



ZEE ENTERTAINMENT ENTERPRISES

Bangla movie channel to firm up regional efforts

India Equity Research | Media



Zee Entertainment Enterprises (ZEE) has announced the launch of India's first 24-hour Bengali movie channel, *Zee Bangla Cinema*. In our view, the latest launch further exemplifies ZEE's increasing focus on key regional markets (ZEE has increased investments in Tamil Nadu which is the largest regional market). This will fortify its presence in Bengal (one of the largest regional markets) post its strong resurgence in the local GEC market. Though this launch might lead to compression in near-term margins, we believe that the positive impact of digitisation on subscription revenue and long term value created by new channels (*Zee Bangla Cinema*, *Zee Tamizh*, *Zee Alwan*, etc) will help reap returns for ZEE. Maintain 'BUY'.

Bangla movie channel extends ZEE's aggressive content strategy

Zee Bangla Cinema, to be launched on September 23rd, has an extensive library of 400 movie titles. Initially, the channel will be distributed in West Bengal, New Delhi, Bangalore, Mumbai, Jharkhand and New York. This launch is in line with ZEE's aggressive content strategy, which seems to be paying off. As per the latest rankings, *Zee TV's DID Superkids* received ratings of 4.6TVR, higher than *Sony's KBC* (4.3TVR). This also helped *Zee TV* stay ahead of *Sony* in terms of overall viewership (allaying earlier fears that *KBC* will create an upheaval the rankings).

FDI norms, dip in DTH churn augur well for digitisation

The Govt has notified FDI in broadcast norms as per which cable and DTH companies will have to provide identity of customers (KYC forms). According to the latest Media Partners Asia (MPA) report, in H1CY12, the DTH industry has added 4.4mn gross subscribers while reducing the churn rates.

Outlook and valuations: Positive; maintain 'BUY'

Sturdy free cash flow generation, ~INR11bn net cash, minimal debt, and an increasing payout are key positives. At CMP of INR185, the stock is trading at P/E of 26.6x and 22.6x FY13E and FY14E earnings, respectively. Maintain 'BUY/Sector Outperformer'.

Financials

Year to March	FY11	FY12	FY13E	FY14E
Revenues (INR mn)	30,088	30,405	33,083	36,914
Rev. growth (%)	36.8	1.1	8.8	11.6
EBITDA (INR mn)	8,219	7,395	8,701	10,447
Core profit (INR mn)	6,055	5,906	6,653	7,849
Diluted EPS (INR)	6.3	6.1	6.9	8.2
Dil. EPS post-digitisation (INR)*	6.3	6.1	7.1	10.0
Diluted P/E (x)	21.5	30.1	26.6	22.6
EV/EBITDA (x)	14.8	22.4	18.5	15.0
ROAE (%)	17.5	18.1	18.1	18.7

* Only this line item factors in the post-digitisation impact

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

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

CMP	: INR 185
Target Price (FY14E)	: INR 244
52-week range (INR)	: 189 / 109
Share in issue (mn)	: 954.0
M cap (INR bn/USD mn)	: 176 / 3,242
Avg. Daily Vol.BSE/NSE('000)	: 1,676.4

SHARE HOLDING PATTERN (%)

	Current	Q4FY12	Q3FY12
Promoters %	43.9	43.9	43.6
MF's, FI's & Banks	13.1	13.1	12.5
FII's	35.3	35.3	37.0
Others	7.7	7.7	6.8
* Promoters pledged shares (% of shares in issue)			14.9

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Media Index
1 month	9.0	3.5	0.9
3 months	36.8	8.8	23.3
12 months	56.5	10.4	10.5

Abneesh Roy

+91 22 6620 3141
abneesh.roy@edelcap.com

Alankar Garude

+91 22 6623 3301
alankar.garude@edelcap.com

September 21, 2012

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400, Email: research@edelcap.com

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Nischal Maheshwari	Co-Head Institutional Equities & Head Research	nischal.maheshwari@edelcap.com	+91 22 4063 5476
Nirav Sheth	Head Sales	nirav.sheth@edelcap.com	+91 22 4040 7499

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