

# ZEE ENTERTAINMENT ENTERPRISES

## Telco deals to add further sheen to Q2 beat

India Equity Research | Media



Zee Entertainment Enterprises' (ZEE) Q2FY19 revenue, EBITDA and PAT surpassed estimates. Key positives: (i) 23.1% YoY growth in domestic advertising driven by pick up in launches especially by consumer goods companies. With increasing innovations by consumer companies and upcoming festive season, we expect ad momentum to sustain; and (ii) 26% YoY spurt in domestic subscription revenue. ZEE achieved 34.2% EBITDA margin, despite investments in ZEE5. The stock has corrected ~25% from peak in the current market carnage and overblown concerns on risk from Netflix etc. making it a good buy. ZEE5 metrics shared for the first time – MAU stands at 41mn, in line with management's guidance (refer to, [JIO a big opportunity, ZEE5 another catalyst](#)). Implementation of TRAI's tariff order remains a key monitorable. We expect ZEE to grow well ahead of industry and the deals inked with JIO and Bharti further burnish ZEE5's prospects. Maintain 'BUY'.

### Strong growth in ad revenues; Massive potential for ZEE5

ZEE clocked robust ad growth (overall growth up 22.7% YoY; our estimate 19.0%), primarily driven by higher ad spends by consumer companies. Subscription revenue also witnessed robust growth—up ~21% YoY. ZEE had an all-India viewership share of 19.9% - up 160bps YoY. MAU for ZEE5 stands at 41.3mn, with 31min per day being the average viewing time; viewership is largely being driven by regional audience.

### Q2FY19 conference call: Key takeaways

i) Over the next five years, ZEE5 is estimated to contribute ~30% to ZEE's overall top line. It has become the biggest producer of digital content in India; ii) **ZEE5-Jio deal: Only linear TV channels will be available on JioTV for free;** and iii) ad growth largely from market share gains; though gains still not fully monetized.

### Outlook and valuations: Positive; maintain 'BUY'

We maintain 'BUY/SO' due to recovery in ad expenditures, particularly of consumer and e-commerce companies, positive outlook on ZEE5 and market share gains. ZEE is available at 22.2x FY20E P/E versus most consumer players' 40-50x FY20E P/E. We prune our multiple marginally to 30x from 32x FY20 target P/E to arrive at a revised target price of INR622, due to the risk of discretionary slowdown. At CMP, the stock trades at 27.6x FY19E and 22.2x FY20E EPS. **ZEE remains our Top pick.**

#### Financials

	(INR mn)							
Year to March	Q2FY19	Q2FY18	% change	Q1FY19	% change	FY18	FY19E	FY20E
Revenues	19,759	15,821	24.9	17,720	11.5	66,857	76,838	89,705
EBITDA	6,758	4,912	37.6	5,657	19.5	20,761	24,198	29,351
Adjusted Profit	4,082	5,046	(19.1)	3,472	17.6	13,499	16,156	19,904
Adj. diluted EPS	4.2	5.3	(19.1)	3.6	17.6	14.1	16.8	20.7
Diluted P/E (x)						31.9	26.6	21.6
EV/EBITDA (x)						20.1	16.8	13.2
ROAE (%)						18.9	19.6	20.5

#### EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

#### MARKET DATA (R: ZEE.BO, B: Z IN)

CMP	: INR 460
Target Price	: INR 622
52-week range (INR)	: 619 / 410
Share in issue (mn)	: 960.5
M cap (INR bn/USD mn)	: 442 / 7,761
Avg. Daily Vol.BSE/NSE('000)	: 2,397.5

#### SHARE HOLDING PATTERN (%)

	Current	Q4FY18	Q3FY18
Promoters *	41.6	41.6	43.1
MF's, FI's & BK's	10.8	10.8	8.4
FII's	41.4	41.4	42.2
Others	6.2	6.2	6.3
* Promoters pledged shares (% of share in issue)			10.3

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	(8.0)	(11.1)	(11.7)
3 months	(19.9)	(5.1)	(20.2)
12 months	(17.7)	3.1	(21.4)

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Table 1: Trends at a glance

Revenue break up (INR mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
<b>Total Ad revenue</b>	9,592	9,554	8,469	9,665	9,867	12,020	10,496	11,460	12,106
International ad revenue	792	817	525	578	506	647	662	590	580
Domestic ad revenue	8,800	8,738	7,944	9,087	9,361	11,373	9,834	10,870	11,526
Domestic subscription	4,675	4,818	4,554	3,791	4,043	4,036	4,521	4,252	5,093
International subscription revenue	1,158	1,117	1,026	1,000	971	981	944	934	989
<b>Total subscription</b>	<b>5,833</b>	<b>5,935</b>	<b>5,580</b>	<b>4,791</b>	<b>5,014</b>	<b>5,017</b>	<b>5,465</b>	<b>5,186</b>	<b>6,082</b>
All India viewership share (%)	NA	15.9	16.1	16.9	18.3	18.3	18.5	19.2	19.9
<b>Non-sports business</b>									
Sales (non-sports)	14,829	14,980	14,214	15,203	15,805	18,381	17,253	17,720	19,759
Costs (non-sports)	9,769	9,899	9,544	10,359	10,893	12,437	12,191	12,064	13,001
EBITDA (non-sports)	5,060	5,081	4,670	4,844	4,912	5,944	5,062	5,657	6,758
<b>EBITDA margin (non-sports) (%)</b>	<b>34.1</b>	<b>33.9</b>	<b>32.9</b>	<b>31.9</b>	<b>31.1</b>	<b>32.3</b>	<b>29.3</b>	<b>31.9</b>	<b>34.2</b>
<b>Growth rate</b>									
International ad revenue	7.8	0.6	(53.1)	(18.0)	(36.1)	(20.8)	26.1	2.1	14.6
Domestic ad revenue	16.5	3.7	8.1	8.0	6.4	30.2	23.8	19.6	23.1
Total ad revenues	15.7	3.4	(0.0)	6.0	2.9	25.8	23.9	18.6	22.7
Domestic subscription	24.6	15.0	(2.7)	(9.3)	(13.5)	(16.2)	(0.7)	12.2	26.0
International subscription revenue	11.5	8.4	(18.7)	(9.3)	(16.1)	(12.2)	(8.0)	(6.6)	1.9
Total subscription revenues	21.7	13.7	(6.1)	(9.3)	(14.0)	(15.5)	(2.1)	8.2	21.3
<b>% of revenue</b>									
Transmission & programming	45.3	42.9	42.7	38.1	36.6	36.6	40.0	37.7	36.8
Employee cost	9.0	8.7	10.4	10.8	11.5	8.4	9.5	9.7	8.5
EBITDA	28.9	31.5	30.7	31.4	31.0	32.3	29.3	31.9	34.2
PAT	17.3	18.0	16.0	18.3	31.9	18.9	7.4	19.6	20.7

Source: Edelweiss research



Extraordinary Together



## ZEE and Jio enter into content deal

As we had highlighted during ZEE's deal with Airtel, the former has now entered into a contract with Reliance Jio. The companies have finally signed an agreement on the commercial terms wherein ZEE will share its content library and 37 live TV channels on Jio's platform with immediate effect.

"We are excited about this positive development," said Mr. Amit Goenka, CEO, ZEE International & Z5 Global. "As content creators, our primary objective is to create rich and engaging content for our viewers across the nation and the globe."

Table 2: Jio leads the mobile broadband subscriber race by a huge margin

mn	18-Jul
Reliance Jio	227.1
Bharati Airtel	93.1
Vodafone	63.8
Idea Cellular	43.5
BSNL	11.0
<b>Total</b>	<b>441.9</b>

Source: TRAI, Edelweiss research

The deal will give over 227mn Jio subscribers access to ZEE's content library and Live TV channels. The deal also includes content alliance with the ZEE5 app, including the video on demand (VOD) network content along with the newly launched ZEE5 originals, movies, TV

shows, music videos, lifestyle shows, kids shows and plays. The content will also be available for download.

“We are committed to providing our consumers the best of content from India and the world in our quest to accelerate digital inclusion in the country,” said Mr. Akash Ambani, Director, Jio.

ZEE and Reliance Jio will market the content together by leveraging their independent consumer-facing touch points. ZEE, last month, had announced a three-year, multi-layered deal with rival telecom player Bharti Airtel, wherein the two companies decided to work closely on creating exclusive video content for *Airtel TV* and *ZEE5*.

In our view, this move will have a strong positive impact on *ZEE5* as this could lead to a substantial increase in penetration and market gain for *ZEE5*, particularly in Tier-II and III pockets, wherein ZEE has a strong brand name and mass following.

### Q2FY19 concall highlights

#### *ZEE5*

- Over the next five years, ***ZEE5* is estimated to contribute ~30% to ZEE’s overall top line.**
- Strong pipeline of original content and partnerships with key players in the digital ecosystem
- Number of movies on *ZEE5* at around 4,300; **exclusive digital rights for 3,000 movies**—currently all not available on the platform; will be added gradually.
- 41.3mn monthly active users (MAUs) for *ZEE5* with an average viewing time of 31 minutes per day. MAU has jumped 190% since April 2018.
- Video views catapulted 340% and videos viewed per user almost doubled.
- *ZEE5* is more popular in regional markets—contribute almost 60% of the viewership.
- **29 originals launched till date; *ZEE5* has become the biggest producer of digital content in India.**
- Pay subscribers still insignificant for *ZEE5*; expected to pick up going ahead
- *ZEE5* continues to expand its content catalogue and has become the second biggest OTT player in India.
- In dialogue with telcos, broadband players and global companies as well.
- Marketing costs to remain elevated for the *ZEE5* platform.
- **ZEE5-Jio deal: Only linear TV channels to be available on JioTV for free; other content to be available on *ZEE5* behind a paywall and will be, therefore, pay.**
- App platform more popular than the web platform—greater mobile users; will not do away with the web version will try convert more traffic to the mobile platform.
- 500-600 hours’ content to be on the platform over the next 18 months (without dubbed); more content to be added for regional languages.
- *ZEE5* Will be churning genres and durations for content based on the insights generated from user patterns.
- Content cost for *ZEE5* around 3x of content cost for television.





- Pricing similar whether the customer comes through Jio or directly via ZEE5.

### Broadcast & subscription

- **19.9% viewership share in India—highest among broadcasters.**
- Ad growth largely from market share gains; **though gains still not fully monetized.**
- ZEE5 has contributed towards advertisement growth this quarter.
- **Launch of new channel ZEE Keralam to aid growth going ahead.**
- **ZEE Keralam to be launched in December FY19;** no other new channels to be launched this fiscal, will explore next year.
- Ad growth to be slower in H2FY19 than H1; unfavourable base in H2.
- Ad growth for industry to be ~12% YoY in FY19; large players to see more benefit of the festive season than smaller ones.
- Expects further improvement in ad revenue growth due to tie-ups with telecom companies.
- Currently, ZEEL is the leader in the Hindi segment; planning to ramp up in Bengal and Kannada.
- Benefits from price resetting and digitisation in Tier-III markets reflected in the strong subscription growth.
- Not expecting pricing for Phase-III to catch up with Phase-I and II.
- Some portion of the employee expenses now recognized under Other expenses due to reclassification.

### International

- International ad revenue grew by 14% YoY this quarter

### Movie production

- Zee Studios released two movies this quarter – *Dhadak* and *Paltan*
- *Dhadak* grossed ~INR1bn at the box office.

### Other

- Increase in inventory and working capital not expected much for FY19; will be half of the previous year's number.
- Guidance of low teens growth in ad revenue would be beaten on the back of ZEE5.
- No upwards guidance on margin due to global launch of ZEE5—investment yet to kick in.
- Plans to ramp up content for ZEE5.
- Increase in other financial assets is not due to related party transaction; yet to receive settlement money hence growth in other financial assets.
- Majority of production advances to flow through the P&L for the year.
- Working capital—INR2bn for movies; balance for satellite and digital with some portion going to music business as well.

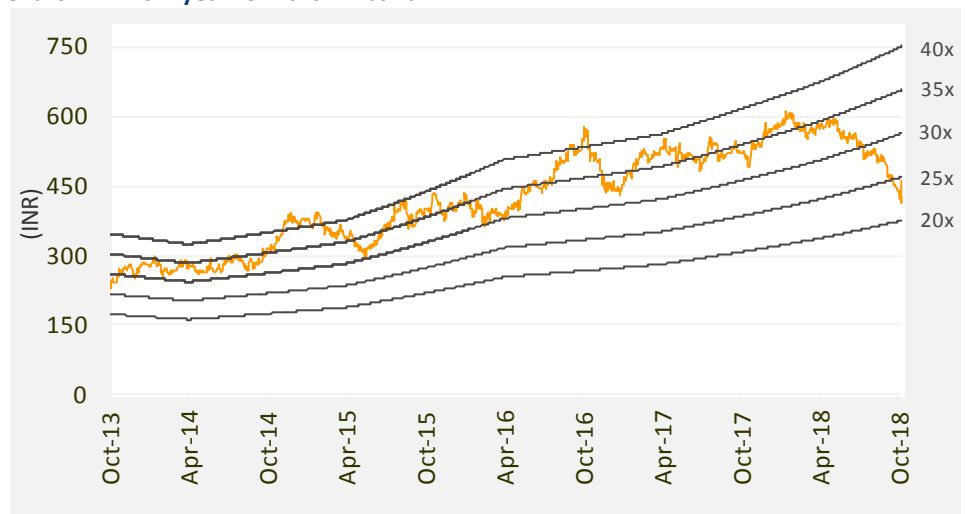
**Outlook and valuations: Positive; maintain ‘BUY’**

We expect ZEE’s ad outlook to improve led by: 1) best play on digitisation; 2) overall recovery in the ad industry; and 3) management’s focus on promoting ZEE5 and making it as one of its core business. We believe, irrespective of higher subscriber additions by DTH or cable operators, broadcasters like ZEE will be one of the safest and most attractive plays on the digitisation theme. Amongst listed players, we believe ZEE is best placed to benefit due to its huge brand & bouquet of domestic & international channels. We believe, it is a secular growth story that derives additional benefits from sturdy free cash flow and a stable dividend policy. In addition, we believe that ZEE5 will enable the company to leverage the benefits of changing video consumption trends, contributing significantly over the coming years.

Key concerns: (1) loss of ad share to internet; and (2) flattish viewership of new channels like &TV. Implementation of the TV tariff order in true spirit will be positive for all stakeholders. However, concerns about on-ground execution persist. Traction gained in ZEE5, performance of ZEE Keralam and implementation of the tariff order will be the key monitorables.

We maintain ‘BUY/SO’ due to recovery in ad expenditures, particularly of consumer and e-commerce companies, positive outlook on ZEE5 and market share gains. ZEE is available at 22.2x FY20E P/E versus most consumer players’ 40-50x FY20E P/E. We prune our multiple marginally to 30x from 32x FY20 target P/E to arrive at a revised target price of INR622, due to the risk of discretionary slowdown. At CMP, the stock trades at 27.6x FY19E and 22.2x FY20E EPS. ZEE remains our TOP PICK.

**Chart 1: ZEE’s 1-year forward PE band**



Source: Edelweiss research

## Financial snapshot

(INR mn)

Year to March	Q2FY19	Q2FY18	% change	Q1FY19	% change	YTD19	FY19E	FY20E
Advertisement	12,106	9,867	22.7	11,460	5.6	23,566	49,616	58,051
Subscription	6,082	5,014	21.3	5,186	17.3	11,268	23,221	26,854
Others	1,571	939	67.3	1,074	46.3	2,645	4,000	4,800
Net revenues	19,759	15,821	24.9	17,720	11.5	37,479	76,838	89,705
Total revenues	19,759	15,821	24.9	17,720	11.5	37,479	76,838	89,705
Transmission and prog	7,263	5,789	25.5	6,683	8.7	13,947	29,066	33,717
Staff costs	1,687	1,814	(7.0)	1,714	(1.6)	3,401	7,356	8,312
SG&A	4,051	3,306	22.5	3,667	10.5	7,718	16,217	18,326
Total expenditure	13,001	10,909	19.2	12,064	7.8	25,065	52,639	60,354
EBITDA	6,758	4,912	37.6	5,657	19.5	12,414	24,198	29,351
Depreciation	588	411	43.2	576	2.1	1,165	2,185	1,771
EBIT	6,169	4,501	37.1	5,080	21.4	11,249	22,013	27,580
Interest	55	3	1,846.4	53	3.0	107	1,258	968
Other income	589	2,031	(71.0)	498	18.5	1,087	4,083	3,992
Add: Prior period items								
Add: Exceptional items	(220)	1,198	NA	(213)	NA	(433)	-	-
Profit before tax	6,484	7,727	(16.1)	5,312	22.1	11,796	24,838	30,603
Provision for taxes	2,624	1,832	43.3	2,071	26.7	4,695	8,693	10,711
Minority interest								
Associate profit share	2	12	(85.2)	18	(89.8)	19	12	12
Reported net profit	3,861	5,908	(34.6)	3,259	18.5	7,120	16,156	19,904
Adjusted Profit	4,082	5,046	(19.1)	3,472	17.6	7,387	16,156	19,904
Diluted shares (mn)	960	960		960		960	960	960
Adjusted Diluted EPS	4.2	5.3	(19.1)	3.6	17.6	7.7	16.8	20.7
Diluted P/E (x)	-	-		-		-	27.3	22.2
EV/EBITDA (x)	-	-		-		-	17.2	13.6
ROAE (%)	-	-		-		-	19.6	20.5
Tax Rate	40.5	23.7		39.0		-	35.0	35.0

## As % of net revenues

Transmission and Prog	36.8	36.6		37.7		37.2	37.8	37.6
Employee cost	8.5	11.5		9.7		9.1	9.6	9.3
SG&A	20.5	20.9		20.7		20.6	21.1	20.4
EBITDA	34.2	31.0		31.9		33.1	31.5	32.7
Reported net profit	20.7	31.9		19.6		19.7	21.0	22.2

### Company Description

ZEE Entertainment Enterprises (ZEE) is one of the largest media companies in India. It owns and operates Zee TV and Zee Cinema, both leading channels in the Hindi GEC and movies segments, respectively. Besides these two, the company has an attractive bouquet of several other channels including Ten Sports, Ten Cricket, Ten Action, & pictures, &TV, 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

GDP 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

Delay in monetisation benefit from digitisation.

Rise in new investments may pressurise margins longer than expected.

Slowdown in ad spends due to lower than expected GDP growth.

## Financial Statements

## Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
<b>Macro</b>				
GDP(Y-o-Y %)	7.1	6.7	7.3	7.6
Inflation (Avg)	4.5	3.6	4.5	4.5
Repo rate (exit rate)	6.3	6.0	6.8	6.8
USD/INR (Avg)	67.1	64.5	70.0	72.0
<b>Sector</b>				
TV industry ad gr (%)	15.0	15.0	15.0	15.0
TV industry sub. gr (%)	20.0	20.0	20.0	20.0
<b>Company</b>				
<b>Sales assumptions</b>				
Ad revenue growth (%)	9.2	14.5	18.0	17.0
Domestic sub revenue growth (%)	11.8	(10.1)	16.0	18.0
Intl. sub revenue growth (%)	3.0	(11.5)	8.0	5.0
Other operating inc (% of rev)	7.7	6.8	5.2	5.4
<b>Cost assumptions</b>				
Trans costs (% of rev)	43.1	37.8	37.8	37.6
Personnel cost(% of rev)	9.4	10.0	9.6	9.3
Sell & Adm exp(% of rev)	17.5	21.2	21.1	20.4
<b>Financial assumptions</b>				
Tax rate (%)	35.9	38.4	35.0	35.0
Capex (INR mn)	(2,798)	6,571	1,900	1,900
Debtor days	73	76	80	80
Inventory days	198	312	275	200
Payable days	86	143	115	100
Cash conversion cycle	185	245	240	180
Dep. (% gross block)	9.7	11.6	11.0	8.5

## Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	64,341	66,857	76,838	89,705
Direct costs	27,757	25,275	29,066	33,717
Employee costs	6,043	6,657	7,356	8,312
Total SG&A expenses	11,273	14,164	16,217	18,326
EBITDA	19,268	20,761	24,198	29,351
Depreciation	1,152	1,821	2,185	1,771
EBIT	18,116	18,941	22,013	27,580
Less: Interest Expense	1,372	1,448	1,258	968
Add: Other income	2,240.4	4,403.00	4,082.69	3,991.68
Profit Before Tax	29,014	23,174	24,838	30,603
Less: Provision for Tax	6,808	8,409	8,693	10,711
Add: Exceptional items	10,030	1,279	-	-
Associate profit share	(5)	12	12	12
Reported Profit	22,201	14,777	16,156	19,904
Exceptional Items	10,030	1,279	-	-
Adjusted Profit	12,171	13,499	16,156	19,904
Shares o /s (mn)	960	960	960	960
Diluted shares o/s (mn)	960	960	960	960
Adjusted Diluted EPS	11.4	14.1	16.8	20.7
Dividend per share (DPS)	1.2	1.4	1.6	2.0
Dividend Payout Ratio(%)	11.7	16.2	11.6	11.6

## Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
S G & A expenses	17.5	21.2	21.1	20.4
Direct Cost	43.1	37.8	37.8	37.6
EBITDA margins	29.9	31.1	31.5	32.7
Net Profit margins	18.9	20.2	21.0	22.2

## Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	10.7	3.9	14.9	16.7
EBITDA	27.3	7.8	16.6	21.3
Adjusted Profit	31.7	10.9	19.7	23.2
EPS	40.8	23.2	19.7	23.2



Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	960	961	961	961	
Reserves & Surplus	65,944	74,657	87,774	104,492	
Shareholders' funds	66,904	75,617	88,735	105,453	
Minority Interest	(10)	142	142	142	
Long term borrowings	18,208	11,453	7,419	3,385	
Short term borrowings	6,390	6,382	6,382	6,382	
Total Borrowings	24,598	17,834	13,800	9,766	
Long Term Liabilities	768	892	892	892	
Def. Tax Liability (net)	(903)	1,996	1,996	1,996	
<b>Sources of funds</b>	<b>91,357</b>	<b>96,481</b>	<b>105,565</b>	<b>118,249</b>	
Gross Block	9,898	12,432	13,932	15,432	
Net Block	6,022	7,560	7,528	7,717	
Capital work in progress	1,557	920	920	920	
Intangible Assets	3,134	7,202	6,948	6,889	
Total Fixed Assets	10,713	15,682	15,396	15,525	
Non current investments	1,563	1,593	1,593	1,593	
Cash and Equivalents	37,982	29,813	38,324	51,563	
Inventories	16,962	26,278	21,899	18,475	
Sundry Debtors	12,418	15,365	16,841	19,661	
Loans & Advances	3,758	4,226	4,226	4,226	
Other Current Assets	18,256	18,341	18,341	18,341	
Current Assets (ex cash)	51,394	64,210	61,307	60,703	
Trade payable	8,343	11,497	9,158	9,238	
Other Current Liab	1,952	3,319	1,898	1,898	
Total Current Liab	10,295	14,816	11,056	11,135	
Net Curr Assets-ex cash	41,099	49,395	50,252	49,568	
<b>Uses of funds</b>	<b>91,357</b>	<b>96,481</b>	<b>105,565</b>	<b>118,249</b>	
BVPS (INR)	69.7	78.8	92.4	109.8	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	22,201	14,777	16,156	19,904	
Add: Depreciation	1,152	1,821	2,185	1,771	
Interest (Net of Tax)	880	892	818	629	
Others	(10,792)	(3,395)	(818)	(629)	
Less: Changes in WC	6,036	8,551	857	(684)	
Operating cash flow	7,406	5,544	17,484	22,358	
Less: Capex	(2,798)	6,571	1,900	1,900	
<b>Free Cash Flow</b>	<b>10,204</b>	<b>(1,027)</b>	<b>15,584</b>	<b>20,458</b>	

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		7,406	5,544	17,484	22,358
Financing cash flow		(4,138)	(10,902)	(7,073)	(7,219)
Investing cash flow		13,969	(10,497)	(1,900)	(1,900)
Net cash Flow		17,237	(15,855)	8,512	13,239
Capex		2,798	(6,571)	(1,900)	(1,900)
Dividend paid		(2,608)	(2,399)	(1,881)	(2,317)

Profitability and efficiency ratios		FY17	FY18	FY19E	FY20E
Year to March					
ROAE (%)		21.2	18.9	19.6	20.5
ROACE (%)		25.4	25.0	26.2	28.6
Inventory Days		198	312	275	200
Debtors Days		73	76	80	80
Payable Days		86	143	115	100
Cash Conversion Cycle		185	245	240	180
Current Ratio		8.7	6.3	9.0	10.1
Gross Debt/EBITDA		1.3	0.9	0.6	0.3
Gross Debt/Equity		0.4	0.2	0.2	0.1
Adjusted Debt/Equity		0.6	0.5	0.4	0.3
Net Debt/Equity		13.2	13.1	17.5	28.5

Operating ratios		FY17	FY18	FY19E	FY20E
Year to March					
Total Asset Turnover		0.8	0.7	0.8	0.8
Fixed Asset Turnover		5.7	5.6	5.3	6.2
Equity Turnover		1.1	0.9	0.9	0.9

Valuation parameters		FY17	FY18	FY19E	FY20E
Year to March					
Adj. Diluted EPS (INR)		11.4	14.1	16.8	20.7
Y-o-Y growth (%)		40.8	23.2	19.7	23.2
Adjusted Cash EPS (INR)		13.9	16.0	19.1	22.6
Diluted P/E (x)		40.3	32.7	27.3	22.2
P/B (x)		6.6	5.8	5.0	4.2
EV / Sales (x)		6.7	6.4	5.4	4.5
EV / EBITDA (x)		22.2	20.7	17.2	13.6
Dividend Yield (%)		0.3	0.3	0.4	0.4

## Additional Data

### Directors Data

Punit Goenka	Managing Director & CEO	Prof. Sunil Sharma	Independent Director
Prof. (Mrs.) Neharika Vohra	Independent Director	Manish Chokhani	Independent Director
Adesh Kumar Gupta	Independent Director	Ashok Kurien	Non Executive Director
Subodh Kumar	Non Executive Director	Subhash Chandra	Non Executive Chairman

Auditors - M/S MGB & Co

*\*as per last annual report*

### Holding – Top10

	Perc. Holding		Perc. Holding
Cyquator Media Services	25.14	Essel media ventures	10.71
OppenheimerFunds Inc	6.84	Essel Corp LLP	4.13
Vanguard group	4.09	Essel international	2.39
ICICI Prudential Asset Mgmt	2.01	Blackrock	1.85
Virtus investment pa	1.82	Schroders plc	1.62

*\*in last one year*

### Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
07 Aug 2018	Essel Corporate Llp	Buy	1000000	525.45
07 Aug 2018	Essel International Ltd	Sell	1000000	525.45
31 Jul 2018	ESSEL INTERNATIONAL LIMITED	SELL	5000000	527.90
31 Jul 2018	ESSEL CORPORATE LLP	BUY	5000000	527.90
25 Jul 2018	ESSEL HOLDINGS LIMITED	SELL	12500000	520.75
25 Jul 2018	ESSEL CORPORATE LLP	BUY	12500000	520.75
05 Jun 2018	ESSEL HOLDINGS LIMITED	Sell	875000	551.00
05 Jun 2018	ESSEL HOLDINGS LIMITED	Sell	875000	551.00
05 Jun 2018	ESSEL CORPORATE LLP	Buy	875000	551.00
05 Jun 2018	ESSEL CORPORATE LLP	Buy	875000	551.00
23 Jan 2018	Essel Holdings Ltd	Sell	13865000	595.13

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
03 Oct 2018	Essel Corporate LLP	Buy	1000000.00
03 Oct 2018	Essel Holdings Limited	Sell	1000000.00
21 Sep 2018	Essel Holdings Limited	Sell	1000000.00
21 Sep 2018	Essel Corporate Llp	Buy	1000000.00
14 Sep 2018	Manish Chokhani	Buy	100000.00

*\*in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
DB Corp	BUY	SP	M	DEN Networks	HOLD	SP	H
Dish TV India	BUY	SP	M	Hathway Cable & Datacom	HOLD	SP	M
Jagran Prakashan	HOLD	SP	M	PVR	BUY	SO	M
Sun TV Network	BUY	SO	H	Zee Entertainment Enterprises	BUY	SO	M

**ABSOLUTE RATING**

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

**RELATIVE RETURNS RATING**

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

**RELATIVE RISK RATING**

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

**SECTOR RATING**

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Head of Research

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## Coverage group(s) of stocks by primary analyst(s): Media

DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enterprises

### Recent Research

Date	Company	Title	Price (INR)	Recos
09-Oct-18	Media	Hits 'n' Misses: Q2FY19: Strong content sets cash registers ringing; <i>Sector Update</i>		
03-Oct-18	Media	Ad revival to continue; newsprint cost to play spoilsport; <i>Result Preview</i>		
11-Sep-18	DB Corp	Ad revenue revival on the cards; newsprint crumples EBITDA; <i>Company Update</i>	226	Buy

### Distribution of Ratings / Market Cap

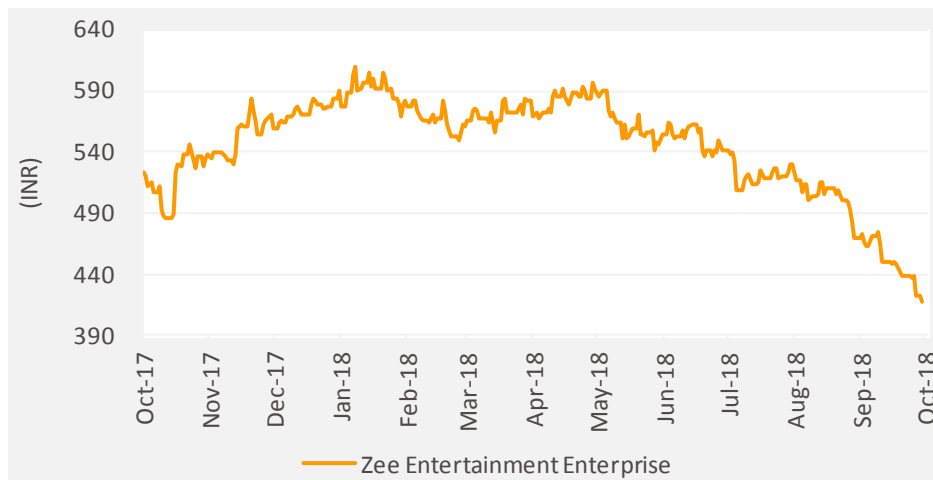
#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

### Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

### One year price chart



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