

# GOLDMINE STOCKS PVT. LTD

## Research Division

Member: National Stock Exchange of India Ltd,  
Bombay Stock Exchange Ltd.

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## ZEE Entertainment Enterprises Ltd [30/03/2013]

Rs.Cr.

Equity	95.90
Reserves	3334.90
Acc.Dep	185.60
Debt	24.00
FV	1.00
Exp.NP	850.00
Cash Pr.	900.00
EPS	8.86
CEPS	9.38
Debt:Equi	0.01
Book Value	44.64
Cash Book Value	47.09
M.Price	210.75
M.Cap	20210.93
P/E	23.78
Dividend Expected	2.25
Dividend Yield (%)	1.07
Total Worth	3616.40
Sales	4000.00

### Shareholding Pattern

Promoters	43.36
FII	37.53
Institutions	11.44
Corp.Bodies	4.86
Public	2.81

**Background:** Zee Entertainment Enterprises was established in 1992 as Zee TV. Subsequently, there were a few demergers. But the company remains the only major integrated all round player in the Television Entertainment business. The group currently operates around 30+ channels and has footprints across 168 countries entertaining 65 crore viewers globally. The company has presence in South East Asia, Middle East, Europe and US. The company presents entire gamut of entertainment programmes like serials, daily soaps, comedy shows, reality shows, dance and talent exhibition shows, movies, sports, news, knowledge on history, geography, animal, bird and plant world, cartons. The company is also into movie production. DTH platform introduced through Dish TV.

The company has an extensive library of 100000 hours of television content and have rights to more than 3000 movie titles from foremost studios and iconic film stars. The revenues mix in 2011-2012 was Rs 1580 crores from advertisement and Rs 1320 crores through subscription revenues. The company has negligible debt and is almost debt free. The company enjoys 24% EBITDA margin and around 19% PAT margin.

Zee is one of the top 50 brands of India.

**Future Growth Triggers:** Recently the company has procured landing rights in China. This will give it access to the world's largest populated country with population of over 130 crores.

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Digitisation will be the biggest driver for the industry. As per the FICCI KPMG report, the Indian Television industry will grow from Rs 32900 crores to around Rs 73500 crores in the next five years, which is around 2.25 times. Private sector media companies will be the biggest beneficiaries of digitisation programme and may be able to have much higher subscription revenue growth. We expect subscription revenues for most frontline private channels to go up by 4 times in the next five years. This will also lead to higher advertisement revenues.

The company has produced few movies but those produced have got good success. Gaddar, Ek Prem Katha, Gulaal and Oh my God were great successes. Zee may produce more movies in future looking at the success ratio.

**Risks:** The company is trading at a P/E of around 25-26 and is priced to perfection. We feel that though the growth looks more or less assured, investors should wait for overall markets to correct and then try to buy the stock as cheap as possible. We feel that a price of Rs 160-165 should be very ideal and from those levels, the risks would be much lower. The entire entertainment industry has very heavyweight international players like Star, Sony etc. Zee is the only listed player and hence even if Star and Sony may look better brands to buy in the Media and Entertainment business, we are left with no choice. May be post digitisation drive, Sony may get listed on the Indian bourses. The stock quoted at Rs 1450-1500 in 2000 IT and Media boom. Thereafter it came down sharply. A few demergers were done but still the stock is way below its all time high.

**Technical and Comments:** The stock is above all its moving averages except its 21 day moving average. We feel that the stock is fairly valued and investors can just buy 10% of his planned investment in the stock at current prices and wait for the overall markets to decline. Once that happens, one can bottom fish in Zee Entertainment stock. An ideal situation would be to buy the stock at around Rs 160-165 levels. However we are not sure whether those prices will come up in the next few months or not. So buy in a systematic way, hoping that the stock price will correct and give good opportunity to enter. We expect stock price to move up to Rs 325-350 levels in the next couple of years.

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