestic ad revenue was down 9.8% QoQ/19.2% YoY to INR 7.0bn. Subscription revenue was flattish QoQ/YoY in Q1FY26 to INR 9.8bn. ZEEL's consolidated revenue was down 16.5% QoQ/14.3% YoY to INR 18.2bn, 7.8% lower than our estimate.

Employee expenses declined 4.3% QoQ/2.5% YoY to INR 2.2bn. EBITDA was INR 2.3bn (down 20.1% QoQ/16.1% YoY). EBITDA margin was 12.5%, (down 56 bps QoQ/26bps YoY). ZEEL reported consolidated profit of INR 1.4bn.

ZEE5 Q1FY26 performance review

ZEE5's revenue was up 5.6% QoQ/29.6% YoY to INR 2.9bn, as EBITDA loss reduced to INR 658mn in Q1FY26 (vs. INR 1.7bn in Q1FY25). 17 shows and movies were released during Q1FY26.

Management commentary

Management stated that domestic advertising environment was soft in Q1FY26 due to an extended sports calendar and a slowdown in FMCG spending. However, management noted that healthy monsoons led to a pickup in consumption, and the upcoming festive season may drive a recovery in advertisement income. Management maintained its guidance of 8–10% YoY growth in ad income.

Financial Summary

Y/E (Rs mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	82,941	86,826	93,996	99,888
EBITDA	11,962	14,644	16,870	19,001
EBITDA Margin (%)	14.4	16.9	17.9	19.0
Net Profit	6,874	8,087	9,549	10,954
EPS (INR)	7.2	8.4	10.0	11.4
EPS % Chg YoY	55.4	9.0	18.1	14.7
P/E (x)	17.3	15.9	13.4	11.7
EV/EBITDA (x)	8.8	7.2	6.1	5.2
RoCE (%)	7.2	7.7	8.7	9.6
RoE (%)	6.8	7.0	7.8	8.4

Abhisek Banerjee

abhisek.banerjee@icicisecurities.com
+91 22 6807 7574

Jayram Shetty

jayram.shetty@icicisecurities.com

Laavanya Sisaudia

laavanya.sisaudia@icicisecurities.com

Market Data

Market Cap (INR)	128bn
Market Cap (USD)	1,487mn
Bloomberg Code	Z IN
Reuters Code	ZEE.BO
52-week Range (INR)	155 /89
Free Float (%)	96.0
ADTV-3M (mn) (USD)	28.1

Price Performance (%)	3m	6m	12m
Absolute	15.8	13.4	(0.5)
Relative to Sensex	12.5	5.8	(2.6)

ESG Score	2023	2024	Change
ESG score	70.8	66.3	4.5
Environment	54.2	61.8	(7.6)
Social	75.5	73.4	2.1
Governance	74.3	64.0	10.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

09-05-2025: [Q4FY25 results review](#)

24-01-2025: [Q3FY25 results review](#)

Management attributed the decline in linear TV subscription revenue to a fall in Pay TV subscribers. It mentioned that ongoing negotiations with DPOs have not yet been finalised, which may have contributed to the decline. Management added that it has launched the FTA channel Zee Anmol, which is gaining traction and is expected to contribute to ad income. According to management, they were able to increase ZEEL's TV network share by 40bps YoY to 16.8% in Q1FY26. It indicated that the share crossed 18% in Jul'25 and it aims to maintain this level. Management emphasised that linear TV remains a stronger channel for brand building led by its wide coverage, with ZEEL operating in 12 languages.

On ZEE5, management stated that revenue was up 30% YoY, driven by specific language content subscription packs (available in seven languages) offered at affordable prices. It has also announced a partnership with Bullet to launch India's first micro-drama app focused on short-form, creator-driven content. Additionally, management shared that ZEEL is collaborating with Ideabaaz Tech to launch a startup-focused reality show targeting tier 2-3 cities.

Management indicated that consolidation in the industry has led to better negotiations with advertisers.

Valuation

We maintain **BUY** with TP of INR 185, based on 20x one-year forward P/E multiple (FY27E). Key risks: Slower recovery in ad/subscription revenue, and slower execution of cost optimisation measures.

Exhibit 1: Q1FY26 result review

INR mn	Q1FY26	Q4FY25	Q1FY25	QoQ(%)	YoY(%)	vs I-Sec	Diff. (%)
Total income	18,248	21,841	21,305	-16.5	-14.3	19,800	-7.8
Total advertising	7,585	8,375	9,113	-9.4	-16.8	7,800	-2.8
Total subscription	9,817	9,865	9,872	-0.5	-0.6	10,500	-6.5
Others sales	846	3,601	2,320	-76.5	-63.5	1,500	-43.6
Cost of revenues	9,710	12,819	11,770	-24.3	-17.5	10,450	-7.1
% of revenue	53.2	58.7	55.2			52.8	
Gross profit	8,538.0	9,022.0	9,535.5	-5.4	-10.5	9,350.0	-8.7
Gross profit margin (%)	46.8	41.3	44.8			47.2	
Employee cost	2,201	2,300	2,258	-4.3	-2.5	2,700	-18.5
% of revenue	12.1	10.5	10.6			13.6	
Other expenses	1,305	870	1,665	50.0	-21.6	1,200	8.7
% of revenue	7.2	4.0	7.8			6.1	
Ad and publicity expenses	2,752	3,000	2,896	-8.3	-5.0	3,000	-8.3
% of revenue	15.1	13.7	13.6			15.2	
Total expenses	15,968	18,989	18,589	-15.9	-14.1	17,350	-8.0
EBITDA	2,280	2,852	2,717	-20.1	-16.1	2,450	-6.9
EBITDA margin (%)	12.5	13.1	12.8	-56	-26	12.4	
Depreciation	591	639	756	-7.5	-21.8	639	-7.5
EBIT	1,689	2,213	1,960	-23.7	-13.8	1,811	-6.7
EBIT margin (%)	9.3	10.1	9.2			9.1	
Other income	250	362	190	-30.9	31.6	362	-30.9
Finance cost	77	81	55	-4.9	39.0	81	-4.9
PBT	1,971	2,619	2,084	-24.7	-5.4	2,217	-11.1
Tax expenses	535	734	542			734	
ETR (%)	27.1	28.0	26.0			33.1	
Exceptions	-	-	286			-	
Minority	1.0	1.0	0.9			1.0	
PAT after minority	1,437	1,886	1,257	-24	14	1,484.0	-3.2
Net profit margin (%)	7.9	8.6	5.9			7.5	

Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	4.0	4.0	4.0
Institutional investors	38.1	38.4	41.2
MFs and others	11.5	9.5	10.5
FIs/Banks	0.3	0.0	0.1
Insurance	6.2	6.1	5.9
FIIIs	20.1	22.8	24.8
Others	57.9	57.6	54.8

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(Rs mn, year ending)

	FY25A	FY26E	FY27E	FY28E
Net Sales	82,941	86,826	93,996	99,888
Operating Expenses	25,807	25,346	26,891	28,005
EBITDA	11,962	14,644	16,870	19,001
EBITDA Margin (%)	14.4	16.9	17.9	19.0
Depreciation & Amortization	2,785	4,427	4,683	4,924
EBIT	9,177	10,216	12,187	14,077
Interest expenditure	327	343	361	379
Other Non-operating Income	1,393	1,296	1,360	1,429
Recurring PBT	10,243	11,169	13,187	15,127
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,387	3,081	3,638	4,173
PAT	7,856	8,087	9,549	10,954
Less: Minority Interest	4	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	6,870	8,087	9,549	10,954
Net Income (Adjusted)	6,874	8,087	9,549	10,954

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(Rs mn, year ending)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	1,06,614	1,08,545	1,16,549	1,25,444
of which cash & cash eqv.	12,500	12,413	15,094	20,262
Total Current Liabilities & Provisions	18,003	18,715	19,574	20,215
Net Current Assets	88,611	89,829	96,975	1,05,228
Investments	11,947	11,947	11,947	11,947
Net Fixed Assets	6,742	11,367	11,716	12,077
ROU Assets	-	-	-	-
Capital Work-in-Progress	14	531	561	589
Total Intangible Assets	3,304	3,304	3,304	3,304
Other assets	4,619	4,850	5,092	5,347
Deferred Tax Assets	-	-	-	-
Total Assets	1,15,237	1,21,828	1,29,595	1,38,492
Liabilities				
Borrowings	1,580	1,580	1,580	1,580
Deferred Tax Liability	(4,101)	(4,101)	(4,101)	(4,101)
provisions	-	-	-	-
other Liabilities	2,424	2,545	2,672	2,807
Equity Share Capital	961	961	961	961
Reserves & Surplus	1,14,373	1,20,843	1,28,482	1,37,245
Total Net Worth	1,15,334	1,21,803	1,29,443	1,38,206
Minority Interest	-	-	-	-
Total Liabilities	1,15,237	1,21,828	1,29,594	1,38,492

Source Company data, I-Sec research

Exhibit 6: Quarterly trend

(INR mn, year ending)

	Sep-25	Dec-25	Mar-25	Jun-25
Net Sales	20,007	19,788	21,841	18,248
% growth (YOY)	(17.9)	(3.3)	0.7	(14.3)
EBITDA	3,210	3,184	2,852	2,280
Margin %	16.0	16.1	13.1	12.5
Other Income	337	345	362	250
Net profit	2,095	1,635	1,886	1,436

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(Rs mn, year ending)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	11,860	10,252	8,760	11,737
Working Capital Changes	739	(1,311)	(4,471)	(3,091)
Capital Commitments	(916)	(9,569)	(5,061)	(5,314)
Free Cashflow	12,776	19,821	13,821	17,051
Other investing cashflow	(15,158)	1,192	1,251	1,314
Cashflow from Investing Activities	(16,074)	(8,378)	(3,809)	(4,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(961)	(1,617)	(1,910)	(2,191)
Others	1,217	(343)	(361)	(378)
Cash flow from Financing Activities	228	(1,961)	(2,270)	(2,568)
Chg. in Cash & Bank balance	(3,986)	(87)	2,681	5,168
Closing cash & balance	7,946	12,413	15,094	20,262

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	7.7	8.4	10.0	11.4
Adjusted EPS (Diluted)	7.2	8.4	10.0	11.4
Cash EPS	10.6	13.0	14.8	16.5
Dividend per share (DPS)	7.2	1.7	2.0	2.3
Book Value per share (BV)	120.1	126.8	134.8	143.9
Dividend Payout (%)	92.6	20.0	20.0	20.0
Growth (%)				
Net Sales	(4.0)	4.7	8.3	6.3
EBITDA	31.9	22.4	15.2	12.6
EPS (INR)	55.4	9.0	18.1	14.7
Valuation Ratios (x)				
P/E	17.3	15.9	13.4	11.7
P/CEPS	12.6	10.3	9.0	8.1
P/BV	1.1	1.1	1.0	0.9
EV / EBITDA	8.8	7.2	6.1	5.2
P / Sales	1.5	1.5	1.4	1.3
Dividend Yield (%)	0.1	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	45.5	46.1	46.6	47.1
EBITDA Margins (%)	14.4	16.9	17.9	19.0
Effective Tax Rate (%)	23.3	27.6	27.6	27.6
Net Profit Margins (%)	9.5	9.3	10.2	11.0
NWC / Total Assets (%)	0.8	0.8	0.7	0.7
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(1.9)	(1.6)	(1.5)	(1.6)
Profitability Ratios				
RoCE (%)	7.2	7.7	8.7	9.6
RoE (%)	6.8	7.0	7.8	8.4
RoIC (%)	8.0	7.8	9.1	10.2
Fixed Asset Turnover (x)	9.4	12.9	7.9	8.1
Inventory Turnover Days	413	389	376	380
Receivables Days	71	66	65	65
Payables Days	92	80	78	77

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
