

ZEE ENTERTAINMENT

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	134
12 month price target (INR)	171
52 Week High/Low	155/89
Market cap (INR bn/USD bn)	128/1.5
Free float (%)	96.0
Avg. daily value traded (INR mn)	2,424.7

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	3.99%	3.99%	3.99%
FII	24.81%	22.83%	20.05%
DII	16.75%	15.87%	17.87%
Pledge	0%	0%	0%

FINANCIALS

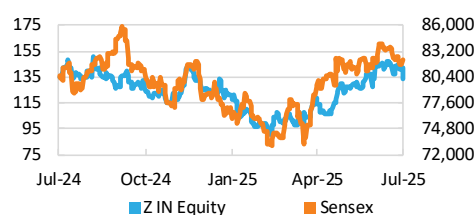
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	82,941	86,248	93,316	1,00,255
EBITDA	11,962	15,132	19,172	23,593
Adjusted profit	6,892	10,434	13,363	17,127
Diluted EPS (INR)	7.2	10.9	13.9	17.8
EPS growth (%)	252.7	51.4	28.1	28.2
RoAE (%)	6.2	8.8	10.4	12.3
P/E (x)	18.5	12.2	9.6	7.5
EV/EBITDA (x)	7.1	5.6	4.0	2.8
Dividend yield (%)	1.5	2.0	2.6	3.4

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	86,248	93,316	-4.7%	-5.2%
EBITDA	15,132	19,172	-11.6%	-5.3%
Adjusted profit	10,524	13,607	-13.2%	-6.2%
Diluted EPS (INR)	11.0	14.2	-13.2%	-6.2%

PRICE PERFORMANCE



Ad revenues mar the show

Zee Entertainment (ZEEL) posted a weak Q1FY26 with revenue/EBITDA declining 14.3%/11.7% on a YoY basis—below our and Street’s estimates. Subscription revenue remained flat YoY on a high base (8.8% growth in Q1FY25). Ad revenues fell 17% YoY, marking a fifth consecutive quarter of contraction, continuing to weigh on overall performance. EBITDA margin of 13.1% expanded 39bp YoY, but contracted 54bp QoQ. Zee5 revenue rose 30% YoY, whereas EBITDA loss narrowed by ~INR1.1bn YoY with the loss now at INR658mn.

Factoring in the lack of revival in ad spends, we are cutting FY26E/27E EPS by 13%/6%, yielding a revised TP of INR171 (earlier INR178); maintain ‘BUY’.

Significant improvement in ZEE5

What we like: Zee5 revenue jumped 30% YoY while EBITDA loss narrowed by ~INR1.1bn to INR658mn in Q1FY26. This marks a significant improvement from the losses of INR3.4bn in Q1FY24 and INR1.8bn in Q1FY25. Digital subscription revenue saw moderate growth. Zee Music added 4.4mn subscribers during the quarter. All India TV network share stood at 16.8% (16.6% in Q4FY25 and 16.4% in Q1FY25). Network share is seeing a gradual improvement (17.8% in June, 18%+ in July), indicating some revival in ad revenue.

What we do not like: Ad revenue fell for a fifth consecutive quarter and has declined in 13 of the last 15 quarters, continuing to act as a drag on overall performance. Domestic advertising revenue declined 19% YoY, primarily due to an extended sports calendar and slowdown in FMCG spending. Other revenue plunged 64% YoY, primarily due to the absence of major movie releases, against a strong base that included two key titles.

Q1FY26 conference call highlights: The company remains cautiously optimistic about advertising revenue recovery with improving consumption trends supported by a good monsoon. Management still holds the 8% ad revenue guidance for FY26. The company’s viewership share has crossed 18% in July (17.8% in June), which is expected to support growth in advertising revenue going forward. EBITDA margin shall be 18–20% in FY26E with all planned investments already factored in this guidance. Movie release slate remains intact, with a target of producing 20–25 films annually, similar to FY24. The company has seen a decline in cash balance (INR21.9bn at end of Q1 versus INR24bn at end of March 2025) QoQ due to cyclical fluctuations in subscription collections (Q4 typically has highest inflows) and cash deployment in new initiatives and content.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	18,248	21,305	(14.3)	21,841	(16.5)
EBITDA	2,389	2,706	(11.7)	2,977	(19.8)
Adjusted Profit	1,436	1,468	(2.1)	1,885	(23.8)
Diluted EPS (INR)	1.5	1.3	14.4	2.0	(23.8)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	82,941	86,248	93,316	1,00,255
Gross profit	37,769	41,528	46,359	51,420
Employee costs	9,266	9,359	9,639	9,929
Other expenses	16,541	17,037	17,548	17,899
EBITDA	11,962	15,132	19,172	23,593
Depreciation	3,593	3,173	3,274	3,374
Less: Interest expense	327	400	500	500
Add: Other income	1,234	2,349	2,415	3,112
Profit before tax	9,276	13,908	17,813	22,831
Prov for tax	2,387	3,477	4,453	5,708
Less: Other adj	4	4	4	4
Reported profit	6,892	10,434	13,363	17,127
Less: Excp.item (net)	0	0	0	0
Adjusted profit	6,892	10,434	13,363	17,127
Diluted shares o/s	961	961	961	961
Adjusted diluted EPS	7.2	10.9	13.9	17.8
DPS (INR)	2.0	2.7	3.5	4.5
Tax rate (%)	25.7	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Ad revenue growth (%)	(2.0)	3.0	6.0	7.0
Subscription growth (%)	7.1	8.9	9.0	9.0
Dom. sub growth (%)	8.0	8.0	9.0	9.0
EBITDA margin (%)	14.4	17.5	20.5	23.5
Net profit margin (%)	8.3	12.1	14.3	17.1
Revenue growth (% YoY)	(4.0)	4.0	8.2	7.4
EBITDA growth (% YoY)	31.9	26.5	26.7	23.1
Adj. profit growth (%)	nm	51.4	28.1	28.2

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	86.0	88.0	90.0	90.0
Direct cost (% of sales)	54.5	51.9	50.3	48.7
Employee cost (%)	11.2	10.9	10.3	9.9
SG&A expense (%)	19.9	19.8	18.8	17.9
Debtors days	71.2	85.0	85.0	85.0
Inventory days	553.0	475.0	475.0	475.0
Payable days	106.1	100.0	100.0	100.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	18.5	12.2	9.6	7.5
Price/BV (x)	1.1	1.0	1.0	0.9
EV/EBITDA (x)	7.1	5.6	4.0	2.8
Dividend yield (%)	1.5	2.0	2.6	3.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	961	961	961	961
Reserves	1,14,373	1,22,199	1,32,221	1,45,066
Shareholders funds	1,15,334	1,23,159	1,33,182	1,46,027
Minority interest	0	0	0	0
Borrowings	2,419	2,419	2,419	2,419
Trade payables	11,907	12,252	12,865	13,379
Other liabs & prov	2,001	1,851	1,701	1,551
Total liabilities	1,33,240	1,41,262	1,51,746	1,64,956
Net block	5,506	4,121	2,616	991
Intangible assets	4,060	2,988	1,937	905
Capital WIP	14	98	98	98
Total fixed assets	9,580	7,207	4,651	1,994
Non current inv	1,528	1,528	1,528	1,528
Cash/cash equivalent	24,064	24,788	32,543	43,735
Sundry debtors	15,325	20,085	21,731	23,347
Loans & advances	0	0	0	0
Other assets	78,787	83,786	87,423	90,479
Total assets	1,33,240	1,41,262	1,51,746	1,64,956

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	6,892	10,434	13,363	17,127
Add: Depreciation	2,785	2,385	2,505	2,625
Interest (net of tax)	327	400	500	500
Others	1,117	(1,564)	(1,649)	(2,367)
Less: Changes in WC	739	(9,473)	(4,821)	(4,307)
Operating cash flow	11,860	2,182	9,898	13,578
Less: Capex	1,120	717	717	717
Free cash flow	10,740	1,465	9,181	12,861

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	6.2	8.8	10.4	12.3
RoCE (%)	8.4	11.8	14.0	16.4
Inventory days	553	573	580	582
Receivable days	71	75	82	82
Payable days	106	99	98	98
Working cap (% sales)	120.8	128.1	131.8	138.2
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Interest coverage (x)	25.6	29.9	31.8	40.4

Valuation Drivers

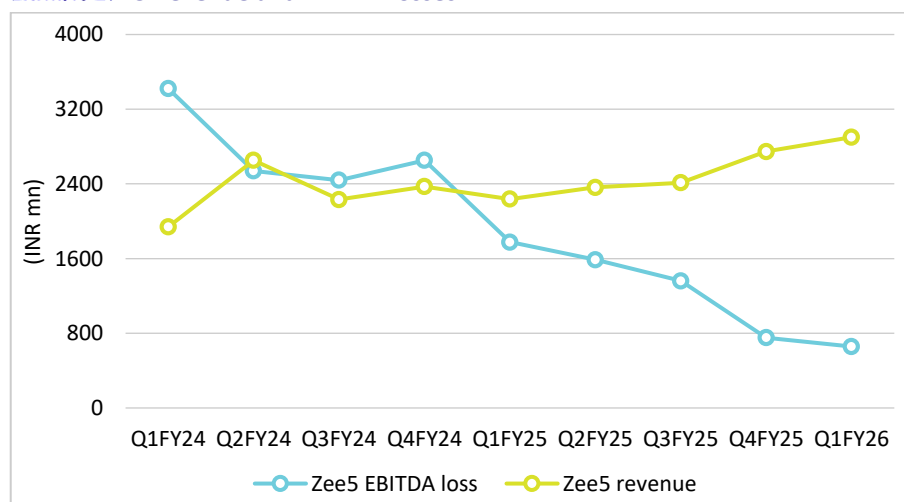
Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	252.7	51.4	28.1	28.2
RoE (%)	6.2	8.8	10.4	12.3
EBITDA growth (%)	31.9	26.5	26.7	23.1
Payout ratio (%)	28.5	25.0	25.0	25.0

Exhibit 1: Trends at a glance (INR mn)

ZEEL Trends	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Revenue	19,838	24,378	20,456	21,699	21,305	20,007	19,788	21,841	18,248
EBITDA	1,588	3,328	2,092	2,102	2,706	3,232	3,207	2,977	2,389
Adjusted PAT	776	2,282	1,015	198	1,468	2,015	2,345	1,885	1,436
Total Ad revenue	9,409	9,792	10,267	11,102	9,113	9,017	9406	8375	7585
Ad revenue growth (%)	(3.6)	(3.3)	(3.5)	10.4	(3.1)	(7.9)	(8.4)	(24.6)	(16.8)
International ad revenue	391	381	400	442	424	409	600	589	560
Domestic ad revenue	9,018	9,411	9,867	10,660	8,689	8,608	8,806	7,786	7,025
Subscription revenue	9,075	8,878	9,213	9,494	9,872	9,699	9825	9865	9817
Subscription revenue growth (%)	17.6	8.0	3.0	12.0	8.8	9.2	6.6	3.9	(0.6)
Zee5 revenue	1,939	2,652	2,232	2,372	2,237	2,363	2413	2747	2900
Zee5 EBITDA	(3,421)	(2,539)	(2,440)	(2,652)	(1,777)	(1,588)	(1,362)	(753)	(658)
All India viewership share (%)	17.9	17.9	16.5	16.8	16.4	17.4	16.9	16.6	16.8
% of revenue									
Transmission & programming	57.6	58.5	58.1	59.1	55.2	53.1	50.4	58.7	53.2
Employee cost	13.1	10.7	11.9	11.8	10.6	11.4	12.3	10.5	12.1
EBITDA	8.0	13.6	10.2	9.7	12.7	16.2	16.2	13.6	13.1
PAT	3.9	9.4	5.0	0.9	6.9	10.1	11.8	8.6	7.9

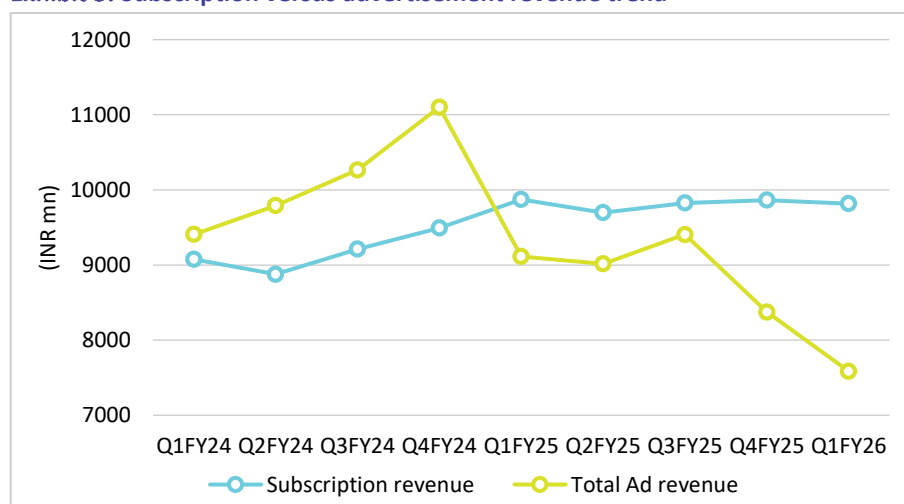
Source: Company, Nuvama Research

Exhibit 2: Z5 Revenue and EBITDA losses



Source: Company, Nuvama Research

Exhibit 3: Subscription versus advertisement revenue trend



Source: Company, Nuvama Research

Q1FY26 conference call takeaways

Outlook

- The company remains cautiously optimistic about advertising revenue recovery with improving consumption trends supported by a good monsoon.
- Management still holds 8% ad revenue guidance for FY26.
- The company's viewership share has crossed 18% in July (17.8% in June), which is expected to support growth in advertising revenue going forward.
- EBITDA margin of 18–20% for FY26, with all planned investments already factored into this guidance.
- Movie release slate remains intact with a target of producing 20–25 films annually, similar to FY24.

Q1FY26 highlights by segment

- Advertising revenues: Domestic advertising revenue for the quarter decreased 19% YoY to INR7bn due to extended sports calendar, and slowdown in FMCG spending.
- The company maintains a cautious outlook for ad revenue growth. With festive season round the corner, it expects ad revenue to resume growth over the next few quarters.
- Subscription revenue: Subscription revenue growth was flat YoY to INR9.8bn. Increase in digital subscription revenue was offset by decline in linear subscription revenue due to fall in Pay TV subscribers.
- Other sales & services revenue: Declined 64% YoY during the quarter to INR846mn since there were no major content releases in the quarter.

Z5 performance

- Z5 achieved strong revenue growth of 30% to INR29bn driven by healthy growth in user engagement in Q1FY26.
- The company reduced EBITDA loss of INR1.1bn YoY in the quarter to INR658mn.
- Z5's regional language packs aims to improve affordability for consumers which will aid in higher ARPU and subscribers growth.
- With its Omni channel strategy and the launch of Bullet, the company can experiment more with existing IPs, offering a more diverse range of content.
- Going forward the company expects incremental revenue from these initiatives to exceed incremental costs.
- The company expects performance improvement momentum to sustain driven by growth and operating leverage.
- Released 17 shows and movies (Including 5 Originals) in Q1FY26.
- Zee also launched a micro-drama platform "Bullet" to cater to changing consumption behavior, targeting younger audiences with short-form content.

TV business

- In Q1FY26, all India TV Network share of ZEE stood at 16.8% versus 16.4% in Q1FY25. As on Jun 2025, the “Z” network share stood at 17.8% fortifying its strong position in industry.
- In July the company has seen improvement in viewership in languages of Hindi, Marathi, Kannada and Bangla.
- Industry TV reach and Impressions: Weekly reach increased 3mn QoQ to 748mn while Weekly impressions remained flat QoQ to 28.4bn.
- The company launched various TV shows in regional languages in Q1FY26 like ‘Saru’, ‘Devmanus Madhla Adhyay’ (Zee Marathi), ‘Kusum’ (Zee Bangla) etc.

Zee Studios

- The company released three Hindi and four other language movies in Q1FY26. Hindi Movies include ‘Phule’, ‘The Bhootni’ and ‘KapKapil’.

Z Music Co

- Z Music added 4mn subscribers to reach 168mn subscribers on YouTube in Q1FY26. Total Video views during Q1FY26 stood at 62bn compared with 46bn in Q1FY25.
- Key catalogue additions during the quarter include ‘Kesari Chapter 2’, ‘Sitaare Zameen Par’, ‘Ground Zero’ and ‘Jaat’.
- In Apr-Jun 25, the company has acquired the rights of 13 Hindi songs, 8 other languages songs and 190 singles/albums.

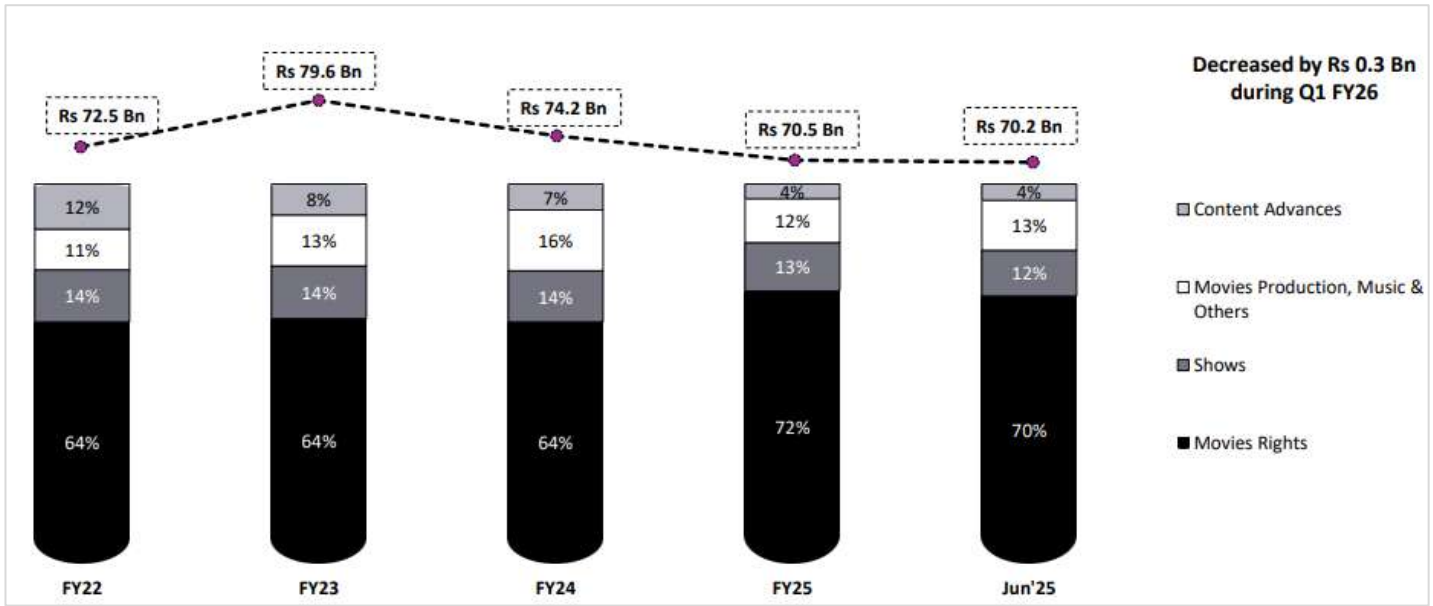
International revenue

- Q1FY26 advertising revenue stood at INR560mn.
- Subscription revenue stood at INR886mn.
- Other Sales & Services revenue stood at INR231mn.

Others

- The company has seen a decline in cash balance QoQ due to cyclical fluctuations in subscription collections (Q4 typically has the highest inflows) and cash deployment into new initiatives and content.
- Although shareholder approval for promoter cash infusion via warrants was declined, the company remains committed to its plans for new initiatives and to grow the core business.
- The consolidation Jio+Hotstar has reduced players in the market, giving Zee better negotiating power, which is expected to improve their market share.

Exhibit 4: content inventory and advances continues to decline in Q1 FY26 driven by optimised acquisition



Source: Company, Nuvama Research

Exhibit 5: Q2FY26E Z5 movies/shows' slate



Source: Company, Nuvama Research

Exhibit 6: Consolidated financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Revenues	18,248	21,305	(14.3)	21,841	(16.5)
Advertisement	7,585	9,113	(16.8)	8,375	(9.4)
Subscription	9,817	9,872	(0.6)	9,865	(0.5)
Others	846	2,320	(63.5)	3,601	(76.5)
Total revenues	18,248	21,305	(14.3)	21,841	(16.5)
Transmission & programming	9,710	11,770	(17.5)	12,819	(24.3)
Employee costs	2,201	2,258	(2.5)	2,300	(4.3)
Selling & Adm expenses	3,948	4,572	(13.6)	3,745	5.4
Total expenditure	15,859	18,600	(14.7)	18,864	(15.9)
EBITDA	2,389	2,706	(11.7)	2,977	(19.8)
Depreciation	591	756	(21.8)	639	(7.5)
EBIT	1,798	1,950	4.1	2,338	(23.1)
Less: Interest Expense	77	55	39.0	81	(4.9)
Add: Other income	250	190	31.6	362	(30.9)
Add: Exceptional items	1	(285)	NM	1	NM
Profit before tax	1,972	1,799	9.6	2,620	(24.7)
Less: Provision for Tax	535	542	(1.3)	734	(27.1)
Reported Profit	1,437	1,257	14.4	1,886	(23.8)
Adjusted Profit	1,436	1,468	(2.1)	1,885	(23.8)
Adjusted Diluted EPS	1.5	1.5	(2.1)	2.0	(23.8)
Tax rate (%)	27.1	30.1		28.0	
As % of net revenues					
Transmission & programming	53.2	55.2	(203)	58.7	(548)
Employee costs	12.1	10.6	146	10.5	153
Selling & Adm expenses	21.6	21.5	18	17.1	449
EBITDA	13.1	12.7	39	13.6	(54)
Net profit margins	7.9	6.9	98	8.6	(76)

Source: Company, Nuvama Research

Company Description

ZEE Entertainment Enterprises (ZEE) is one of the largest media companies in India. It owns and operates Zee TV and Zee Cinema, leading channels in the Hindi GEC and movies segments, respectively. Besides these two, the company has an attractive bouquet of several other channels including & pictures, & TV, ZEE Anmol, Zindagi, Zing, Zee Classic, Zee Action, Zee Café and Zee Studios. With the likes of Zee Marathi, Zee Bangla, Zee Telugu, and Zee Kannada, the company has an impressive bouquet of regional channels.

Investment Theme

Sector macros recovery, improvement in its market share in regional and movies genres and new launches will aid ad revenue growth. Higher penetration of DTH and the digitisation process augur well for faster growth in subscription revenue over the long term. Cautious investment in the movie production is positive for the company. We believe ZEE is well poised to benefit from this favourable environment.

Key Risks

- Economic slowdown likely to reflect in advertisement revenues.
- Absence of sporting events and fresh programming likely to temper the subscription growth momentum in near term Competition from digital video streaming platforms.
- High competitive intensity in the OTT/streaming space

Additional Data

Management

CEO	Punit Goenka
CFO	Mukund Galgani
CS	Ashish Agarwal
Chairman	R. Gopalan
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

% Holding		% Holding	
Vanguard Group	5.92	HDFC asset Mana	3.67
Sprucegrove Inv	5.00	Blackrock Inc	2.98
Life Insurance	4.49	Vanguard Intern	2.27
ICICI Prudentia	4.30	FundRock Manage	1.73
Norges Bank	3.94	HDFC Life Insur	1.57

*Latest public data

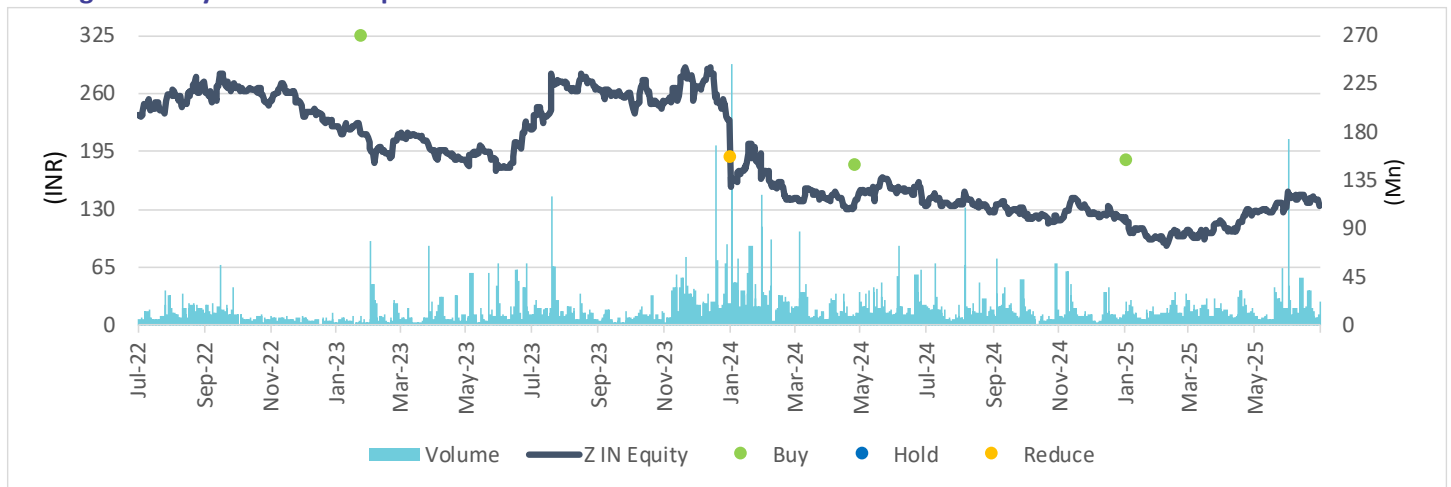
Recent Company Research

Date	Title	Price	Reco
12-Jun-25	Next step: content and tech powerhouse; <i>Nuvama Flash</i>	134	Buy
08-May-25	Growth despite ad revenue slump; <i>Result Update</i>	111	Buy
06-Mar-25	Promoter buying: Tempting valuation; <i>Nuvama Flash</i>	98	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
02-Jul-25	Media and Entertainment	Mixed bag; <i>Sector Update</i>
30-May-25	Sun TV Network	A muted show; <i>Result Update</i>
16-May-25	SAREGAMA INDIA	Aggressive content acquisition to contin; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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