

July 4, 2025

Company Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	179		137	
Sales (Rs. m)	88,630	95,876	88,630	95,876
% Chng.	-	-	-	-
EBITDA (Rs. m)	15,865	18,983	15,688	18,025
% Chng.	1.1	5.3	-	-
EPS (Rs.)	10.8	11.9	10.7	12.5
% Chng.	1.3	(4.4)	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	86,372	82,941	88,630	95,876
EBITDA (Rs. m)	9,071	11,962	15,865	18,983
Margin (%)	10.5	14.4	17.9	19.8
PAT (Rs. m)	4,738	7,701	10,388	13,486
EPS (Rs.)	4.9	8.0	10.8	11.9
Gr. (%)	(18.5)	62.5	34.9	10.3
DPS (Rs.)	1.0	2.4	2.7	3.0
Yield (%)	0.7	1.7	1.9	2.1
RoE (%)	4.4	6.9	8.7	9.7
RoCE (%)	5.4	8.0	10.6	11.2
EV/Sales (x)	1.5	1.4	1.3	1.1
EV/EBITDA (x)	14.1	9.7	7.0	5.6
PE (x)	29.2	18.0	13.3	12.1
P/BV (x)	1.3	1.2	1.1	1.0

Key Data

ZEE.BO | Z IN

52-W High / Low	Rs.164 / Rs.89
Sensex / Nifty	83,239 / 25,405
Market Cap	Rs.138bn / \$ 1,621m
Shares Outstanding	961m
3M Avg. Daily Value	Rs.2249.29m

Shareholding Pattern (%)

Promoter's	3.99
Foreign	22.83
Domestic Institution	16.01
Public & Others	57.18
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	14.7	(4.6)
Relative	6.9	9.2	(8.3)

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

Dhvanit Shah

dhvanitshah@plindia.com | 91-22-66322258

Execution of aspirational goals key to re-rating

Quick Pointers:

- Promoter stake to rise to 18.3% after ~169.5mn warrants get converted into equity over the next 18 months.
- The plan is to achieve EBITDA break-even in ZEE5 during FY26E.

We cut our FY27E EPS estimates by 4% as we account for dilution impact resulting from issuance of ~169.5mn fully convertible warrants at a price of Rs132 on a preferential basis to entities forming part of the promoter group. Out of the total preferential proceeds of ~Rs22.4bn, Z IN plans to deploy ~Rs10bn towards building new businesses, ~Rs7.1bn towards inorganic expansion while the balance will be utilized for general & corporate purposes. Post warrant conversion, promoter stake will increase to 18.3% lending better execution comfort on achieving 1) TV viewership share of ~17.5%, 2) ad-revenue growth of ~8-10% and 3) EBITDA margin of ~18-20% in FY26E. We expect a modest 7.5% revenue CAGR over the next 2 years on a low base of FY25 with 540bps expansion in EBITDA margin given plans to achieve break-even in the digital business. Retain BUY on the stock with a TP of Rs179 (earlier Rs137) as we increase our target multiple to 15x (earlier 11x; refer exhibit 4 for past trading history on Z IN) as preferential allotment to promoters lowers the execution risk challenges.

Plans to achieve EBITDA break-even in ZEE5 during FY26E: ZEE5 reported EBITDA losses of Rs5,480mn in FY25 and management intends to achieve break-even in FY26E without compromising meaningfully on content spends (lineup of original content is up by 3x at an optimum cost). With cost rationalization on technology and employee front almost over, the plan is to optimize revenue potential via launching multiple language packs and seeking avenues for ARPU enhancement. Nonetheless, we expect EBITDA losses of Rs2,108mn in FY26E with break-even in FY27E (refer exhibit 1 for more details). We believe plans to focus on revenue enhancement strategies versus lowering content spends will ensure continued growth in digital library pool without compromising on viewership.

Preferential proceeds of Rs22.4bn to be invested in new growth avenues:

Issuance of ~169.5mn fully convertible warrants at Rs132 each to promoters would result in preferential inflow of ~Rs22.4bn. Each warrant will be converted into one equity share resulting in a dilution of 17.6%. However, as the funds will be initially deployed into treasury, the net dilution impact is likely to be lower. Post warrant conversion promoter stake will rise from 4% to 18%, lowering concerns on execution risk challenges pertaining to aspirational goals outlined for FY26E.

The preferential proceeds will be strategically deployed across several key areas like launching a short-form content app, creating edutainment content for children, developing and licensing sports content properties, expanding the live content business, enhancing distribution capabilities, and investing in R&D for 3D content delivery. In all, ~Rs10bn will be invested in creating these new businesses. Additionally, Rs7.1bn will be earmarked for M&A activity. We believe new growth areas identified by Z IN can diversify the revenue stream and help overcome growth challenges in the linear TV business.

Aspirations for FY26E may not be far-fetched: In FY26E, Z IN intends to 1) increase TV viewership share to ~17.5% 2) grow advertising revenue by 8-10%, 3) achieve EBITDA margin of ~18-20% and 4) aim for an FCF/PAT of 1.2x. Recently, Z IN has launched 30 new shows which should aid TV viewership share in the near term (in last 3 weeks viewership share is higher than 17.5%). Further, Z Anmol is now back on FTA which is likely to boost ad-revenue growth in 2HFY26E as viewership gathers pace. On the EBITDA margin aspiration, assuming ZEE5's losses decline by >60% and linear TV EBITDA margin falls marginally to 23% in FY26E, Z IN could well be at lower end of the guidance. Thus, we believe, aspirational goals for FY26E may well be within reach unless ad-market witnesses a prolonged slowdown.

Outlook & valuation: Post the merger fall out with Sony, Z IN indulged in incessant cost optimization. In FY25, Z IN's content and employee cost was down 10.4% and 9.0% respectively while operating loss in ZEE5 almost halved leading to 390 bps expansion in EBITDA margin. While this was commendable, true operating leverage benefit of cost optimization exercise was overshadowed by a weak ad-environment. We expect back-ended recovery in ad-revenues as 1QFY26 is a sports heavy quarter and Z Anmol's viewership would take some time to pick up as it has migrated back to FTA recently. We expect sales CAGR of 7.5% over FY25-FY27E with 540bps improvement in EBITDA margin led by narrowing losses in ZEE5. Retain BUY on the stock with a TP of Rs 179 (15x FY27E EPS).

Exhibit 1: ZEE5 to achieve EBITDA break-even in FY27E

Particulars (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	4,191	5,496	7,410	9,195	9,760	10,541	11,806
Operating cost	10,918	13,030	18,460	20,247	15,240	12,649	11,806
EBITDA	(6,727)	(7,534)	(11,050)	(11,052)	(5,480)	(2,108)	-

Source: Company, PL

Exhibit 2: Aspirational goals for FY26E

Particulars	Target
TV Viewership Share	~17.5%
Ad Revenue Growth	8-10%
EBITDA Margin	18-20%
FCF to PAT	>1.2x
Reach across all Age Groups	Launch Micro, Mini Series
Unlocking Value	Music & Syndication

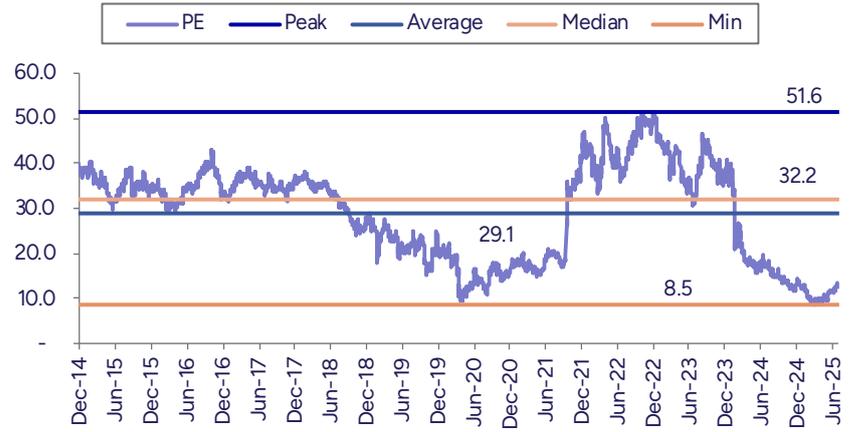
Source: Company, PL

Exhibit 3: Z IN's IP ownership structure

98% GEC, Content Owned IP	Music (Owned Copyrights)	Movies (Linear + Digital)
22% Hindi	18,000+ Songs	550+ Owned Titles
78% Other Languages	1,100 + Movie Titles	4,000+ Licensed Titles (Perpetuity)
	22+ Languages	2,300+ Licensed Titles (Fixed Term)

Source: Company, PL

Exhibit 4: Historical PE band chart of Z IN



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	86,372	82,941	88,630	95,876
YoY gr. (%)	6.8	(4.0)	6.9	8.2
Cost of Goods Sold	50,393	45,172	46,088	48,897
Gross Profit	35,979	37,769	42,543	46,979
Margin (%)	41.7	45.5	48.0	49.0
Employee Cost	10,188	9,266	9,749	10,355
Other Expenses	6,042	5,075	5,229	5,465
EBITDA	9,071	11,962	15,865	18,983
YoY gr. (%)	(17.6)	31.9	32.6	19.7
Margin (%)	10.5	14.4	17.9	19.8
Depreciation and Amortization	3,091	2,785	3,013	3,164
EBIT	5,980	9,177	12,851	15,820
Margin (%)	6.9	11.1	14.5	16.5
Net Interest	721	327	281	259
Other Income	1,331	1,393	1,374	2,541
Profit Before Tax	3,807	9,257	13,944	18,101
Margin (%)	4.4	11.2	15.7	18.9
Total Tax	1,818	2,387	3,556	4,616
Effective tax rate (%)	47.8	25.8	25.5	25.5
Profit after tax	1,989	6,870	10,388	13,486
Minority interest	-	-	-	-
Share Profit from Associate	4	4	-	-
Adjusted PAT	4,738	7,701	10,388	13,486
YoY gr. (%)	(18.5)	62.5	34.9	29.8
Margin (%)	5.5	9.3	11.7	14.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,993	6,874	10,388	13,486
YoY gr. (%)	(20.7)	245.0	51.1	29.8
Margin (%)	2.3	8.3	11.7	14.1
Other Comprehensive Income	95	411	-	-
Total Comprehensive Income	2,088	7,285	10,388	13,486
Equity Shares O/s (m)	961	961	961	1,130
EPS (Rs)	4.9	8.0	10.8	11.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	24,710	25,511	27,862	30,404
Tangibles	16,871	17,789	19,030	20,372
Intangibles	7,839	7,722	8,832	10,032
Acc: Dep / Amortization	16,464	19,249	22,262	25,426
Tangibles	10,473	12,283	14,242	16,299
Intangibles	5,991	6,966	8,020	9,128
Net fixed assets	8,736	6,742	6,079	5,458
Tangibles	6,888	5,986	5,268	4,554
Intangibles	1,848	756	811	904
Capital Work In Progress	121	40	40	40
Goodwill	3,303	3,304	3,304	3,304
Non-Current Investments	971	1,502	1,332	1,316
Net Deferred tax assets	4,542	4,101	3,486	3,077
Other Non-Current Assets	4,546	3,383	3,454	3,631
Current Assets				
Investments	-	11,564	11,564	11,564
Inventories	69,129	67,748	67,990	69,609
Trade receivables	17,016	15,325	16,512	18,125
Cash & Bank Balance	11,931	12,500	17,769	48,049
Other Current Assets	9,725	7,636	9,749	10,546
Total Assets	1,34,496	1,37,341	1,45,360	1,79,124
Equity				
Equity Share Capital	961	961	961	1,130
Other Equity	1,07,768	1,14,373	1,22,164	1,54,483
Total Network	1,08,729	1,15,334	1,23,125	1,55,613
Non-Current Liabilities				
Long Term borrowings	1,622	2,398	2,398	2,398
Provisions	1,671	1,579	1,418	1,438
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	14,355	11,907	12,384	13,134
Other current liabilities	8,120	6,123	6,035	6,541
Total Equity & Liabilities	1,34,497	1,37,341	1,45,360	1,79,124

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	3,811	9,261	13,944	18,101
Add. Depreciation	3,167	2,785	3,013	3,164
Add. Interest	724	296	281	259
Less Financial Other Income	1,331	1,393	1,374	2,541
Add. Other	(1,575)	(487)	(1,818)	(39)
Op. profit before WC changes	6,126	11,855	15,420	21,485
Net Changes-WC	3,418	739	(952)	(2,481)
Direct tax	(2,401)	(734)	(3,556)	(4,616)
Net cash from Op. activities	7,143	11,860	10,912	14,388
Capital expenditures	(1,087)	(880)	(2,351)	(2,542)
Interest / Dividend Income	465	583	-	-
Others	148	(15,738)	(413)	(310)
Net Cash from Invt. activities	(474)	(16,035)	(2,764)	(2,852)
Issue of share cap. / premium	-	-	-	-
Debt changes	(4)	1,997	-	-
Dividend paid	-	(961)	(2,597)	(3,371)
Interest paid	(671)	(120)	(281)	(259)
Others	(2,060)	(688)	-	22,374
Net cash from Fin. activities	(2,735)	228	(2,878)	18,744
Net change in cash	3,933	(3,947)	5,270	30,280
Free Cash Flow	5,838	10,944	8,561	11,846

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	4.9	8.0	10.8	11.9
CEPS	8.1	10.9	14.0	14.7
BVPS	113.2	120.1	128.2	137.7
FCF	6.1	11.4	8.9	10.5
DPS	1.0	2.4	2.7	3.0
Return Ratio(%)				
RoCE	5.4	8.0	10.6	11.2
ROIC	3.2	7.6	10.4	14.3
RoE	4.4	6.9	8.7	9.7
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.4)
Net Working Capital (Days)	303	313	297	284
Valuation(x)				
PER	29.2	18.0	13.3	12.1
P/B	1.3	1.2	1.1	1.0
P/CEPS	17.7	13.2	10.3	9.8
EV/EBITDA	14.1	9.7	7.0	5.6
EV/Sales	1.5	1.4	1.3	1.1
Dividend Yield (%)	0.7	1.7	1.9	2.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	21,305	20,007	19,788	21,841
YoY gr. (%)	7.4	(17.9)	(3.3)	0.7
Raw Material Expenses	11,770	10,615	9,968	12,819
Gross Profit	9,536	9,392	9,820	9,022
Margin (%)	44.8	46.9	49.6	41.3
EBITDA	2,717	3,210	3,184	2,852
YoY gr. (%)	75.3	(3.5)	52.2	35.6
Margin (%)	12.8	16.0	16.1	13.1
Depreciation / Depletion	756	732	658	639
EBIT	1,960	2,478	2,526	2,213
Margin (%)	9.2	12.4	12.8	10.1
Net Interest	55	83	108	81
Other Income	179	359	368	487
Profit before Tax	1,798	2,863	1,977	2,619
Margin (%)	8.4	14.3	10.0	12.0
Total Tax	542	769	342	734
Effective tax rate (%)	30.2	26.9	17.3	28.0
Profit after Tax	1,256	2,094	1,635	1,885
Minority interest	-	-	-	-
Share Profit from Associates	1	1	1	1
Adjusted PAT	1,554	1,964	2,422	1,761
YoY gr. (%)	119.8	(21.3)	113.1	342.4
Margin (%)	7.3	9.8	12.2	8.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,257	2,095	1,636	1,886
YoY gr. (%)	3,147.0	61.3	206.7	1,448.4
Margin (%)	5.9	10.5	8.3	8.6
Other Comprehensive Income	84	124	169	34
Total Comprehensive Income	1,341	2,219	1,805	1,920
Avg. Shares O/s (m)	961	961	961	961
EPS (Rs)	1.3	2.2	1.7	2.0

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-May-25	BUY	137	111
2	09-Apr-25	Hold	123	108
3	24-Jan-25	Hold	137	121
4	09-Jan-25	Hold	138	134
5	19-Oct-24	Hold	145	132
6	08-Oct-24	Hold	143	127
7	01-Aug-24	Hold	157	149
8	08-Jul-24	Hold	160	151

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,130	875
2	Delhivery	BUY	387	321
3	DOMS Industries	BUY	3,087	2,549
4	Imagicaaworld Entertainment	BUY	93	68
5	Indian Railway Catering and Tourism Corporation	BUY	864	775
6	InterGlobe Aviation	BUY	6,084	5,462
7	Lemon Tree Hotels	BUY	174	139
8	Mahindra Logistics	Hold	287	310
9	Navneet Education	Hold	149	145
10	Nazara Technologies	Hold	1,241	1,274
11	PVR Inox	Hold	1,040	966
12	S Chand and Company	BUY	286	227
13	Safari Industries (India)	BUY	2,437	1,960
14	Samhi Hotels	BUY	313	192
15	TCI Express	Hold	816	761
16	V.I.P. Industries	BUY	404	338
17	Zee Entertainment Enterprises	BUY	137	111

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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