ZEE ENTERTAINMENT

Nuvama Flash

NUVAMA FLASH

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	98
12 month price target (INR)	185
52 Week High/Low	169/89
Market cap (INR bn/USD bn)	95/1.1
Free float (%)	96.0
Avg. daily value traded (INR mn)	1,341.3

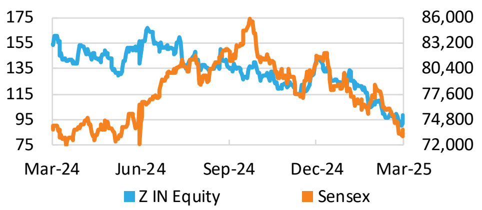
SHAREHOLDING PATTERN

	Dec-24	Sep-24	Jun-24
Promoter	3.99%	3.99%	3.99%
FII	20.05%	18.52%	18.9%
DII	17.87%	19.05%	22.27%
Pledge	5.38%	5.38%	5.38%

FINANCIALS (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	86,372	87,357	94,600	1,02,859
EBITDA	9,071	14,094	18,877	21,569
Adjusted profit	(829)	9,091	12,456	14,913
Diluted EPS (INR)	2.0	9.5	13.0	15.5
EPS growth (%)	(10.0)	365.2	37.0	19.7
RoAE (%)	(0.8)	8.1	10.4	11.4
P/E (x)	59.0	12.7	9.3	7.7
EV/EBITDA (x)	12.2	7.9	5.5	4.5
Dividend yield (%)	1.0	2.0	2.7	3.2

PRICE PERFORMANCE



Promoter buying: Tempting valuation

Promoters of Zee Entertainment (ZEEL) have bought ~2.7mn shares worth ~INR270mn through the open market. Promoter's stake has moved to 4.28% (earlier 3.99%). The quantum of this acquisition shows belief in the long-term prospects and growth potential of the company. This shall boost the confidence of minority investors.

ZEEL's subscription revenue remains strong with seven consecutive quarters of expansion in Q3FY25. Ad revenue—though currently weak—could start recovering Q2FY26 onwards led by urban demand recovery and higher gross margin for FMCG (weak crude oil prices). On the valuations front, the stock is attractively trading at 10x P/E (versus 14x one-year average); maintain 'BUY'.

Comfortable valuations

Promoter buying: After a long time, promoters have increased their stake and bought ~2.7mn shares worth ~INR270mn through open market purchase. This amounts to an additional 0.29% stake in the company. In our view, the quantum is decent and a positive indicator for the company.

Subscription revenue: In Q3FY25, subscription revenue rose 6.6% YoY driven by a pickup in Zee5 subscription. Subscription revenue growth (high-single digit) shall continue for a couple more quarters along with price hikes in the linear business and increase in subscriber base for the digital business.

Advertisement revenue: Ad revenue continued to face the heat from a subdued macro environment with the urban slowdown particularly affecting FMCG companies. We reckon ad spends shall improve for these companies in FY26 with falling crude prices increasing the wallet share towards ad spends. Zee has reduced its dependence on national brands. FMCG still contributes 60%, but within that chunk, local FMCG is attaining a reasonable size and these locals are willing to pay a 50% premium over national counterparts. As per the CEO, the companies are going towards e-commerce and Q-commerce channels for performance, but television is a 900mn medium and an essential tool for brand building.

Outlook: Focus is on four verticals—linear, digital, movie, and music. Gaming is a big opportunity that the company is evaluating. The company is open to any inorganic opportunities.

Q3FY25 conference call highlights: In Q4FY25, Zee expects to make good strides on the margin front. Key focus growth area will be investment, movie launches and revenue. Zee aims to reach EBITDA margin of 18–20% by FY26E. The next tranche of FCCB is slated for Aug-25. Subscription revenue growth shall continue for a couple more quarters along with further price hikes. Rural local advertisement spends have improved. The language market is making a comeback and retail is large thereof.

Attractive valuation: The stock is currently trading at 10x one-year forward P/E versus a 14x one-year average indicating oversold levels and attractive valuation.

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