

Zee Entertainment

| | |
|------------------|---|
| Estimate changes | ↓ |
| TP change | ↔ |
| Rating change | ↔ |

| | |
|-----------------------|-----------|
| Bloomberg | Z IN |
| Equity Shares (m) | 961 |
| M.Cap.(INRb)/(USDb) | 252.5 / 3 |
| 52-Week Range (INR) | 291 / 170 |
| 1, 6, 12 Rel. Per (%) | 3/33/-7 |
| 12M Avg Val (INR M) | 2459 |

Financials & Valuations (INR b)

| Y/E Mar | FY23 | FY24E | FY25E |
|-------------------|-------|-------|-------|
| Sales | 80.9 | 87.4 | 98.2 |
| EBITDA | 11.0 | 11.5 | 15.5 |
| Adj. PAT | 4.6 | 6.5 | 9.0 |
| EBITDA Margin (%) | 13.6 | 13.1 | 15.8 |
| Adj. EPS (INR) | 4.8 | 6.8 | 9.4 |
| EPS Gr. (%) | -59.0 | 42.9 | 38.0 |
| BV/Sh. (INR) | 111.6 | 113.4 | 119.2 |

Ratios

| | | | |
|------------|-------|------|------|
| Net D:E | -0.1 | 0.0 | 0.0 |
| RoE (%) | 4.2 | 6.0 | 8.1 |
| RoCE (%) | 4.3 | 6.2 | 8.2 |
| Payout (%) | 137.6 | 67.3 | 38.4 |

Valuations

| | | | |
|-----------------|------|------|------|
| P/E (x) | 55.1 | 38.6 | 27.9 |
| P/B (x) | 2.3 | 2.3 | 2.2 |
| EV/EBITDA (x) | 22.3 | 21.7 | 16.1 |
| Div . Yield (%) | 1.1 | 1.1 | 1.1 |
| FCF Yield (%) | -0.5 | 0.2 | 0.5 |

Shareholding pattern (%)

| As On | Dec-21 | Sep-21 | Dec-20 |
|----------------------------------|--------|--------|--------|
| Promoter | 4.0 | 4.0 | 4.0 |
| DII | 21.0 | 16.1 | 12.2 |
| FII | 52.2 | 57.2 | 65.8 |
| Others | 22.8 | 22.7 | 18.1 |
| FII Includes depository receipts | | | |

CMP: INR 263
TP: INR300 (+14%)
BUY

Movie business drives growth; Ad market remains sluggish

- Zee's consolidated revenues grew 20% to INR24.4b (14% beat), supported by movie business. Advertisement revenue remained muted. EBITDA at INR3.3b (beat) grew 12% as strong revenue growth was partly offset by higher movie expenses. PAT, adjusted for exceptional items and one-time gains, grew 21% YoY to INR1.7b (big beat), driven by healthy EBITDA.
- We cut our FY25 EBITDA/PAT estimates by 4%/5%, building in a slower recovery in ad and subscription revenue. With the merger now being procedural, we believe that current valuations do not seem to justify the strong potential of the merged entity's competitive position in both linear and digital segments. We maintain our BUY rating with a TP of INR300.

EBITDA up 11.9% YoY (big beat) on theatrical biz

- Consolidated revenues jumped 20.2% YoY to INR24.4b (14% beat), driven by other operating revenues and subscription revenue growth.
 - Advertisement revenues declined 3.3% YoY to INR9.8b (in line).
 - Subscription revenue grew 8% YoY to INR8.9b (in line).
 - Revenues from other sales and services surged ~3x YoY to INR5.7b (big beat), driven by theatrical revenue from movie releases, particularly Gadar 2.
- As a result, EBITDA grew 12% YoY to INR3.3b (big beat). EBITDA margins, on the other hand, contracted ~100bp YoY to 13.6% (est. 10.2%) as revenue growth was offset by higher opex to theatrical release and investments in Zee5.
- Zee5 revenue came in at INR2.7b (+59% YoY), driven by improved subscription and syndication deal. Operating losses narrowed to INR2.8b, led by improved operating leverage and cost control.
- Adjusted for Zee5, linear TV business revenue/EBITDA grew 17%/6% to INR21.7b/INR6.1b, with EBITDA margin of 28%.
- 2Q saw an exceptional loss of INR1.2b (vs. INR706m in 1QFY24) related to employee and legal expenses of the proposed scheme of arrangement.
- Adjusted for exceptional items and one-time other income (sale of land), PAT grew 21% YoY to INR1.7b (big beat).

Highlights from the management commentary

- Ad revenue was led by improved spending by FMCG, offset by Asia cup. Expects a gradual recovery as rural demand sentiment is yet to improve.
- Zee5 losses moderated sequentially, led by operating leverage and cost management. The company indicated investments in the segment likely to have peaked.
- The increase in receivables was due to the liquidation of movies released in 2QFY24 and certain subscription revenues recognized at the end of the quarter.
- Gained 90bp network share to reach 17.9%; expects moderation in GEC share in 3QFY24 on the back of CWC'23.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- The gradual recovery in advertisement revenue amid improving spending by the FMCG segment appears to be a silver lining. A recovery could be seen in 2HFY24 with the onset of the festive period, while the recent cricket world cup could drag some revenues in 3QFY24.
- The outlook on subscription revenue, however, is expected to improve with the implementation of NTO 3.0.
- The improvement in profitability in Zee5 is positive, but the digital segment remains in investment mode.
- The merged entity with a revenue scale of ~INR150b and EBITDA margins of 17% as on FY23 is trading at 10x EV/EBITDA on FY23 basis. We believe that the valuations do not capture the strong opportunity presented by the merged entity. However, any certainty around merger timelines would remain key monitorable.
- The potential re-rating in the stock will be governed by: a) recovery in the ad market, and b) completion of the Sony merger deal, given the strong market position of the merged entity and the growth opportunity.
- Valuing the stock at 32x FY25E EPS, we arrive at a TP of INR300. **We maintain our BUY rating.**

Consolidated - Quarterly Earning Model

| | (INR m) | | | | | | | | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|
| Y/E March | FY23 | | | | FY24E | | | | FY23 | FY24E | FY24 | v/s |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | 2QE | Est (%) |
| Revenue | 18,457 | 20,213 | 21,088 | 21,121 | 19,838 | 24,378 | 21,761 | 21,422 | 80,879 | 87,399 | 21,443 | 13.7 |
| YoY Change (%) | 4.0 | 2.1 | -0.2 | -9.0 | 7.5 | 20.6 | 3.2 | 1.4 | -1.2 | 8.1 | 6.1 | |
| Total Expenditure | 16,100 | 16,737 | 17,427 | 19,604 | 18,289 | 21,050 | 17,464 | 19,142 | 69,868 | 75,945 | 19,258 | 9.3 |
| EBITDA | 2,358 | 3,476 | 3,660 | 1,517 | 1,549 | 3,328 | 4,298 | 2,279 | 11,011 | 11,454 | 2,185 | 52.3 |
| EBITDA Margin (%) | 12.8% | 17.2% | 17.4% | 7.2% | 7.8% | 13.6% | 19.7% | 10.6% | 13.6% | 13.1% | 10.2% | 34 |
| Depreciation | 778 | 679 | 837 | 833 | 785 | 772 | 780 | 783 | 3,128 | 3,120 | 888 | -13.0 |
| Interest | 81 | 95 | 130 | 396 | 234 | 234 | 122 | -90 | 702 | 500 | 122 | 91.9 |
| Other Income | 338 | 169 | 148 | 142 | 145 | 718 | 718 | -680 | 797 | 900 | 225 | 219.0 |
| Fair Value through P&L gain/(loss) | 0 | 0 | 58 | 0 | 38 | 0 | | | 58 | 38 | 0 | |
| PBT before EO expense | 1,837 | 2,871 | 2,900 | 430 | 713 | 3,039 | 4,114 | 907 | 8,037 | 8,772 | 1,400 | 117.0 |
| Extra-Ord expense | 150 | 615 | 1,690 | 900 | 706 | 1,198 | 0 | 0 | 3,355 | 1,904 | 0 | |
| PBT | 1,687 | 2,255 | 1,210 | -470 | 6 | 1,842 | 4,114 | 907 | 4,682 | 6,868 | 1,400 | 31.5 |
| Tax | 621 | 648 | 637 | 260 | -31 | 544 | 1,028 | 188 | 2,167 | 1,729 | 350 | 55.3 |
| Rate (%) | 36.8 | 28.7 | 52.7 | -55.3 | -480.0 | 29.5 | 25.0 | 20.7 | 46.3 | 25.2 | 25.0 | |
| MI & P/L of Asso. Cos. | -1 | 1 | 2 | -1 | -1 | -1 | 0 | 0 | 1 | -2 | 0 | |
| Reported PAT | 1,066 | 1,606 | 570 | -729 | 39 | 1,299 | 3,085 | 719 | 2,514 | 5,141 | 1,050 | 23.7 |
| Adj PAT | 1,161 | 1,426 | 1,312 | 669 | 496 | 1,726 | 3,085 | 1,219 | 4,568 | 6,526 | 1,050 | 64.3 |
| YoY Change (%) | -47 | -50 | -58 | -77 | -57 | 21 | 135 | 82 | -59 | 43 | -26 | |

E: MOFSL Estimates

Exhibit 1: Valuation based on P/E

| Valuation | FY25E |
|--------------------|-------|
| EPS | 9 |
| PE multiple (x) | 32 |
| Target Price (INR) | 300 |
| CMP (INR) | 263 |
| Upside (%) | 14% |

Source: MOFSL, Company

OTT platform ZEE5 and other highlights:

- Zee5 revenue came in at INR2.7b (+59% YoY), driven by improved subscription and syndication deal. Operating losses narrowed to INR2.8b, led by improved operating leverage and cost control. Adjusted for Zee5, linear TV business revenue/EBITDA grew 17%/6% to INR21.7b/INR6.1b with EBITDA margin of 28%.
- Zee's total operating expenses grew 21.6% YoY to INR3.3b, due to high content costs in movies (including theatrical releases) and investments in ZEE5.
- Other income jumped ~4x YoY to INR718m. This included a profit on sale of freehold premises of INR417m, which was earlier classified as held for sale.
- The company's network share improved by 90bp QoQ to 17.9%.
- Zee Music Company witnessed 7% QoQ growth on video views & 4.8m subscriber additions during the quarter.
- Zee maintained its high cash position with net cash of INR5.7b as on Sep'23.
- Operating cash outflow for 1HFY24 stood at INR107.1m (vs. outflow of INR2694.6m in 1HFY23) despite lower profitability, led by the release in inventory. The company saw some liquidation of inventory due to new releases and syndication, which was partially offset by increased receivable days.

Explanation of Exceptional Costs:

- In 2QFY24, Zee accounted ~INR1.2b toward employee and legal expenses pertaining to the proposed scheme of merger arrangement. The overall amount for FY23 stood at INR1.8b.
- It received a show cause notice (SCN) from Indirect tax authorities related to availing input tax credit under GST for INR1.7b. The company has made payments under protest but has sought legal recourse.
- Zee Studio (subsidiary) was allotted a plot of land on lease for the purpose of construction of film studio by Rajasthan State Development Corp (RIICO), Jaipur. This lease was cancelled due to a construction-related dispute. It is taking necessary action to seek relief and believes there is no impairment requirement.
- On 30th Oct'23, the Securities Appellate Tribunal (SAT) set aside the SEBI orders granting relief to the current KMP. Therefore, Mr. Punit Goenka will continue as MD of the new merged entity. The SAT order stated that SEBI will continue with the investigation.

Previous quarter impacts

- Zee earlier took impairment of INR976m toward investments in Margo Networks Private Limited (Sugarbox). In 1QFY24, it took additional INR324m impairment charge. However, in 2Q, Zee further sold 100% equity shares in Zee Unimedia Ltd.
- During earlier years, the company had provided commitments for funding shortfalls in debt service reserve account (DSRA guarantee) in relation to financial facilities availed from banks by Siti Networks Limited (SNL). The loan outstanding of SNL as on 31st Dec'22 stood at INR 2b, which is backed by DSRA guarantee. **ZEEL reported exceptional expenses to the tune of INR592.7m for FY23 toward credit risk evaluation of SNL (related party), w.r.t. DSRA guarantee.**
- Further, in view of the overdues, the company has been recognizing billed subscription revenues to SNL on cash basis. **From 1QFY24 onward, it stopped**

providing broadcast service to Siti Network (except East) due to non-receipt of payment, and hence the provision amount of INR592.7m as on Mar'23 is now considered adequate to cover any expected credit loss.

- On matter pertaining to ATL Media Ltd (wholly owned subsidiary) entering into a Put-Option agreement with Living Entertainment Limited, Mauritius (LEL), the **company believes that the Put-Option Amendment Deed has been properly rescinded by the company and is no longer binding and enforceable** against the company and has a reasonable chance of success in this respect in the Amended plaint. **The auditors, during FY23, however, have mentioned (Emphasis of Matter) EOM on this matter.**



Management commentary highlights

Key Highlights:

- Ad revenue was supported by improved spends from FMCG, offset by Asia cup. Expects gradual recovery as rural demand sentiment is yet to see improvement.
- Zee5 losses saw moderation sequentially, led by operating leverage and cost management. The company indicated investments in the segment likely to have peaked out.
- Increase in receivables was due to the liquidation of movies released in 2QFY24 and certain subscription revenues recognized towards the quarter end.
- Gained 90bp network share to reach 17.9%; expects moderation in GEC share for 3QFY24 on the back of CWC'23.

Detailed Notes:

Ad revenues

- The company witnessed a gradual recovery in ad revenues, led by FMCG during the quarter, which was dragged down by the impact of Asia cup.
- The company remains cautiously optimistic on revenue growth with full recovery in rural sentiment yet to be seen. It expects the overall ad market to grow by high single digit.
- The company expects a gradual recovery in 3QFY24 on the back of the festive period, which will be offset by Cricket World Cup'23 (CWC).
- It, however, does not see a major impact of elections on ad revenues.

Subscription

- Stabilization of NTO 3.0 helped sustain positive growth in 2QFY24 and the company expects modest growth.
- It gained 90bp market share in 2QFY24 reaching 17.9%, which was fairly broad-based across several key markets.
- The network share of GEC in 3QFY24 is expected to be impacted by CWC.
- The company stated that TV viewership improved by 300bp in 2QFY24 on industry levels.
- The next round of price increases is expected by Feb'24, during which the company will monitor the situation to decide its pricing.

Movie business:

- Zee Studio released six movies in 2QFY24.

- In 2QFY24, strong performance across theatrical releases like Gadar 2, Brother and King of Kotha led to strong revenue growth for the segment.

Cost and profitability:

- Higher content and release costs and investments in Zee5 led to increased cost in 2QFY24.
- The company recognized exceptional items of INR1.18b in merger-related expenses, which include one-time stamp duty charges.
- Movie business contributed to revenue and profitability; excluding this, overall performance remained fairly stable for the quarter.
- Interest costs remained flat on a sequential basis, the YoY growth was due to interest payments toward ICC broadcasting rights paid by the company.

Zee5:

- Apart from growth in subscriptions, digital syndication deal related to some content further improved revenue growth for the segment.
- Operating losses narrowed on operating leverage and cost management. It has indicated investments in the digital segment to have peaked out.
- Zee released 22 shows and movies (incl. 4 originals) during the quarter.
- The company stated that the digital market seems to be settling down, with pricing war subsiding gradually.
- It targets to take OTT revenue share to 30% of its total revenues in the coming period.
- The company will work on generating traffic to monetize ad revenues, while subscription revenues will continue to remain a dominant source of revenue growth.
- Majority of the cost now pertains to technology, which is variable in nature, while the company will continue to invest in content.

Other highlights:

- **Merger:**
 - The company has received approval from NCLT for arrangement of merger.
 - It is now focusing on implementing the scheme of merger and complete the final formalities at the earliest.
- Dish-TV outstanding amount as on Sep'23 stood at INR691m.
- The increase in receivables was mainly due to liquidation of movies released in 2QFY24, amount for which will be received in 3QFY24 and certain subscription revenues recognized towards end of 2QFY24.

Exhibit 2: Quarterly performance (INR m)

| | 2QFY23 | 1QFY24 | 2QFY24 | YoY% | QoQ% | 2QFY24E | v/s est (%) |
|--------------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|--------------|
| Advertising revenue | 10,128 | 9,409 | 9,792 | -3.3 | 4.1 | 9,958 | -1.7 |
| Subscription revenue | 8,219 | 9,075 | 8,878 | 8.0 | -2.2 | 9,171 | -3.2 |
| Other sales and services | 1,937 | 1,354 | 5,708 | 194.7 | 321.6 | 2,315 | 146.6 |
| Total revenue | 20,284 | 19,838 | 24,378 | 20.2 | 22.9 | 21,443 | 13.7 |
| Total operating expenses | 17,311 | 18,289 | 21,050 | 21.6 | 15.1 | 19,258 | 9.3 |
| EBITDA | 2,973 | 1,549 | 3,328 | 11.9 | 114.8 | 2,185 | 52.3 |
| EBITDA margin (%) | 14.7 | 7.8 | 13.6 | -101bp | 584bp | 10.2 | 346bp |
| Depreciation | 816 | 785 | 772 | -5.3 | -1.6 | 888 | -13.0 |
| Finance Cost | 97 | 234 | 234 | 142.0 | 0 | 122 | 92 |
| Other income | 176 | 145 | 718 | 307.8 | 396.4 | 225 | 219.0 |
| Fair Value gain/(loss) through P&L | 0 | 38 | 0 | NM | NM | 0 | NM |
| PBT | 2,237 | 713 | 3,039 | 35.9 | 326.3 | 1,400 | 117.0 |
| Exceptional item gain/(loss) | -466 | -706 | -1,198 | NM | NM | 0 | NM |
| Reported PBT | 1,770 | 6 | 1,842 | 4.0 | 28230.8 | 1,400 | 32 |
| Tax | 641 | -31 | 544 | -15.2 | -1842.0 | 350 | 55 |
| Effective Tax Rate (%) | 36.2 | -480.0 | 29.5 | | | 25.0 | |
| Reported PAT | 1,129 | 38 | 1,298 | 15 | 3,343 | 1,050 | 24 |
| Associates/Minority Interest | 1 | -1 | -1 | -260 | -20 | 0 | |
| Reported PAT (after Asso./MI) | 1,129 | 39 | 1,299 | 15 | 3,256 | 1,050 | 24 |
| Adjusted PAT | 1,426 | 496 | 1,726 | 21 | 248 | 1,050 | 64 |

Source: MOFSL, Company

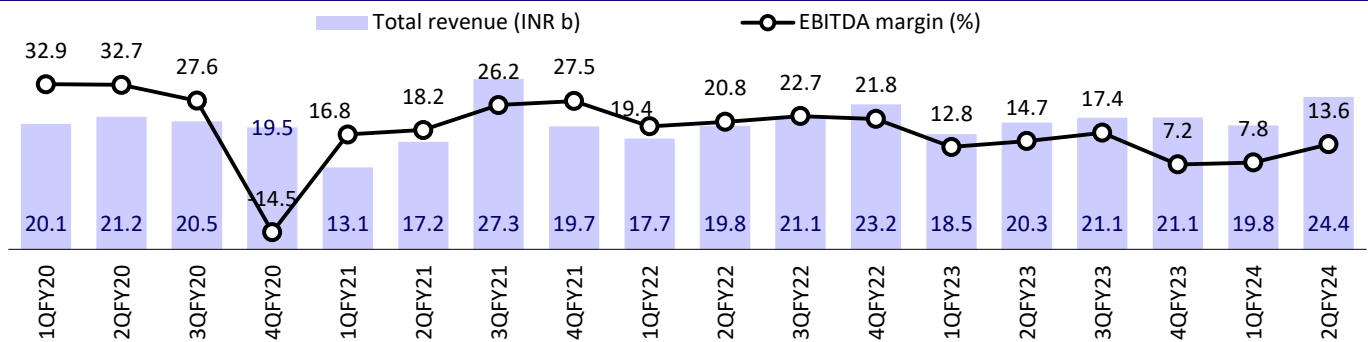
Exhibit 3: Summary of estimate change (INR b)

| | FY24E | FY24E |
|-------------------------------------|-------|-------|
| Ad revenue (INR b) | | |
| Old | 41.9 | 48.3 |
| Actual/New | 41.1 | 47.4 |
| Change (%) | -1.8 | -1.9 |
| Subscription revenue (INR b) | | |
| Old | 37.8 | 40.9 |
| New | 36.2 | 39.2 |
| Change (%) | -4.2 | -4.3 |
| Total revenue (INR b) | | |
| Old | 87.6 | 98.4 |
| New | 87.4 | 98.2 |
| Change (%) | -0.3 | -0.2 |
| EBITDA (INR b) | | |
| Old | 12.1 | 16.2 |
| New | 11.5 | 15.5 |
| Change (%) | -5.6 | -4.0 |
| EBITDA margin (%) | | |
| Old | 13.8 | 16.4 |
| New | 13.1 | 15.8 |
| Change (bp) | -73.6 | -62.2 |
| PAT (INR b) | | |
| Old | 6.2 | 9.5 |
| New | 5.1 | 9.0 |
| Change (%) | -17.3 | -5.1 |
| EPS (INR) | | |
| Old | 7.0 | 9.9 |
| New | 6.8 | 9.4 |
| Change (%) | -2.7 | -5.1 |

Source: MOFSL, Company

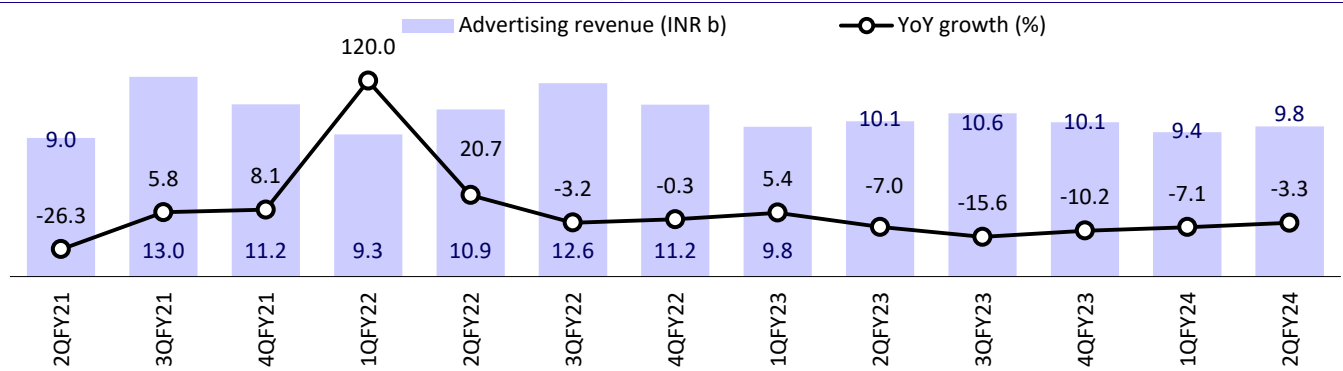
Story in charts

Exhibit 4: Consol. revenue improved YoY with margins at 13.6% (INR b, %)



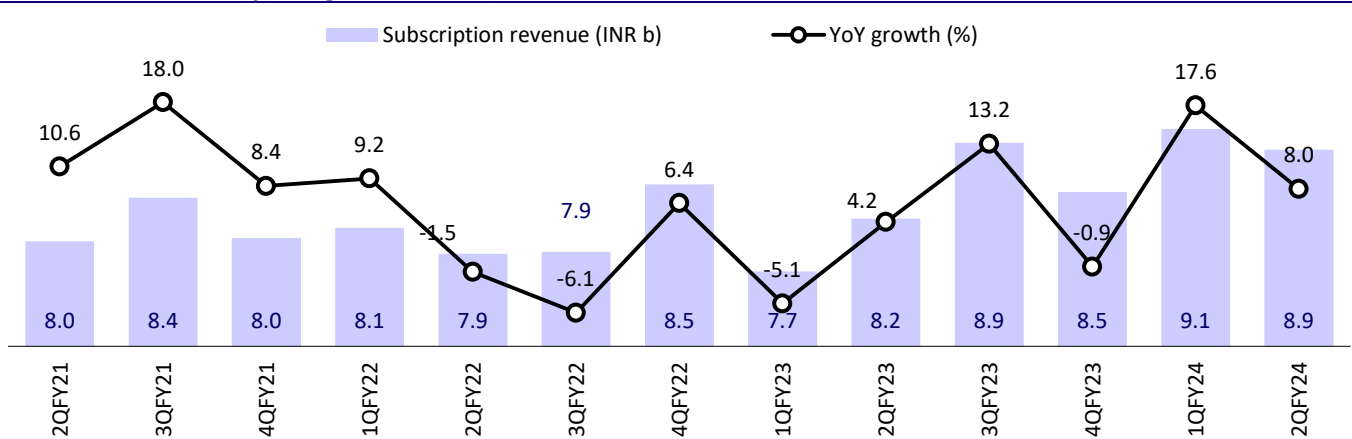
Source: Company, MOFSL

Exhibit 5: Total ad revenue declined 3% YoY (INR b, %)

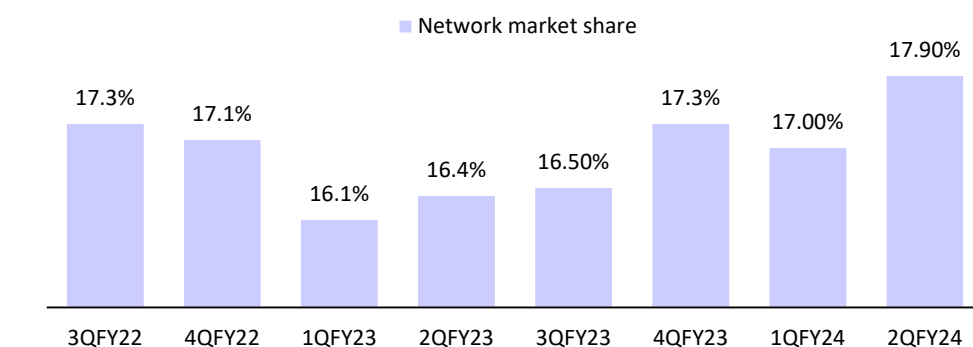


Source: Company, MOFSL

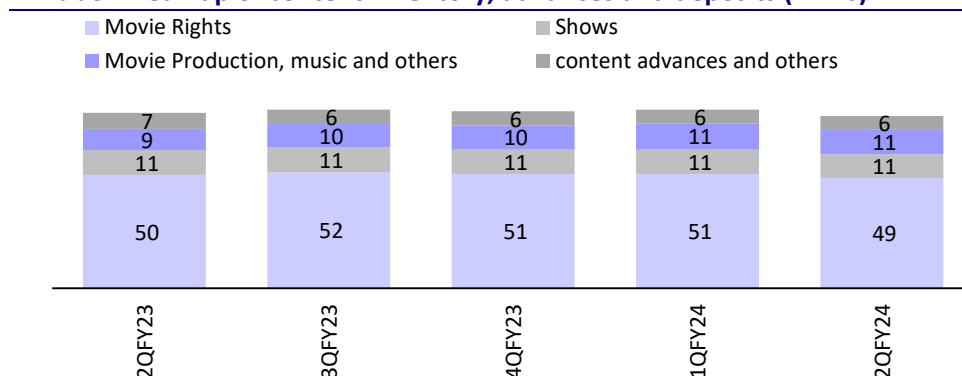
Exhibit 6: Total subscription grew 8% YoY (INR b, %)



Source: Company, MOFSL

Exhibit 7: Market share contracted sequentially by 90bp

Source: MOSL, Company

Exhibit 8: Break-up of content inventory, advances and deposits (INR b)

Source: Company, MOFSL

Exhibit 9: ZEE5 KPIs (INRM)

| ZEE5 KPIs | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| DAUs (m) | 9.3 | 9.6 | 10.5 | 11.3 | 11 | 11.5 | 11.1 | 0 | 0 |
| MAUs (m) | 93.2 | 101.9 | 104.8 | 103.3 | 112 | 119.5 | 113.8 | 0 | 0 |
| Avg watch time (mnts/month) | 186 | 201 | 214 | 196 | 198 | 169 | 229 | 0 | 0 |
| Revenue (INRM) | 1,305 | 1,459 | 1,614 | 1597 | 1671 | 1943 | 2200 | 1939 | 2652 |
| as % of total revenue | 7% | 7% | 7% | 9% | 8% | 9% | 10% | 10% | 11% |
| ZEE5 Operating Costs | 3,025 | 3,287 | 3,566 | 3,949 | 4,440 | 4,763 | 5,309 | 5,360 | 5,421 |
| YoY growth | 5% | 12% | 32% | 25% | 47% | 45% | 49% | 36% | 22% |
| as % of total Costs | 19% | 20% | 20% | 25% | 26% | 27% | 27% | 29% | 26% |
| ZEE5 EBITDA | -1,720 | -1,828 | -1,952 | -2,352 | -2,769 | -2,820 | -3,109 | -3,421 | -2,769 |

Source: Company, MOFSL

Exhibit 10: Snapshot of pro-forma numbers for merged entity

| INR b | FY21 | FY22 | FY23 | FY24E | FY25E |
|---------------------------|--------|--------|--------|-------|-------|
| Revenue | | | | | |
| Consol | 133.3 | 149.3 | 147.7 | 162.6 | 182.7 |
| Linear | 120.1 | 134.0 | 128.4 | 137.6 | 147.7 |
| OTT | 13.2 | 15.4 | 19.3 | 25.0 | 35.0 |
| EBITDA | | | | | |
| Consol | 28.9 | 31.0 | 24.5 | 28.4 | 35.2 |
| Linear | 43.9 | 50.6 | 47.5 | 43.4 | 50.2 |
| OTT | -15.0 | -19.5 | -23.0 | -15.0 | -15.0 |
| EBITDA margins (%) | | | | | |
| Consol | 21.7 | 20.8 | 16.6 | 17.5 | 19.3 |
| Linear | 36.6 | 37.7 | 37.0 | 31.5 | 34.0 |
| OTT | -113.7 | -126.9 | -119.2 | -60.0 | -42.9 |

Source: MOFSL

Financials and Valuations

| Consolidated - Income Statement | | | | | | | (INR m) | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Total Income from Operations | 66,857 | 79,339 | 81,299 | 77,299 | 81,893 | 80,879 | 87,399 | 98,239 |
| Change (%) | 3.9 | 18.7 | 2.5 | -4.9 | 5.9 | -1.2 | 8.1 | 12.4 |
| Programming/Production expenses | 25,275 | 30,758 | 38,285 | 37,505 | 40,449 | 44,686 | 48,308 | 53,173 |
| Employees Cost | 6,657 | 7,249 | 7,805 | 8,183 | 8,641 | 8,238 | 10,462 | 10,881 |
| Other Expenses | 14,164 | 15,692 | 18,863 | 13,710 | 15,582 | 16,944 | 17,174 | 18,644 |
| Total Expenditure | 46,095 | 53,700 | 64,953 | 59,398 | 64,672 | 69,868 | 75,945 | 82,698 |
| % of Sales | 68.9 | 67.7 | 79.9 | 76.8 | 79.0 | 86.4 | 86.9 | 84.2 |
| EBITDA | 20,761 | 25,639 | 16,345 | 17,901 | 17,221 | 11,011 | 11,454 | 15,541 |
| Margin (%) | 31.1 | 32.3 | 20.1 | 23.2 | 21.0 | 13.6 | 13.1 | 15.8 |
| Depreciation | 1,821 | 2,347 | 2,706 | 2,649 | 2,459 | 3,128 | 3,120 | 4,007 |
| EBIT | 18,941 | 23,292 | 13,639 | 15,252 | 14,762 | 7,884 | 8,334 | 11,534 |
| Int. and Finance Charges | 1,448 | 1,304 | 1,449 | 571 | 451 | 702 | 500 | 500 |
| Other Income | 4,404 | 2,515 | 2,836 | 1,104 | 1,213 | 797 | 900 | 1,000 |
| Fair Value through P&L gain/(loss) | -68 | 36 | -2,597 | -1,962 | -37 | 58 | 38 | 0 |
| PBT bef. EO Exp. | 21,829 | 24,538 | 12,430 | 13,823 | 15,487 | 8,037 | 8,772 | 12,034 |
| EO Items | 1,346 | -218 | -2,843 | -1,266 | -1,333 | -3,355 | -1,904 | 0 |
| PBT after EO Exp. | 23,175 | 24,320 | 9,587 | 12,558 | 14,154 | 4,682 | 6,868 | 12,034 |
| Total Tax | 8,409 | 8,673 | 4,317 | 4,625 | 4,597 | 2,167 | 1,729 | 3,029 |
| Tax Rate (%) | 36.3 | 35.7 | 45.0 | 36.8 | 32.5 | 46.3 | 25.2 | 25.2 |
| Minority Interest/Associate | -25 | -23 | 5 | -69 | -89 | 1 | -2 | -2 |
| Reported PAT | 14,791 | 15,671 | 5,265 | 8,002 | 9,646 | 2,514 | 5,141 | 9,007 |
| Adjusted PAT | 14,001 | 15,775 | 9,424 | 10,620 | 11,129 | 4,568 | 6,528 | 9,007 |
| Change (%) | -7.0 | 12.7 | -40.3 | 12.7 | 4.8 | -59.0 | 42.9 | 38.0 |
| Margin (%) | 20.9 | 19.9 | 11.6 | 13.7 | 13.6 | 5.6 | 7.5 | 9.2 |

| Consolidated - Balance Sheet | | | | | | | (INR m) | |
|-------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
| Equity Share Capital | 961 | 961 | 961 | 961 | 961 | 961 | 961 | 961 |
| Total Reserves | 74,657 | 88,279 | 92,479 | 99,985 | 1,07,667 | 1,06,258 | 1,07,941 | 1,13,490 |
| Net Worth | 75,617 | 89,239 | 93,439 | 1,00,945 | 1,08,627 | 1,07,219 | 1,08,902 | 1,14,451 |
| Minority Interest | 142 | 143 | 110 | 129 | 0 | 0 | 0 | 0 |
| Total Loans | 15,255 | 11,134 | 6,476 | 4,028 | 556 | 2,820 | 2,820 | 2,820 |
| Deferred Tax Liabilities | 1,996 | 1,262 | 0 | -1,207 | -3,080 | -4,229 | -4,229 | -4,229 |
| Capital Employed | 93,010 | 1,01,778 | 1,00,025 | 1,03,894 | 1,06,103 | 1,05,810 | 1,07,493 | 1,13,041 |
| Gross Block | 15,353 | 17,299 | 19,799 | 21,870 | 30,164 | 29,644 | 32,144 | 34,644 |
| Less: Accum. Deprn. | 6,058 | 8,406 | 10,722 | 13,762 | 21,363 | 19,348 | 22,468 | 26,475 |
| Net Fixed Assets | 9,295 | 8,893 | 9,077 | 8,108 | 8,801 | 10,296 | 9,676 | 8,168 |
| Goodwill on Consolidation | 5,467 | 5,252 | 4,070 | 3,804 | 3,450 | 3,302 | 3,302 | 3,302 |
| Capital WIP | 920 | 1,561 | 832 | 782 | 871 | 191 | 191 | 191 |
| Total Investments | 15,288 | 9,765 | 3,247 | 7,983 | 651 | 330 | 330 | 330 |
| Curr. Assets, Loans&Adv. | 80,327 | 1,03,859 | 1,06,511 | 1,06,303 | 1,10,636 | 1,18,723 | 1,27,698 | 1,38,015 |
| Inventory | 26,278 | 38,505 | 53,475 | 54,030 | 63,862 | 73,079 | 79,003 | 86,959 |
| Account Receivables | 15,365 | 18,274 | 20,847 | 21,286 | 17,375 | 16,088 | 21,550 | 22,878 |
| Cash and Bank Balance | 16,117 | 12,218 | 7,345 | 10,907 | 12,733 | 8,040 | 5,594 | 3,954 |
| Loans and Advances | 22,567 | 34,861 | 24,845 | 20,080 | 16,666 | 21,516 | 21,550 | 24,223 |
| Curr. Liability & Prov. | 18,287 | 27,552 | 23,712 | 23,086 | 18,306 | 27,032 | 33,704 | 36,964 |
| Account Payables | 11,497 | 14,897 | 16,803 | 13,982 | 13,719 | 17,494 | 17,940 | 19,676 |
| Other Current Liabilities | 5,816 | 11,204 | 5,383 | 7,395 | 3,429 | 8,040 | 14,352 | 15,741 |
| Provisions | 975 | 1,451 | 1,526 | 1,709 | 1,159 | 1,498 | 1,411 | 1,547 |
| Net Current Assets | 62,040 | 76,307 | 82,799 | 83,218 | 92,329 | 91,691 | 93,994 | 1,01,051 |
| Misc Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appl. of Funds | 93,010 | 1,01,778 | 1,00,025 | 1,03,894 | 1,06,103 | 1,05,810 | 1,07,493 | 1,13,041 |

E: MOSL Estimates

Financials and Valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|-------------|-------------|------------|-------------|-------------|------------|------------|------------|
| Basic (INR) | | | | | | | | |
| EPS | 14.6 | 16.4 | 5.5 | 11.1 | 11.6 | 4.8 | 6.8 | 9.4 |
| Cash EPS | 15.2 | 17.8 | 11.8 | 13.4 | 13.9 | 8.0 | 10.0 | 13.6 |
| BV/Share | 78.7 | 92.9 | 97.3 | 105.1 | 113.1 | 111.6 | 113.4 | 119.2 |
| DPS | 2.9 | 3.5 | 3.0 | 2.5 | 3.0 | 3.0 | 3.0 | 3.0 |
| Payout (%) | 22.6 | 25.7 | 65.7 | 36.0 | 35.8 | 137.6 | 67.3 | 38.4 |
| Valuation (x) | | | | | | | | |
| P/E | 18.0 | 16.0 | 47.8 | 23.7 | 22.6 | 55.1 | 38.6 | 27.9 |
| Cash P/E | 17.3 | 14.7 | 22.2 | 19.6 | 18.9 | 32.7 | 26.1 | 19.3 |
| P/BV | 3.3 | 2.8 | 2.7 | 2.5 | 2.3 | 2.3 | 2.3 | 2.2 |
| EV/Sales | 3.5 | 3.0 | 3.0 | 3.1 | 2.9 | 3.0 | 2.8 | 2.5 |
| EV/EBITDA | 11.3 | 9.4 | 15.1 | 13.2 | 13.9 | 22.3 | 21.7 | 16.1 |
| Dividend Yield (%) | 1.1 | 1.3 | 1.1 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 |
| FCF per share | 2.5 | -1.5 | 1.1 | 14.3 | 0.4 | -1.3 | 0.6 | 1.4 |
| Return Ratios (%) | | | | | | | | |
| RoE | 19.6 | 19.1 | 10.3 | 10.9 | 10.6 | 4.2 | 6.0 | 8.1 |
| RoCE | 16.5 | 17.4 | 9.0 | 10.1 | 10.1 | 4.3 | 6.2 | 8.2 |
| RoIC | 22.4 | 21.6 | 9.0 | 11.1 | 11.3 | 4.5 | 6.3 | 8.2 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 4.4 | 4.6 | 4.1 | 3.5 | 2.7 | 2.7 | 2.7 | 2.8 |
| Asset Turnover (x) | 0.7 | 0.8 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 |
| Inventory (Days) | 143 | 177 | 240 | 255 | 285 | 330 | 330 | 323 |
| Debtor (Days) | 84 | 84 | 94 | 101 | 77 | 73 | 90 | 85 |
| Creditor (Days) | 63 | 69 | 75 | 66 | 61 | 79 | 75 | 73 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 4.4 | 3.8 | 4.5 | 4.6 | 6.0 | 4.4 | 3.8 | 3.7 |
| Interest Cover Ratio | 13.1 | 17.9 | 9.4 | 26.7 | 32.7 | 11.2 | 16.7 | 23.1 |
| Net Debt/Equity | -0.2 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 |

Consolidated - Cash Flow Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|----------------------------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 23,187 | 24,345 | 9,563 | 12,556 | 14,155 | 4,681 | 6,868 | 12,034 |
| Depreciation | 1,821 | 2,565 | 5,550 | 2,649 | 2,459 | 3,413 | 3,120 | 4,007 |
| Interest & Finance Charges | 101 | 139 | 135 | 104 | 226 | 707 | 500 | 500 |
| Direct Taxes Paid | -8,295 | -9,299 | -3,114 | -5,011 | -4,965 | -3,893 | -1,729 | -3,029 |
| (Inc)/Dec in WC | -8,551 | -17,151 | -16,758 | 809 | -9,638 | -2,722 | -4,749 | -8,696 |
| CF from Operations | 8,263 | 599 | -4,624 | 11,107 | 2,237 | 2,186 | 4,011 | 4,816 |
| Others | -2,673 | 734 | 7,124 | 4,370 | 478 | -896 | -898 | -998 |
| CF from Operating incl EO | 5,590 | 1,333 | 2,499 | 15,477 | 2,714 | 1,291 | 3,113 | 3,818 |
| (Inc)/Dec in FA | -3,146 | -2,814 | -1,451 | -1,740 | -2,286 | -2,560 | -2,500 | -2,500 |
| Free Cash Flow | 2,444 | -1,481 | 1,048 | 13,737 | 429 | -1,269 | 613 | 1,318 |
| (Pur)/Sale of Investments | -1,413 | 5,930 | 3,163 | -3,765 | 16,361 | -553 | 0 | 0 |
| Others | -145 | 1,316 | 1,451 | -951 | -8,219 | 1,212 | 900 | 1,000 |
| CF from Investments | -4,704 | 4,432 | 3,163 | -6,456 | 5,856 | -1,900 | -1,600 | -1,500 |
| Issue of Equity | 0 | 0 | -4,867 | -4,027 | -4,034 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -6,967 | -4,876 | -12 | 4 | 9 | -256 | 0 | 0 |
| Interest Paid | -101 | -54 | -67 | -43 | -49 | -80 | -500 | -500 |
| Dividend Paid | -3,834 | -4,734 | -5,227 | -1,118 | -2,850 | -2,882 | -3,459 | -3,458 |
| Others | 0 | 0 | -362 | -275 | 180 | -865 | 0 | 0 |
| CF from Fin. Activity | -10,902 | -9,664 | -10,535 | -5,459 | -6,745 | -4,082 | -3,959 | -3,958 |
| Inc/Dec of Cash | -10,016 | -3,899 | -4,873 | 3,561 | 1,826 | -4,692 | -2,446 | -1,640 |
| Opening Balance | 26,133 | 16,117 | 12,218 | 7,345 | 10,907 | 12,732 | 8,041 | 5,594 |
| Closing Balance | 16,117 | 12,218 | 7,345 | 10,907 | 12,732 | 8,041 | 5,594 | 3,954 |

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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