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Zee Entertainment Enterprises Ltd.

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NSE Code: ZEEL

Reuters Code:

ZEE.NS

Bloomberg Code: Z:IN

Zee Entertainment Enterprises Ltd (ZEEL) is India's leading television media and Entertainment Company engaged primarily in broadcasting and content development, production and its delivery via satellite. It is amongst the largest producers of Hindi Programming in the world, with extensive library housing over 120,000 hours of television content. The Company reaches more than 670 million viewers globally and in 169 countries worldwide. The Company derives revenue mainly from advertisements and subscription. The Group also generates revenue through sale of television programs and movie distributions, with rights to more than 3,500 movie titles from foremost studios and film stars.

Investor's Rationale

Topline grew 15.5% YoY on the back of strong Advertising revenue outpacing its peers – Essel Group company ZEEL has reported total income from operations of ₹11012.8 mn for Q2FY,14, up 15.5% as compared to the ₹9535.0 mn for the corresponding quarter of FY'13 and 13.2% higher than the ₹9732.5 mn for the preceding quarter Q1FY'14. The traction in the quarter extended on strong momentum in the primarily on account of robust growth in Advertising revenue by 10.5 at ₹5833 mn and in Subscription revenue business by 16.0% at ₹4581 mn. Going forward the rupee depreciation and TRAI regulations may impact advertising revenue.

EBITDA margin expanded 537bps due to slowdown in discretionary spending and higher liquidity – The EBITDA for the quarter stood at ₹3105mn, recording a growth of 42.7% over corresponding period of last fiscal was ₹2363mn. The EBITDA margin for the quarter also expanded 537bps at 28.2% against the 22.8%. The company claims that without sports, its ad revenues would have grown by more than 20% this quarter.

Bottom-line increased 25.9% YoY, despite higher taxation – Net profit Increased by 25.90% to ₹2362.7 mn in the second quarter ended September 30 on account of the improved performance in topline. However, higher finance cost, tax and depreciation has pressurised the margins. Further, NPM also expanded 128bps at 20.4% against the 19.2 YoY.

Focused to maintain healthy growth in advertising and subscription standpoint -The company expects that television sector continues to grow on the back of better subscriber linked to increasing digitization. Zeel have maintained robust growth in market share in some of key channel and able to maintain network viewership by innovating in terms of content and format.

Market Data

Rating	BUY
CMP (₹)	266
Target Price	340
Stop Loss	240
Duration	Short-term
52-week High-Low (₹)	273.5/173.7
Rise from 52WL (%)	53.3
Correction from 52WH (%)	2.8
Beta	0.84
1 year Average Volume (mn)	2.6
	3M-
Stock Return (%)	6M-
	1Y-
Market Cap (₹bn)	256.94
Book Value (₹)	32.83

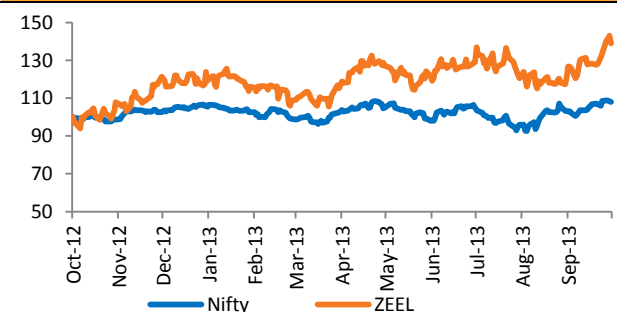
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	43.09	43.11	(0.02)
FII (%)	43.83	42.51	1.32
DII (%)	6.17	7.83	(1.66)
Public & Others (%)	6.91	6.55	0.36

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	11,012.8	9,535.0	9,732.5	15.5	13.2
Op. exp	7,908.1	7,358.8	6,817.6	7.5	16.0
EBITDA	3,104.7	2,176.2	2,914.9	42.7	6.5
OPM (%)	28.2	22.8	30.0	537bps	(175.8)bps
Net profit	2,362.7	1,876.9	2,246.4	25.9	5.2
NPM (%)	20.4	19.2	21.5	127.4bps	(105.3)bps
EPS (₹)	2.5	2.0	2.4	25.5%	4.7%

One Year Price Chart





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