India Equity Analytics

Results Preview Q4FY19- Logistics & Others

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Mahindra Logistics Ltd

MAHLOG IN

Logistics

CMP	**519**
Target	**622**
Upside	**20%**
Rating	**BUY**

	FY17*	FY18	FY19E	FY20E
Roe%	13%	15%	18%	21%
Roce%	17%	23%	27%	32%
P/E	65.3	53.7	41.3	29.2
P/B	8.6	8.2	7.5	6.2
EV/Ebdita	38.1	28.0	23.1	16.7

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
SCM	2,372	3,076	3,505	4,365	807	881	957
PTS	295	340	388	435	86	100	100
Sales	2,667	3,416	3,894	4,800	893	981	1,057
Sales Gr	*29%*	*28%*	*14%*	*23%*	*23%*	*17%*	*18%*
Ebdita	76	120	157	215	38	36	47
Ebdita Gr	*46%*	*57%*	*31%*	*37%*	86%	22%	*24%*
Net Profits	46	64	89	127	20	19	27
Profit Gr%	*25%*	*40%*	*40%*	*42%*	*72%*	*29%*	*32%*
Ebdita Margin%	2.9%	3.5%	4.0%	4.5%	4.2%	3.7%	4.4%
Net Profit Margin%	1.7%	1.9%	2.3%	2.6%	2.3%	2.0%	2.6%

Conso/Fig in Rs Cr

- Revenue growth in Q4FY19 is expected to be around 18% on the back of strong performance in both the segments - SCM segment is expected to grow by 19% YoY due to higher growth in warehousing revenue in Non M&M side post several client wins. PTS segment is expected to remain flat QoQ but is expected to grow by 16% YoY due to base effect.
- Q3FY19 witnessed some marquee client wins - including Gulf Oil - a lubricant manufacturing & marketing company, a multinational beverage group, a global telecom equipment manufacturer, a global construction equipment manufacturer, a leading non-ferrous manufacturer.
- EBITDA margins are expected to be around 4.4% in Q4FY19 with FY19 margins at 4% as against 3.5% in FY18 (in line with management guidance of 50 bps margin expansion annually).
- PAT is expected to grow by 32% in Q4FY19 on the back of EBITDA margins improvement.
- Management has guided a 0.5mn addition in warehousing space in Q4FY19. We expect another 2.2mn sq ft to be added in FY20 (as against 1.8mn sq ft in FY19). MAHLOG is targeting to increase the size of large warehouses from 3 lac sq ft to 3 mn sq ft in the next 3 years.
- Management believes that freight forwarding business of MAHLOG has the potential to contribute 10-12% of the total revenue from the current 5-6% in the medium term.
- Management has guided for INR 6,000cr revenue by FY21 (CAGR of 25% over FY18-21) with 0.5% EBITDA margin expansion annually on the back of higher share of warehousing to the total revenue.

Key Trackable this Quarter

- Addition of Marquee Clients and Increase in Warehousing Space
- Share of warehousing revenue in the SCM segment
- EBITDA margins trend

We value the stock 35x FY20e EPS. BUY

Container Corporation Of India Ltd

CCRI IN

Logistics

CMP	**534**
Target	**587**
Upside	**10%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	10%	11%	12%	14%
Roce%	10%	12%	14%	16%
P/E	28.1	28.8	27.2	22.7
P/B	2.7	3.2	3.3	3.1
EV/Ebdita	16.9	18.1	16.0	13.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Standalone Volume (in 000 TEUs)							
EXIM	2,642	3,002	3,245	3,635	797	786	816
Domestic	461	530	584	643	154	140	163
Standalone Segment Revenue							
EXIM	4,518	4,851	5,407	6,190	1,254	1,301	1,407
Domestic	1,088	1,319	1,438	1,587	379	357	391
Sales	5,606	6,167	6,845	7,777	1,632	1,657	1,798
Sales Gr	*-5%*	*10%*	*11%*	*14%*	*2%*	*1%*	*10%*
Ebdita	1,247	1,483	1,816	2,161	425	418	504
Ebdita Gr	*-7%*	*19%*	*22%*	*19%*	*-14%*	*-6%*	*18%*
Net Profits	858	1,049	1,195	1,431	291	275	331
Profit Gr%	*-10%*	*22%*	*14%*	*20%*	*-13%*	*-5%*	*14%*
Ebdita Margin%	22.2%	24.0%	26.5%	27.8%	26.0%	25.2%	28.0%
Net Profit Margin%	15.3%	17.0%	17.5%	18.4%	17.9%	16.6%	18.4%

Std/Fig in Rs Cr

❑ EXIM revenue is expected to grow by 12.2% YoY despite a tepid 2.5% volume growth YoY. However, realizations are expected to improve by 9.5% YoY to INR 17,234 due to lower base & price hike of INR 1,500 taken in H1FY19. As per trade data, exports / imports grew by 14.3% / 8% in Jan-Feb of Q4FY19.

❑ Domestic volumes are expected to grow by 5.4% YoY while realizations are expected to fall by 2.2% YoY as competitive ability of road has gone up post correction in fuel prices.

❑ EBITDA margins are expected to improve by 250bps YoY to 26.5% in FY19 as CONCOR continues to witness efficiency gains due to higher double stacking (2346 trains in 9MFY19 as against 1,504 trains in 9MFY18) & improvement in rail freight margin.

❑ Capex is expected to be around INR 800-1000cr in FY19. Management has guided for an increase in terminal network from 79 in FY18 to 90 in FY19 (82 in Q3FY19) & 100 in FY20.

❑ Management is targeting a revenue of INR 12,000cr & 7,000 (000's) TEUs by FY21 on the back of foray into 3PL logistics, coastal shipping venture.

❑CONCOR started its coastal shipping venture in January 2019 with 2 vessels (capacity of 700 containers each) on a weekly basis. Company also marked its entry into asset light 3PL logistics business with its 1st Distribution Logistics Centre at Ennore, Chennai.

❑ Meanwhile, CONCOR is also exploring the overseas market by participating in tender based bidding process for IDC business in Egypt, involving a capital outlay of 35mn USD.

Key Trackable this Quarter

❑ Growth in Double Stacking & guidance for FY20

❑ EXIM & Domestic Realizations

We value the stock 25x FY20e EPS. ACCUMULATE

TCI Express Ltd

TCIEXP IN

Logistics

CMP	**725**
Target	**760**
Upside	**5%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	26%	32%	31%	31%
Roce%	32%	39%	41%	43%
P/E	40.4	31.2	37.7	28.6
P/B	9.4	8.8	10.4	7.9
EV/Ebdita	24.8	20.3	23.4	17.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume Growth %		14.0%	15.7%	14.8%	18.2%	11.0%	11.7%
Sales	750	885	1,044	1,241	249	263	287
Sales Gr	*13%*	*18%*	*18%*	*19%*	*23%*	*15%*	*15%*
Ebdita	62	91	120	158	28	31	35
Ebdita Gr	*13%*	*46%*	*33%*	*31%*	*53%*	*29%*	*23%*
Net Profits	37	58	74	97	18	19	22
Profit Gr%	*29%*	*56%*	*26%*	*32%*	*50%*	*21%*	*23%*
Ebdita Margin%	8.3%	10.2%	11.5%	12.7%	11.4%	11.8%	12.2%
Net Profit Margin%	5.0%	6.6%	7.0%	7.8%	7.1%	7.1%	7.7%

Std/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 14.9% on the back of 11.7% volume growth. Volume growth in Q4FY19 is expected to soften compared to 15.3% in 9MFY19 primarily due to high base. Q3FY19 saw a higher addition of clients in the SME space.

❑ With diesel fuel surcharge clause in 80% of the client contracts (100% from April 2019), TCIEXP will continue to maintain its gross margins. Further, cost rationalisation efforts for operating expenses & employee cost along with higher capacity utilization (86% in Q3FY19 as against 80% in FY16) to continue driving EBITDA margin expansion by 80 bps YoY and 40 bps QoQ in Q4FY19.

❑ PAT is expected to grow by 23.3% to INR 22cr in Q4FY19 on the back of EBITDA margin improvement.

❑ TCIEXP has acquired 7.7% stake in Uketoru Co Ltd, a Japanese company in express B2C technology business for 20mn Yen. Uketoru, incorporated in April 2015 had revenues of 0.32mn / 1.36mn Yen in FY17 / 18.

❑ Management is on track to achieve its 5 year capex plan of INR 400cr embarked in FY18. Capex is expected to be around INR 70cr & 80cr in FY19 and FY20 respectively.

❑ TCIEXP has opened 50 new branches in 9MFY19 by expanding its presence in Tier 2 & 3 cities. Management is targeting to double revenues in the next 4 years by increasing the branch network to 1000 by FY20 from 650 in FY18.

Key Trackable this Quarter

❑ Revenue & Volume Growth Guidance

❑ Increase in capacity of sorting centres

We value the stock 30x FY20e EPS. ACCUMULATE

INOX Leisure Limited

INOL IN

Others

CMP	**325**
Target	**396**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6%	17%	13%	13%
Roce%	7%	13%	19%	18%
P/E	90.0	22.2	27.5	22.6
P/B	5.0	3.8	3.5	3.0
EV/Ebitda	20.9	13.4	11.3	9.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Number of Screens	472	492	574	654	492	557	574
ATP (Net)	139	150	157	164	150	159	164
SPH (Net)	53	57	70	78	62	70	69
Admits (in Cr)	5.37	5.33	6.04	6.48	1.26	1.53	1.58
Revenue Streams							
NBOC	748	802	950	1,062	190	243	259
F&B	284	306	421	508	78	106	109
Advertising	96	139	179	201	33	56	45
Others	92	101	103	118	23	28	27
Sales	1,221	1,348	1,653	1,889	324	433	440
Sales Gr	*5%*	*10%*	*23%*	*14%*	*12%*	*33%*	*36%*
Ebdita	145	207	294	329	42	84	83
Ebdita Gr	*-23%*	*43%*	*42%*	*12%*	*77%*	*80%*	*97%*
Net Profits	31	115	121	147	58	36	36
Profit Gr%	*-62%*	*274%*	*6%*	*21%*	*-*	*177%*	*-38%*
Ebdita Margin%	11.9%	15.4%	17.8%	17.4%	13.0%	19.3%	18.8%
Net Profit Margin%	2.5%	8.5%	7.3%	7.8%	17.8%	8.4%	8.1%

Conso/Fig in Rs Cr

❑ NBOC is expected to grow by 36.8% YoY driven by a 25.1% YoY growth in Admits to 1.58cr & 9.4% YoY growth in ATP (net) from 150 to 164. This is primarily on account of GST rate cut on movie tickets & better content. As per Box Office India, collections in Q4FY19 (12 weeks) stood at INR 1180cr (INR 953cr in Q4FY18). Also, collections from top Tollywood movies this quarter stood at INR 627cr (INR 515cr in Q4FY18).

❑ F&B revenue is expected to grow by 39.7% YoY led by 25.1% YoY growth in admits & 11.7% YoY growth in SPH (net) from 62 to 69. Advertising revenue is expected to grow by 36.8% YoY due to higher ad inventory YoY & higher ad rates.

❑ EBITDA margins are expected to improve by 580bps YoY to 18.8% in Q4FY19 as occupancy levels improve due to better content with higher contribution from F&B and advertising revenue.

❑ PAT degrowth of 38% YoY is mainly due to tax reversal of INR 47cr of earlier years in the base quarter.

❑ New Screen addition - INOXLEISUR is expected to add another 80 screens in FY20 post addition of 82 screens in FY19.

❑ The outside food matter is currently subjudice, with no date fixed for hearing in the Supreme Court. However, Industry is reasonably confident that they have a very good case as Maharashtra government has supported the exhibitors and J&K order has been stayed by the Apex Court.

Key Trackable this Quarter

❑ Guidance for Screen addition

❑ Occupancy ratio %, ATP & SPH growth

We value the stock 12x FY20e EV/EBITDA. BUY

PVR Limited

PVRL IN

Others

CMP	**1657**
Target	**1955**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10%	12%	15%	13%
Roce%	10%	14%	16%	16%
P/E	69.6	45.5	42.0	34.9
P/B	6.9	5.3	6.2	4.6
EV/Ebitda	23.6	15.6	14.3	11.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Number of Screens	579	625	763	853	625	748	763
ATP (Net)	148	164	166	171	164	166	168
SPH (Net)	73	80	86	89	83	84	87
Admits (in Cr)	7.53	7.61	10.83	13.09	1.90	2.57	2.61
Revenue Streams							
NBOC	1,117	1,248	1,622	1,962	312	425	438
F&B	551	608	841	1,028	157	217	226
Advertising	245	295	359	450	72	112	94
Others	206	184	235	228	43	89	51
Sales	2,119	2,334	3,057	3,667	585	843	809
Sales Gr	*15%*	*10%*	*31%*	*20%*	*21%*	*51%*	*38%*
Ebdita	314	402	580	696	94	164	154
Ebdita Gr	*7%*	*28%*	*44%*	*20%*	*102%*	*64%*	*63%*
Net Profits	96	125	184	229	26	52	47
Profit Gr%	*-3%*	*30%*	*48%*	*25%*	*52500%*	*79%*	*80%*
Ebdita Margin%	14.8%	17.2%	19.0%	19.0%	16.1%	19.5%	19.0%
Net Profit Margin%	4.5%	5.3%	6.0%	6.2%	4.5%	6.1%	5.8%

Conso/Fig in Rs Cr

❑ NBOC is expected to grow by 40.1% YoY driven by a 37.3% YoY growth in Admits to 2.61cr & a 2% YoY growth in ATP (net) from 164 to 168. This is primarily due to GST rate cut on movie tickets & lower base on account of SPI acquisition in August 2018. As per Box Office India, collections in Q4FY19 (12 weeks) stood at INR 1180cr (INR 953cr in Q4FY18). Also, collections from top Tollywood movies this quarter stood at INR 627cr (INR 515cr in Q4FY18).

❑ F&B revenue is expected to grow by 44.2% YoY lead by a 37.3% YoY growth in admits & 5% YoY growth in SPH (net) from 83 to 87.

❑ Advertising revenue is expected to grow by 30.8% YoY due to higher ad inventory YoY & higher ad rates. Other operating revenues are expected at INR 51cr post the revised deal with online ticketing aggregators in August 2018.

❑ EBITDA margins are expected to improve by 290bps YoY to 19% in Q4FY19 as occupancy levels improve due to better content with higher contribution from F&B and advertising revenue.

❑ New Screen addition - PVR is expected to add another 90 screens in FY20 post addition of 138 screens (68 screens from SPI acquisition) in FY19.

❑ The outside food matter is currently subjudice, with no date fixed for hearing in the Supreme Court. However, Industry is reasonably confident that they have a very good case as Maharashtra government has supported the exhibitors and J&K order has been stayed by the Apex Court.

Key Trackable this Quarter

❑ Guidance for Screen addition

❑ Occupancy ratio %, ATP & SPH growth

We value the stock 14x FY20e EV/EBITDA. BUY

SIS (India) Ltd

SECIS IN

Others

CMP	**846**
Target	**1087**
Upside	**28%**
Rating	**BUY**

	FY17*	FY18	FY19E	FY20E
Roe%	17%	16%	17%	22%
Roce%	14%	16%	14%	20%
P/E	61.8	50.6	30.4	19.5
P/B	10.3	8.0	5.2	4.3
EV/Ebitda	26.4	26.0	17.1	11.8

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
Security-India	1,595	2,144	2,682	3,462	570	723	771
Security-Australia	2,396	3,019	3,509	4,295	841	863	953
Facilities Mngt.	577	671	968	1,420	182	251	297
Segment EBITDA Margin %							
Security-India	6.4%	6.9%	5.5%	5.8%	6.6%	5.8%	6.0%
Security-Australia	4.3%	4.3%	4.3%	4.9%	4.6%	4.6%	4.8%
Facilities Mngt.	3.8%	5.1%	6.8%	7.9%	5.9%	6.5%	7.1%
Sales	4,567	5,833	7,159	9,178	1,592	1,837	2,020
Sales Gr	*19%*	*28%*	*23%*	*28%*	*29%*	*19%*	*27%*
Ebdita	221	312	363	522	87	98	113
Ebdita Gr	*70%*	*41%*	*16%*	*44%*	33%	16%	*31%*
Net Profits	91	162	204	319	33	59	61
Profit Gr%	*109%*	*79%*	*26%*	*56%*	*-40%*	*25%*	*83%*
Ebdita Margin%	4.8%	5.3%	5.1%	5.7%	5.4%	5.3%	5.6%
Net Profit Margin%	2.0%	2.8%	2.9%	3.5%	2.1%	3.2%	3.0%

Conso/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 27% YoY.

Security-India segment is expected to grow by 35.3% YoY driven by 19% organic growth & consolidation of Uniq & SLV.

Security-Australia segment is expected to grow by 13.3% YoY with a 9.4% organic growth & consolidation of P4G & Henderson.

Facility Management is expected to continue with its growth momentum (63% YoY) with an organic growth of 51% YoY (INR 91cr monthly run rate in December 2018) & consolidation of Rare Hospitality (in Healthcare space-One of the largest FM verticals).

❑ EBITDA margins are expected to improve by 27bps QoQ to 5.4% in Q4FY19 as contribution of higher margins facility management segment to total revenue increases, consolidation of margin accretive Henderson acquisition (11%) & operational efficiency post training expenses in H1FY19.

❑ Cash Logistics Industry structure is seeing consolidation with elimination of MSPs. Cash Logistics segment (accounted using the Equity Method) is expected to achieve breakeven in FY20.

❑ SIS made two acquisitions in Q4FY19 - 60% in Henderson based out of Singapore having annual revenues of SGD 58mn in FY17 for SGD 43mn & 51% in P4G, a security service provider in New Zealand having annual revenues of NZD 7.8mn in FY18 for NZD 1.34mn.

❑ Henderson acquisition (SGD 43mn funded through debt) will result debt to increase.

Key Trackable this Quarter

❑ Order Wins in Security Services - India & Australia, Facilities Management & expansion of customer base and branch network.

We value the stock 25x FY20e EPS. BUY

Teamlease Services Ltd

TEAM IN

Others

CMP	**3026**
Target	**2848**
Upside	**-6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	16%	17%	19%	20%
Roce%	8%	13%	16%	17%
P/E	28.9	51.7	51.1	38.2
P/B	4.5	8.6	9.5	7.6
EV/Ebitda	40.3	52.4	50.5	37.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Headcount (Gen Staf)	149,902	175,375	210,450	237,809	175,375	205,218	210,450
Segment Revenue							
General Staffing	2,945	3,375	4,067	4,901	883	1,062	1,112
Specialised Staffing	51	183	306	374	73	79	77
Other HR Services	45	66	132	149	22	31	33
Sales	3,041	3,624	4,506	5,425	977	1,172	1,221
Sales Gr	*21%*	*19%*	*24%*	*20%*	*20%*	*28%*	*25%*
Ebdita	37	69	99	131	23	25	30
Ebdita Gr	*44%*	*86%*	*43%*	*33%*	85%	37%	*31%*
Net Profits	58	73	101	135	21	25	29
Profit Gr%	*132%*	*28%*	*38%*	*34%*	*-36%*	*37%*	*38%*
Ebdita Margin%	1.2%	1.9%	2.2%	2.4%	2.3%	2.1%	2.4%
Net Profit Margin%	1.9%	2.0%	2.2%	2.5%	2.2%	2.2%	2.4%

Conso/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 25%. The total headcount of general staffing associates and NETAP trainees in general staffing segment is expected to grow by 20% YoY to around 2,10,000.

❑ Specialized Staffing segment is expected to grow by 5.3%YoY as Telecom is expected to remain flat YoY at INR 44cr while IT staffing is expected to grow by 11%YoY to INR 33cr.

❑ Other HR Services segment is expected to post revenue of INR 33cr largely due to new contract wins. (Revenues of INR 99cr in 9MFY19 as against INR 45cr in 9MFY18).

❑ EBITDA margins are expected to improve by 11bps YoY to 2.44% in Q4FY19 due to improvement in staffing core employee productivity & contribution from the higher margin segments - Specialized Staffing & Other HR Services increases from 6.9% in FY18 to 9.6% in FY20e.

❑ PAT is expected to be higher by 38% in Q4FY19 as TEAMLEASE continues to enjoy nil tax rates due to Section 80JJAA benefit. Tax rate is expected to remain 0% as long as the Section 80JJAA benefit continues on the back of strong growth in headcount.

❑ TEAMLEASE has acquired IT staffing vertical of eCentric at 4.5x of PBT transferred. Annual revenues of INR 45cr in FY18. eCentric is expected to be consolidated from May 2019 onwards.

❑ Management is targeting revenues of INR 14,000cr & PAT margins of 3-4% by FY23. Management is looking to enter Hospitality, Healthcare & Engineering services verticals within the Specialized Staffing segment.

Key Trackable this Quarter

❑ Growth in Headcount & Core Employee Productivity

❑ Management commentary on avenues to achieve INR 14,000 revenue target, potential verticals in specialized staffing segment and their source of funding

We value the stock 36x FY20e EPS. NEUTRAL

Zee Entertainment Enterprises Ltd

Z IN

Others

CMP	**418**
Target	**506**
Upside	**21%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	15%	18%	19%	19%
Roce%	21%	22%	25%	25%
P/E	51.0	40.9	23.7	20.6
P/B	7.6	7.3	4.5	3.8
EV/Ebitda	25.3	25.5	14.2	12.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Viewership Share %	16.0%	17.9%			18.0%	20.2%	
Segment Revenue							
Advertising	3,674	4,205	5,047	5,792	1,050	1,463	1,228
Subscription	2,263	2,029	2,348	2,610	547	618	603
Others	498	452	505	624	129	86	154
Sales	6,434	6,686	7,900	9,025	1,725	2,167	1,985
Sales Gr	*10%*	*4%*	*18%*	*14%*	*13%*	*18%*	*15%*
Ebdita	1,927	2,076	2,659	3,009	506	754	663
Ebdita Gr	*28%*	*8%*	*28%*	*13%*	8%	27%	*31%*
Net Profits	2,221	1,479	1,690	1,944	231	562	416
Adjusted Profits	998	1,344	*1,690*	*1,944*	231	562	416
Adj Profit Gr%	*-6%*	*35%*	*26%*	*15%*	*-85%*	*75%*	*80%*
Ebdita Margin%	29.9%	31.1%	33.7%	33.3%	29.3%	34.8%	33.4%
Adj Net Profit Margin%	15.5%	20.1%	21.4%	21.5%	13.4%	26.0%	20.9%

Conso/Fig in Rs Cr

❑ The continuous improvement in viewership share (from 16% in FY17 to 17.9% in FY18 & further to 20.2% in Q3FY19) has contributed to improvement in earning rates (especially regional channel portfolio). Advertising revenue is expected to grow by 17% YoY.

❑ Despite management revising its FY19/FY20 subscription revenue guidance from low teens to high teens / low teens on the back of content partnership deals signed with telecos, Q4FY19 growth is expected to be around 10.3% due to high base. However, MRP based tariff implementation can lead to some uncertainty in the near term.

❑ Revenue from movies & other businesses is expected to grow by 19.4% in Q4FY19 due to distribution & production of Manikarnika (January 25, 2019 release) & Kesari (March 21, 2019 release). This would lead to an overall revenue growth of 15.1% YoY in Q4FY19.

❑ Despite the higher investments in ZEE5 (6 originals per month in FY20), management continues to maintain its EBITDA margin guidance at 30%+ levels.

❑ Q4FY19 reported profit is expected to grow by 80% YoY to INR 416cr primarily driven by 400bps YoY expansion in EBITDA margins to 33.4% (QoQ down by 140bps).

❑ The uncertainty around the strategic partner for proposed strategic sale of upto 50% by Essel Group by April 2019 will continue to weigh on the company.

Key Trackable this Quarter

❑ All India Viewership Market Share

❑ Updates on ZEE5 - Monthly Active User growth, Average Time Spend per day, number of ZEE5 original releases, further investments & its performance

We value the stock 25x FY20e EPS. HOLD

Zee Media Corporation Ltd

ZEEN IN

Others

CMP	**18**
Target	**24**
Upside	**31%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	-3%	4%	11%	15%
Roce%	13%	9%	16%	22%
P/E	N/A	64.5	9.7	6.1
P/B	3.0	2.7	1.1	0.9
EV/Ebitda	11.0	13.6	1.9	1.0

N/A - Loss in FY17

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Viewership (in mn)	1,181	1,371			328	350	
Segment Revenue							
Advertising	373	511	650	823	154	176	188
Subscription	47	47	50	55	13	13	13
Others	31	20	24	27	13	6	6
Sales	450	578	724	905	180	194	207
Sales Gr	*-17%*	*28%*	*25%*	*25%*	*12%*	*22%*	*15%*
Ebdita	100	104	195	277	20	58	60
Ebdita Gr	*27%*	*4%*	*87%*	*42%*	-23%	55%	*198%*
Net Profits	(16)	28	108	138	4	27	27
Adjusted Profits	(16)	28	87	138	4	27	27
Adj Profit Gr%	*-1096%*	*LP*	*212%*	*59%*	*-17%*	*123%*	*506%*
Ebdita Margin%	22.2%	18.0%	26.9%	30.6%	11.2%	29.9%	29.1%
Adj Net Profit Margin%	-3.6%	4.8%	12.0%	15.3%	2.5%	14.0%	13.1%

LP - Loss to Profit

Conso/Fig in Rs Cr

❑ Q4FY19 Revenue growth is expected to taper down to around 14.9% as against 30% in 9MFY19 due to higher base. Media Industry is witnessing an upsurge in earning rates on the back of higher viewership due to election phase (25-50% increase in H1FY19).

❑ As per tracking firm Centre for Media Studies, the election exercise as a whole will cost a record INR 50,000 cr ($7 billion) as against an estimated $5 billion in 2014.

❑ EBITDA margins are expected to expand to 29.1% as against 11.2% in Q4FY18 due to operating leverage, loss making Ez Mall in Q4FY18 (sold in Q1FY19) & higher earning rates.

❑ PAT is expected to be INR 27cr as against INR 4cr in Q4FY18 as loss making E-commerce business is exited (EBIT of INR -14cr & INR -28cr in Q4FY18 & FY18 respectively) In FY19, PAT includes exceptional gain of INR 21cr on the sale of E-commerce business accrued in Q1FY19.

❑ Management has guided for a 25-30% revenue growth over FY18-21 (primarily ad revenues) with 22-25% EBITDA margins in FY19. After which, margins are expected to expand beyond 25% on the back of turnaround in loss making channels & increase in higher margin event business.

❑ The excess leverage at promoter level & its consequent impact on Essel group entities led to sharp correction in share price of ZEEMEDIA. However, proposed strategic sale of upto 50% in ZEEL by April 2019 along with the sale of infra & road assets by Essel Group will address the promoter level debt issues.

Key Trackable this Quarter

❑ Viewership & market share of channels

❑ Expanion of WION in additional geographies & commentary on its potential breakeven

We value the stock 8x FY20e EPS. HOLD

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Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL

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