

# Zee Entertainment

Refer to important disclosures at the end of this report

## Deal or no Deal; Sell remains

<b>CMP</b> Rs 457 as of (January 15, 2019)	<b>Target Price</b> Rs 374 (■) 12 months
<b>Rating</b> SELL (■)	<b>Upside</b> (18.0) %

- ZEE delivered a robust performance in Q3, outperforming on the advertisement revenue front (+21.7% yoy) as well as in domestic subscription revenue (+29% yoy). The solid 27% yoy increase in EBITDA was largely in line with our ahead-of-consensus estimate.
- While maintaining our ahead-of-the-street estimates, we are incorporating 20%/15% ad growth for FY19/20E. With 31 originals, content launches on ZEE5 is behind management guidance, and it does not expect to reach FY19 guidance of 90 originals in FY20 as well.
- Increasing competitive intensity in the OTT space will accelerate cash burn in the foreseeable future. We continue to highlight that revenue growth will remain strong over the next 3-4 quarters. However, structural headwinds that could emerge from the changing consumption habits on both subscription and revenue remain intact.
- The direction of the stock price, in our view, hinges on the potential stake sale by promoters, its structure, and change in business strategy (if any) post strategic investor on board. Maintaining Sell, with a revised DCF-based TP of Rs374.

### Strong operating performance

Revenue of Rs21.7bn was up 18% yoy, driven by a 21.7% growth in ad revenue. Domestic advertisement revenue grew 20.6% yoy to Rs13.7bn, while International ad revenue stood at Rs907mn (up 40% yoy). Domestic subscription revenue stood at Rs5.2bn, up 28.6% yoy on a low base from last year and helped by the monetization of phase-III digitisation. Other operating income stood at Rs857mn vs. Rs1.3bn in Q3FY18. EBITDA stood at Rs7.5bn, up 27% yoy, while EBITDA margins were up 247bps yoy to 34.8%. RPAT of Rs5.6bn compared with Rs3.2bn in Q3FY18 was supported by better-than-expected operating performance.

### Outlook

In line with our expectations, Zee continues to deliver healthy operating performance, driven by solid growth in advertisement and domestic subscription revenues. We continue to highlight that operating performance would remain healthy over the next 3-4 quarters as market share gains continue to reflect in strong ad growth, while domestic subscription growth could see some near-term hiccups with the TRAI tariff order implementation. We continue to believe that sustained content investments and a moderation in domestic subscription growth beyond FY20 could restrict operating leverage. Risks relating to higher OTT spends and post-FY20 moderation in domestic subscription growth will continue to weigh in on valuations. JIO's entry into TV distribution and FTTH services could further increase competition, adversely affect the realizations of traditional broadcasters and potentially change content consumption habits. Post strategic investor on board if business strategy is focused towards creating strong content library in order to get meaningful subscription led mass subscriber base on the platform, that might change the market perception towards valuation.

### Financial Snapshot (Consolidated)

(Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	64,342	66,857	79,212	89,875	99,381
EBITDA	19,269	20,761	25,994	29,690	32,353
EBITDA Margin (%)	29.9	31.1	32.8	33.0	32.6
APAT	12,189	13,512	16,798	19,724	21,344
EPS (Rs)	12.7	14.1	16.3	19.6	21.6
EPS (% chg)	32.0	10.9	15.6	20.6	10.2
ROE (%)	21.1	19.0	19.0	19.5	18.4
P/E (x)	36.0	32.4	28.1	23.3	21.1
EV/EBITDA (x)	21.8	20.3	16.1	13.7	12.3
P/BV (x)	6.6	5.8	4.9	4.2	3.6

Source: Company, Emkay Research

### Change in Estimates

EPS Chg FY19E/FY20E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	SELL

### Emkay vs Consensus

	EPS Estimates	
	FY19E	FY20E
Emkay	16.3	19.6
Consensus	16.2	19.1
Mean Consensus TP (12M)	Rs 525	

### Stock Details

Bloomberg Code	Z IN
Face Value (Rs)	1
Shares outstanding (mn)	960
52 Week H/L	619 / 410
M Cap (Rs bn/USD bn)	439 / 6.17
Daily Avg Volume (nos.)	39,14,144
Daily Avg Turnover (US\$ mn)	25.3

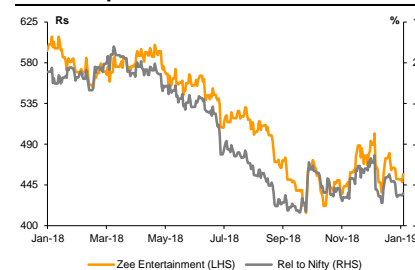
### Shareholding Pattern Sep '18

Promoters	41.6%
FIIIs	40.8%
DIIIs	11.0%
Public and Others	6.6%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	(7)	(3)	(10)	(25)
<b>Rel. to Nifty</b>	(7)	(7)	(9)	(26)

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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**Exhibit 1: Actual vs. estimates (Q3FY19)**

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	21,668	21,257	20,852	2%	4%	Beat on domestic advertisement and subscription revenues
EBITDA	7,543	7,371	6,768	2%	11%	
EBITDA, margin	34.8%	34.7%	32.5%	14 bps	235 bps	
PAT	5,624	5,047	4,132	11%	36%	

Source: Company, Emkay Research

**Exhibit 2: Quarterly Financials**

Rs mn	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY (%)	QoQ (%)	YTD'18	YTD'17	YoY (%)
Ad revenue	12,020	10,496	11,460	12,106	14,626	21.7	20.8	38,192	31,552	21.0
Subscription Revenue	5,017	5,465	5,186	6,082	6,185	23.3	1.7	17,453	14,822	17.7
Others	1,344	1,292	1,074	1,571	857	(36.2)	(45.4)	3,502	3,230	8.4
Net Sales	18,381	17,253	17,720	19,759	21,668	17.9	9.7	59,147	49,604	19.2
Programming Cost	6,730	6,893	6,683	7,263	7,978	18.5	9.8	21,925	18,382	19.3
as % of sales	36.6	40.0	37.7	36.8	36.8			37.1	37.1	
Employee Expenses	1,535	1,638	1,714	1,687	1,834	19.4	8.7	5,235	5,018	4.3
as % of sales	8.4	9.5	9.7	8.5	8.5			8.9	10.1	
Admin and Other expense	4,171	3,660	3,667	4,051	4,313	3.4	6.5	12,031	10,504	14.5
as % of sales	22.7	21.2	20.7	20.5	19.9			20.3	21.2	
Total operating expenditure	12437	12191	12064	13001	14125	13.6	8.6	39190	33904	15.6
EBITDA	5944	5062	5657	6757	7543	26.9	11.6	19957	15699	27.1
Depreciation	505	594	576	588	615	21.8	4.5	1,779	1,226	45.1
EBIT	5440	4468	5080	6169	6928	27.4	12.3	18177	14473	25.6
Other Income	480	881	498	589	860	79.0	45.9	1,947	3,522	(44.7)
Interest	24	1,274	53	55	55	133.9	1.3	163	173	-
Exceptional Item - Fair value through P&L	-419	1,032	-213	-220	376			-57	247	
PBT	5477	5106	5312	6483	8109	48.1	25.1	19905	18069	10.2
Tax	2,260	2,805	2,071	2,624	2,484	9.9	(5.3)	7,179	6,092	17.8
PAT before MI	3218	2301	3241	3859	5625	74.8	45.8	12726	11977	6.3
MI	-4	-9	-23	-8	1	(132.6)	(118.7)	-29	-16	79.4
PAT before comprehensive income	3,222	2,310	3,264	3,867	5,624	74.5	45.4	12,754	11,993	6.4
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			
EBIDTA	32.3	29.3	31.9	34.2	34.8	247	61	33.7	31.6	209
EBIT	29.6	25.9	28.7	31.2	32.0	238	75	30.7	29.2	156
EBT	29.8	29.6	30.0	32.8	37.4	763	461	33.7	36.4	(277)
PAT	17.5	13.3	18.3	19.5	26.0	845	643	21.5	24.1	(263)
Effective Tax rate	41.3	54.9	39.0	40.5	30.6	(1,062)	(984)	36.1	33.7	235

Source: Company, Emkay Research

**Exhibit 3: Quarterly performance**

Entertainment business	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY %	QoQ %
<b>Segmental Revenues</b>							
<b>Ad Revenue</b>	<b>12,020</b>	<b>10,496</b>	<b>11,460</b>	<b>12,106</b>	<b>14,626</b>	<b>21.7</b>	<b>20.8</b>
<b>Subscription revenue</b>	<b>5,017</b>	<b>5,465</b>	<b>5,186</b>	<b>6,082</b>	<b>6,185</b>	<b>23.3</b>	<b>1.7</b>
A) Domestic	4,036	4,521	4,252	5,093	5,192	28.6	1.9
B) International	981	944	934	989	993	1.2	0.4
Others	1,344	1,292	1,074	1,571	857	(36.2)	(45.4)
<b>Total Sales</b>	<b>18,381</b>	<b>17,253</b>	<b>17,720</b>	<b>19,759</b>	<b>21,668</b>	<b>17.9</b>	<b>9.7</b>

Source: Company, Emkay Research

## Other highlights

- **Domestic advertisement revenue grew 20.6% yoy to Rs13.7bn, while International ad revenue stood at Rs907mn (up 40% yoy). The monetization of improved market share and the contribution from ZEE5 led to a beat on ad growth advertisement revenue.**
- Domestic subscription revenue stood at Rs5.2bn, up 28.6% yoy on a low base from last year and supported by the monetization of phase-III digitisation. International subscription revenue stood at Rs993mn (+1% yoy), lower than our estimate despite currency tailwind.
- **Total Subscription revenue was up 23% yoy to Rs6.2bn (6% above estimate).**
- Programming and content cost was up 18.5% yoy. Advertisement spends was up 11.9% yoy. Total SG&A expense was up 3.4% yoy.
- Employee cost increased 19.4% yoy to Rs1.8bn. Total opex of Rs14.1bn was marginally ahead of our estimate.
- ZEE5 has been consistently among the top-5 free and grossing entertainment apps in India **with 56.3mn Monthly Active Users (MAU) in Dec'18, recording 36% growth since Sep'18. Users currently spend an average 31 minutes per day on the platform.** The ZEE5 app has crossed 50mn gross downloads on Android Play store.
- During the quarter, ZEE5 entered into partnerships with several key players in the digital ecosystem to make its content accessible to more consumers. The key partnerships it entered into during the quarter include the deals with Airtel (ZEE5 content is available to premium Airtel subscribers on Airtel TV app) and Paytm (50% cashback to subscribers on monthly, half-yearly, and annual packs).
- Reported EBITDA stood at Rs7.5bn (+27% yoy), while EBITDA margin was 34.8% — a 247bps improvement yoy.
- Reported PAT stood at Rs5.6bn vs. Rs3.2bn in Q3FY18, driven by better-than-expected operating income. Other income was Rs860mn vs. Rs480mn in Q3FY18. MTM profit stood at Rs376mn vs. a loss of Rs419mn in Q3FY18. Tax outgo was up 9.9% yoy to Rs2.5bn.

## Advertisement revenue

- **Reported Ad revenue was up 21.7% (vs. est. of 18%).** Domestic Ad revenue grew 20.6% yoy, while International Ad revenue rose 40% yoy.

### Exhibit 4: Subscription revenue

	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Domestic Subscription Revenue	4,179	4675	4,818	4,554	3,788	4,043	4,036	4,521	4,252	5,093	5,192
<i>yoy growth</i>	14%	25%	15%	-3%	-9%	-14%	-16%	-1%	12%	26%	29%
International Subscription Revenue	1,103	1,158	1,117	1,026	1,003	970	981	944	934	989	993
<i>yoy growth</i>	16.7%	11.5%	8.4%	-18.7%	-9.1%	-16.2%	-12.2%	-8.0%	-6.9%	2.0%	1.2%
<b>Total Subscription</b>	<b>5,282</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>	<b>6,185</b>
<i>yoy growth</i>	<b>14.2%</b>	<b>21.7%</b>	<b>13.7%</b>	<b>-6.1%</b>	<b>-9.3%</b>	<b>-14.0%</b>	<b>-15.5%</b>	<b>-2.0%</b>	<b>8.3%</b>	<b>21.3%</b>	<b>23.3%</b>

Source: Company, Emkay Research

## International operations

- Total International revenue stood at Rs2bn. International Ad revenue grew 40.2% yoy and International Subscription revenue grew 1.2% yoy.
- Ad revenue rose to Rs907mn and Subscription revenue rose to Rs993mn. Other operating income stood at Rs78mn.

### Exhibit 5: International revenue break-even

International revenues	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Ad revenue	647	662	590	580	907
Subscription revenue	981	944	934	989	993
Other sales and services	250	537	427	457	78
<b>Total Revenue</b>	<b>1878</b>	<b>2143</b>	<b>1951</b>	<b>2026</b>	<b>1978</b>

Source: Company, Emkay Research

### Exhibit 6: Key revenue assumptions

Zee TV (Rs mn)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
<b>Advertisement revenue</b>	<b>26603</b>	<b>33652</b>	<b>36735</b>	<b>42048</b>	<b>50135</b>	<b>57788</b>	<b>65877</b>
<i>yoy Growth</i>	12%	26%	9%	14%	19%	15%	13%
<b>Subscription revenue</b>	<b>17935</b>	<b>20579</b>	<b>22629</b>	<b>20287</b>	<b>22921</b>	<b>25441</b>	<b>27504</b>
<i>yoy Growth</i>	0%	15%	10%	-10%	13%	11%	6%
<b>Domestic subscription</b>	<b>13936</b>	<b>16302</b>	<b>18226</b>	<b>16388</b>	<b>19073</b>	<b>21593</b>	<b>23723</b>
<i>yoy Growth</i>	6%	17%	12%	-10%	16%	13%	7%
<b>International subscription</b>	<b>4001</b>	<b>4276</b>	<b>4404</b>	<b>3898</b>	<b>3848</b>	<b>3848</b>	<b>3781</b>
<i>yoy Growth</i>	-17%	7%	3%	-11%	-1%	0%	-3%
<b>Others</b>	<b>4299</b>	<b>3894</b>	<b>4978</b>	<b>4522</b>	<b>5145</b>	<b>5600</b>	<b>6000</b>
<i>yoy Growth</i>	80%	-9%	28%	-9%	14%	9%	7%
<b>Total revenue</b>	<b>48839</b>	<b>58124</b>	<b>64343</b>	<b>66856</b>	<b>78200</b>	<b>88828</b>	<b>99381</b>
<i>yoy Growth</i>	<b>10%</b>	<b>19%</b>	<b>11%</b>	<b>4%</b>	<b>17%</b>	<b>14%</b>	<b>11%</b>

Source: Company, Emkay Research \*Note: FY18 financials are not comparable on like to like basis because of sale of sports business.

**Exhibit 7: BARC ratings trends (quarterly average)**

<b>Hindi GEC</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
STAR Plus	12%	9%	8%	9%	10%	11%
Colors	11%	11%	10%	9%	10%	9%
<b>Zee TV</b>	<b>12%</b>	<b>12%</b>	<b>10%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>
Zee Anmol	13%	13%	13%	15%	13%	13%
STAR Utsav	6%	8%	10%	10%	11%	11%
Life Ok	9%	12%	13%	11%	10%	12%
Sony Pal	10%	11%	12%	12%	10%	9%
Sony Entertainment Television	9%	8%	8%	6%		
Sony Sab	8%	7%	7%	7%		
Rishtey	10%	8%	8%	11%	8%	
<b>Hindi Movies</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
STAR Gold	18%					
<b>Zee Cinema</b>	<b>19%</b>	<b>18%</b>				<b>19%</b>
Sony MAX	24%	26%	23%	24%	23%	22%
Sony Wah	21%	19%	22%	21%	22%	21%
Rishtey Cineplex	18%	19%	20%	19%		
<b>Marathi</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
<b>Zee Marathi</b>	<b>45%</b>	<b>46%</b>	<b>42%</b>	<b>42%</b>	<b>42%</b>	<b>47%</b>
Colors Marathi	13%	15%	17%	17%	17%	17%
Zee Talkies	20%	16%	16%	18%	18%	14%
Zee 24 Taas	9%					
STAR Pravah	12%	15%	17%	15%	16%	17%
Zee Yuva	9%	8%		8%	7%	
<b>Telugu</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
ETV Telugu	22%	24%	23%	21%	21%	20%
Maa TV	25%	22%	23%	25%	27%	29%
<b>Zee Telugu</b>	<b>21%</b>	<b>23%</b>	<b>22%</b>	<b>24%</b>	<b>23%</b>	<b>23%</b>
Gemini TV	23%	23%	23%	20%	20%	20%
Gemini Movies	9%	8%	9%		9%	9%
<b>Tamil</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
Sun TV	45%	47%	46%	43%	42%	39%
KTV	16%	16%	15%	14%	13%	14%
STAR Vijay	22%	20%	19%	19%	21%	21%
<b>Zee Tamil</b>	<b>13%</b>	<b>14%</b>	<b>16%</b>	<b>19%</b>	<b>20%</b>	<b>22%</b>
Polimer	4%					
<b>Kannada</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
Colors Kannada	32%	34%	33%	31%	31%	31%
Udaya TV	15%	18%	17%	18%	16%	16%
Star Suvarna	14%	12%		13%	11%	
Udaya Movies	16%	15%	15%	15%	15%	13%
<b>Zee Kannada</b>	<b>22%</b>	<b>21%</b>	<b>23%</b>	<b>23%</b>	<b>27%</b>	<b>29%</b>
<b>Bangla</b>	<b>Q2FY18</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
STAR Jalsha	45%	38%	42%	48%	47%	46%
<b>Zee Bangla</b>	<b>14%</b>	<b>16%</b>	<b>15%</b>		<b>14%</b>	<b>14%</b>
Jalsha Movies	11%	13%	15%	14%	13%	16%
Colors Bangla	17%	21%	16%	15%	15%	13%
Zee Bangla Cinema	12%					

Source: BARC, Emkay Research

## Conference call highlights

**Ad revenues:** Improved viewership share and contribution from ZEE5 led to strong ad growth. The management remained upbeat on FY20E ad growth.

- Kannada viewership gain is backed by strong fiction content and the monetization of the same will happen in the subsequent quarters. Market share gains in other markets will also see continued monetization in the ensuing quarters.
- Zee Keralam has 52hrs of fresh content vs. 40hrs when the channel was launched.
- International ad growth was driven by a rebound in the MENA region along with other markets. The current ad revenue run-rate is sustainable.

**Subscription revenues:** Domestic subscription in Q3FY19 include Rs400-500mn of catch-up revenues.

- There will be some hiccups over the next six months due to the TRAI tariff order implementation. Similar to the DAS implementation, consumers would make choices for channels on the deadline dates only.
- Low-teens growth can be expected on domestic subscription in FY20. Long-term growth will be driven by: 1) growth in TV homes; 2) rising HD homes; and 3) ARPU increase. The full benefit of digitization will continue.

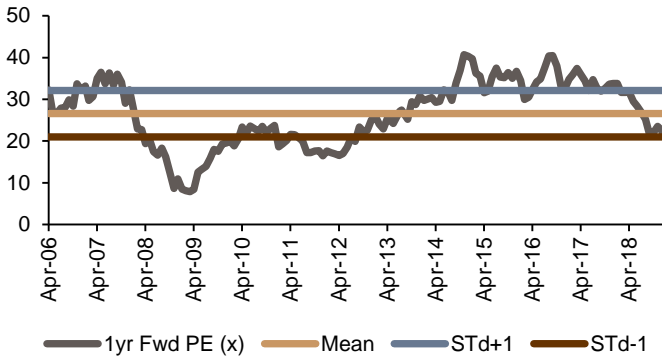
**ZEE5:** The company has scaled up OTT content investments and content line-up in FY20 will be stronger than the current fiscal.

- The company launched only 31 shows vs. 90 guided for FY19, and the management believes it will not be able to reach the guided number as it has changed/repositioned content launches. 38 movies have been premiered till Dec'18. Going forward, the target is to launch 6 web series per month with 72 annual series. Further, the ramp-up in global content syndication is also happening.
- Currently, ZEE5 is at 50% fill levels (fill levels are defined as 3 ads per content piece). The fill level in FY20 is expected to reach 90%.
- Dubbed show is not counted as fresh show.
- Time spent on the app remained constant qoq, while it could be attributable to higher subscriber base and festive season as well.
- Revenue booking has started from the Airtel tie-up.
- Soft launch in International markets will happen in Q4FY19 and pricing will range between USD2 and USD10

**Margin guidance:** Management maintained its +30% margin guidance for FY19 and guided the same for next fiscal as well.

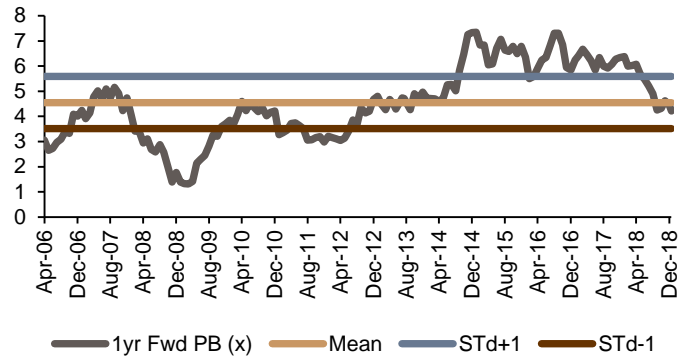
- Higher other income is attributable to one-time sale of licenses and VAT refund.
- Cash and investment stood at Rs29.4bn vs. Rs28.2bn in Q2FY19.
- Discussion are progressing well on the potential stake sale.

**Exhibit 8: 1 year forward P/E**



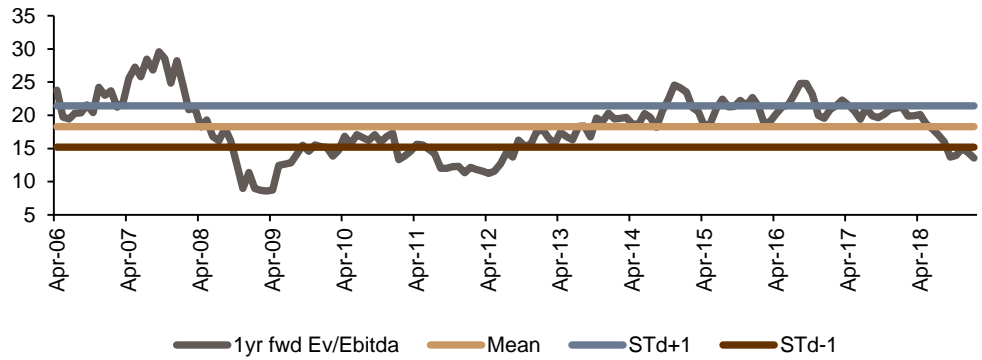
Source: Company, Emkay Research

**Exhibit 9: 1 year forward P/B**



Source: Company, Emkay Research

**Exhibit 10: 1 year forward EV/EBITDA**



Source: Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Revenue</b>	<b>64,342</b>	<b>66,857</b>	<b>79,212</b>	<b>89,875</b>	<b>99,381</b>
<b>Expenditure</b>	<b>45,073</b>	<b>46,096</b>	<b>53,218</b>	<b>60,185</b>	<b>67,027</b>
<b>EBITDA</b>	<b>19,269</b>	<b>20,761</b>	<b>25,994</b>	<b>29,690</b>	<b>32,353</b>
Depreciation	1,152	1,821	2,440	2,660	2,873
<b>EBIT</b>	<b>18,117</b>	<b>18,940</b>	<b>23,554</b>	<b>27,030</b>	<b>29,481</b>
Other Income	2,240	4,403	2,400	2,960	2,960
Interest expenses	1,372	1,448	218	120	120
<b>PBT</b>	<b>18,985</b>	<b>21,895</b>	<b>25,736</b>	<b>29,870</b>	<b>32,321</b>
Tax	6,803	8,409	8,969	10,156	10,989
Extraordinary Items	10,029	1,279	(57)	0	0
Minority Int./Income from Assoc.	(17)	(2)	5	(50)	(52)
<b>Reported Net Income</b>	<b>22,218</b>	<b>14,790</b>	<b>15,556</b>	<b>18,836</b>	<b>20,752</b>
<b>Adjusted PAT</b>	<b>12,189</b>	<b>13,512</b>	<b>16,798</b>	<b>19,724</b>	<b>21,344</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
Equity share capital	960	960	960	960	960
Reserves & surplus	65,943	74,649	87,756	1,03,333	1,20,827
<b>Net worth</b>	<b>66,903</b>	<b>75,610</b>	<b>88,716</b>	<b>1,04,293</b>	<b>1,21,787</b>
<b>Minority Interest</b>	<b>10</b>	<b>142</b>	<b>142</b>	<b>142</b>	<b>142</b>
<b>Loan Funds</b>	<b>22,031</b>	<b>15,262</b>	<b>11,062</b>	<b>6,862</b>	<b>2,662</b>
Net deferred tax liability	(903)	1,996	1,996	1,996	1,996
<b>Total Liabilities</b>	<b>88,041</b>	<b>93,010</b>	<b>1,01,916</b>	<b>1,13,293</b>	<b>1,26,587</b>
<b>Net block</b>	<b>9,155</b>	<b>14,761</b>	<b>14,821</b>	<b>14,661</b>	<b>14,288</b>
<b>Investment</b>	<b>13,431</b>	<b>15,289</b>	<b>20,289</b>	<b>25,289</b>	<b>30,289</b>
<b>Current Assets</b>	<b>77,528</b>	<b>80,328</b>	<b>85,652</b>	<b>93,233</b>	<b>1,03,997</b>
Cash & bank balance	26,135	16,117	11,896	11,942	14,399
Other Current Assets	3,388	2,556	3,028	3,436	3,799
<b>Current liabilities &amp; Provision</b>	<b>13,630</b>	<b>18,287</b>	<b>19,765</b>	<b>20,808</b>	<b>22,906</b>
<b>Net current assets</b>	<b>63,898</b>	<b>62,041</b>	<b>65,887</b>	<b>72,424</b>	<b>81,091</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>88,041</b>	<b>93,010</b>	<b>1,01,916</b>	<b>1,13,293</b>	<b>1,26,587</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>16,745</b>	<b>17,492</b>	<b>23,336</b>	<b>26,910</b>	<b>29,361</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(8,996)	(5,262)	(8,067)	(6,491)	(6,210)
<b>Operating Cashflow</b>	<b>21,008</b>	<b>11,213</b>	<b>11,114</b>	<b>15,893</b>	<b>18,007</b>
Capital expenditure	3,526	(6,789)	(2,500)	(2,500)	(2,500)
<b>Free Cash Flow</b>	<b>24,534</b>	<b>4,424</b>	<b>8,614</b>	<b>13,393</b>	<b>15,507</b>
Investments	(2,932)	(1,858)	(5,000)	(5,000)	(5,000)
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>2,834</b>	<b>(4,244)</b>	<b>(5,100)</b>	<b>(4,540)</b>	<b>(4,540)</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	4,882	(6,769)	(4,200)	(4,200)	(4,200)
Dividend paid (incl tax)	(2,608)	(2,401)	(4,443)	(4,147)	(3,850)
Other Financing Cash Flow	1,391	19,766	14,742	9,056	9,102
<b>Financing Cashflow</b>	<b>2,293</b>	<b>9,148</b>	<b>5,882</b>	<b>590</b>	<b>932</b>
<b>Net chg in cash</b>	<b>26,135</b>	<b>16,117</b>	<b>11,896</b>	<b>11,942</b>	<b>14,399</b>
Opening cash position	9,991	26,135	16,117	11,896	11,942
<b>Closing cash position</b>	<b>26,135</b>	<b>16,117</b>	<b>11,896</b>	<b>11,942</b>	<b>14,399</b>

Source: Company, Emkay Research



**Key Ratios**

<b>Profitability (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
EBITDA Margin	29.9	31.1	32.8	33.0	32.6
EBIT Margin	28.2	28.3	29.7	30.1	29.7
Effective Tax Rate	35.8	38.4	34.9	34.0	34.0
Net Margin	18.9	20.2	21.2	21.9	21.5
ROCE	26.6	25.8	26.6	27.9	27.0
ROE	21.1	19.0	19.0	19.5	18.4
RoIC	40.2	35.2	36.4	37.6	37.8

<b>Per Share Data (Rs)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
EPS	12.7	14.1	16.3	19.6	21.6
CEPS	13.9	16.0	18.8	22.4	24.6
BVPS	69.7	78.7	92.4	108.6	126.8
DPS	2.3	2.5	4.1	3.8	3.5

<b>Valuations (x)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
PER	36.0	32.4	28.1	23.3	21.1
P/CEPS	32.9	28.6	24.3	20.4	18.6
P/BV	6.6	5.8	4.9	4.2	3.6
EV / Sales	6.5	6.3	5.3	4.5	4.0
EV / EBITDA	21.8	20.3	16.1	13.7	12.3
Dividend Yield (%)	0.5	0.5	0.9	0.8	0.8

<b>Gearing Ratio (x)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
Net Debt/ Equity	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)
Net Debt/EBIDTA	(0.9)	(0.8)	(0.8)	(1.0)	(1.3)
Working Cap Cycle (days)	214.2	250.7	248.8	245.6	244.9

<b>Growth (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
Revenue	10.7	3.9	18.5	13.5	10.6
EBITDA	27.3	7.7	25.2	14.2	9.0
EBIT	26.2	4.5	24.4	14.8	9.1
PAT	169.9	(33.4)	5.2	21.1	10.2

<b>Quarterly (Rs mn)</b>	<b>Q3FY18</b>	<b>Q4FY18</b>	<b>Q1FY19</b>	<b>Q2FY19</b>	<b>Q3FY19</b>
Revenue	18,381	17,253	17,720	19,759	21,668
EBITDA	5,944	5,062	5,657	6,757	7,543
<b>EBITDA Margin (%)</b>	<b>32.3</b>	<b>29.3</b>	<b>31.9</b>	<b>34.2</b>	<b>34.8</b>
PAT	3,222	2,310	3,264	3,867	5,624
<b>EPS (Rs)</b>	<b>3.4</b>	<b>2.4</b>	<b>3.4</b>	<b>4.0</b>	<b>5.9</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-17</b>	<b>Dec-17</b>	<b>Mar-18</b>	<b>Jun-18</b>	<b>Sep-18</b>
Promoters	43.1	43.1	41.6	41.6	41.6
FIIs	43.9	42.3	41.4	40.8	40.8
DII	6.5	8.2	10.6	11.1	11.0
Public and Others	6.6	6.4	6.4	6.5	6.6

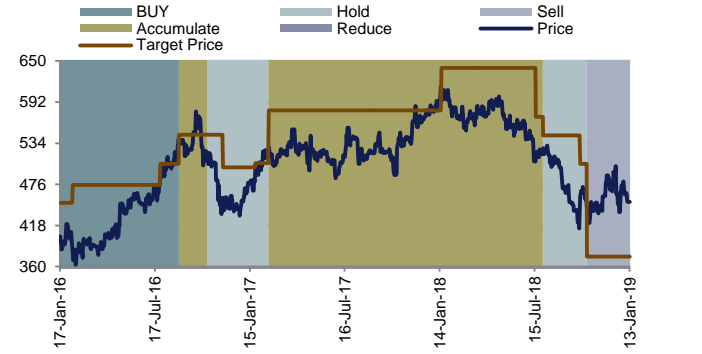
Source: Capitaline

## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-Nov-18	435	374	12m	Sell	Naval Seth
23-Oct-18	438	374	12m	Sell	Naval Seth
10-Oct-18	460	505	12m	Hold	Naval Seth
31-Jul-18	527	545	12m	Hold	Naval Seth
17-Jul-18	517	571	12m	Accumulate	Naval Seth
27-Jun-18	544	640	12m	Accumulate	Naval Seth
10-May-18	588	640	12m	Accumulate	Naval Seth
17-Jan-18	593	640	12m	Accumulate	Naval Seth
24-Oct-17	526	580	12m	Accumulate	Naval Seth
25-Jul-17	539	580	12m	Accumulate	Naval Seth
22-Jun-17	511	580	12m	Accumulate	Naval Seth
10-May-17	516	580	12m	Accumulate	Naval Seth
09-Mar-17	517	580	12m	Accumulate	Naval Seth
20-Feb-17	529	580	12m	Accumulate	Naval Seth
25-Jan-17	498	506	12m	Hold	Naval Seth
24-Nov-16	439	500	12m	Hold	Naval Seth
25-Oct-16	514	546	12m	Hold	Naval Seth
01-Sep-16	535	546	12m	Accumulate	Naval Seth
27-Jul-16	488	505	12m	Buy	Naval Seth
27-Jul-16	488	505	12m	Buy	Naval Seth
29-Jun-16	445	475	12m	Buy	Naval Seth
11-May-16	448	475	12m	Buy	Naval Seth
10-Feb-16	379	475	12m	Buy	Naval Seth
18-Jan-16	394	450	12m	Buy	Naval Seth

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

Completed Date: 16 Jan 2019 01:16:40 (SGT)

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