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India | Equity Research | Results Update

Zee Entertainment

Media

Subscription growth rebounds but ad recovery still elusive; plans to carve out music biz

In Q2FY26, ZEEL's advertising revenue declined 10.6% YoY but improved 6.3% QoQ, supported by early signs of recovery in FMCG ad spends. Management highlighted GST cuts and festive tailwinds have been driving this uptick, which should support near-term momentum. Subscription revenue grew 4.2% QoQ/5.5% YoY, driven by 31.5% YoY growth in affordable regional language packs. TV market share gains and improved ratings from new shows remained key positives for linear TV segment. Management plans to carve out music business which could be a key positive for investors. While the stock remains inexpensive at CMP, we believe a tangible recovery in ad income could be crucial for re-rating.

Q2FY26 performance review

ZEEL's overall ad revenue was up 6.3% QoQ/down 10.6% YoY to INR 8.0bn. Domestic ad revenue grew 7.5% QoQ/down 12.3% YoY to INR 7.1bn. Subscription revenue grew 4.2 QoQ/5.5% YoY in Q2FY26 to INR 10.2bn. ZEEL's consolidated revenue was up 7.9% QoQ/down 1.6% YoY to INR 19.7bn, 1.5% lower than our estimate.

Employee expenses declined 2.7% QoQ/5.8% YoY to INR 2.1bn. EBITDA was INR 1.5bn (down 35.8% QoQ/54.4% YoY). EBITDA margin was 7.4%, (down 506 bps QoQ/860bps YoY). ZEEL reported consolidated profit of INR 765mn.

ZEE5 Q2FY26 performance review

ZEE5's revenue was up 7.2% QoQ/31.5% YoY to INR 3.1bn, as EBITDA loss reduced to INR 312mn in Q2FY26 (vs. INR 658n in Q1FY26). 26 shows and movies were released during Q2FY26.

Management commentary

Management highlighted that domestic advertising revenue declined by 12.3% YoY due to a slowdown in FMCG spending. However, management added company is witnessing early signs of recovery in FMCG ad spends in Q3FY26-TD, supported by GST cuts and festive demand tailwinds, which should bode well for near-term performance.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	82,941	86,826	93,996	99,888
EBITDA	11,962	14,644	16,870	19,001
EBITDA Margin (%)	14.4	16.9	17.9	19.0
Net Profit	6,874	8,087	9,549	10,954
EPS (INR)	7.2	8.4	10.0	11.4
EPS % Chg YoY	55.4	9.0	18.1	14.7
P/E (x)	14.1	13.0	11.0	9.6
EV/EBITDA (x)	6.9	5.6	4.7	3.9
RoCE (%)	7.2	7.7	8.7	9.6
RoE (%)	6.8	7.0	7.8	8.4

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Market Data

Market Cap (INR)	105bn
Market Cap (USD)	1,194mn
Bloomberg Code	Z IN
Reuters Code	ZEE.BO
52-week Range (INR)	152 /89
Free Float (%)	96.0
ADTV-3M (mn) (USD)	12.9

Price Performance (%)	3m	6m	12m
Absolute	(24.2)	(2.9)	(15.2)
Relative to Sensex	(25.2)	(11.3)	(17.6)

ESG Score	2023	2024	Change
ESG score	70.8	66.3	(4.5)
Environment	54.2	61.8	7.6
Social	75.5	73.4	(2.1)
Governance	74.3	64.0	(10.3)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

09-05-2025: [Q4FY25 results review](#)

24-01-2025: [Q3FY25 results review](#)

Management acknowledged it will be challenging to achieve its earlier ad revenue growth guidance of 6–8% YoY. Management remains optimistic on H2FY26, expecting an uptick in ad revenue driven by improved ratings from the launch of new shows.

Management noted that subscription growth was led by ZEE5, supported by the launch of affordable language-specific packs across seven languages. While linear TV subscription remains stagnant, the company's linear TV market share improved to 17.8%, up 100bps QoQ. Other sales and services were driven by higher syndication revenue during Q2. Programming and advertising expenses rose on account of launching non-fiction content and two new GEC channels. Management clarified that these are growth-oriented and largely non-recurring investments, and the associated costs are not expected to continue in upcoming quarters. Management also stated that it plans to carve out the music business.

Valuation

We maintain **BUY** with TP of INR 185, based on 20x one-year forward P/E multiple (FY27E). Key risks: Slower recovery in ad/subscription revenue, and slower execution of cost optimisation measures.

Exhibit 1: Q2FY26 review

INR mn	Q2FY26	Q1FY26	Q2FY25	QoQ(%)	YoY(%)	vs lsec	Diff. (%)
Total income	19,692	18,248	20,007	7.9	-1.6	20,000	-1.5
Total advertising	8,063	7,585	9,017	6.3	-10.6	8,000	0.8
Total subscription	10,230	9,817	9,699	4.2	5.5	10,500	-2.6
Others sales	1,399	846	1,291	65.4	8.4	1,500	-6.7
Cost of revenues	10,780	9,710	10,615	11.0	1.6	11,450	-5.9
% of revenue	54.7	53.2	53.1			57.3	
Gross profit	8,912.0	8,538.0	9,392.0	4.4	-5.1	8,550.0	4.2
Gross profit margin (%)	45.3	46.8	46.9			42.8	
Employee cost	2,142	2,201	2,275	-2.7	-5.8	2,300	-6.9
% of revenue	10.9	12.1	11.4			11.5	
Other expenses	1,615	1,305	1,314	23.8	22.9	1,200	34.6
% of revenue	8.2	7.2	6.6			6.0	
Ad and publicity expenses	3,691	2,752	2,593	34.1	42.3	3,800	-2.9
% of revenue	18.7	15.1	13.0			19.0	
Total expenses	18,228	15,968	16,797	14.2	8.5	18,750	-2.8
EBITDA	1,464	2,280	3,210	-35.8	-54.4	1,250	17.1
EBITDA margin (%)	7.4	12.5	16.0			6.3	
Depreciation	571	591	732	-3.4	-22.0	639	-10.6
EBIT	893	1,689	2,478	-47.1	-64.0	611	46.2
EBIT margin (%)	4.5	9.3	12.4			3.1	
Other income	264	250	337	5.6	-21.7	362	-27.1
Finance cost	130	77	83	68.8	56.6	81	60.5
PBT	1,153	1,971	2,754	-41.5	-58.1	1,017	13.4
Tax expenses	389	535	769			734	
ETR (%)	33.7	27.1	27.9			72.2	
Exceptions	-	-	(109)			-	
Minority	1.0	1.0	1.0			1.0	
PAT after minority	765	1,437	2,095	-47	-63	284.0	169.4
Net profit margin (%)	3.9	7.9	10.5			1.4	

Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	4.0	4.0	4.0
Institutional investors	38.1	38.8	41.8
MFs and others	11.5	9.5	10.5
FIs/Banks	0.3	0.4	0.5
Insurance	6.2	6.1	5.9
FIIIs	20.1	22.8	24.9
Others	57.9	57.2	54.2

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	82,941	86,826	93,996	99,888
Operating Expenses	25,807	25,346	26,891	28,005
EBITDA	11,962	14,644	16,870	19,001
EBITDA Margin (%)	14.4	16.9	17.9	19.0
Depreciation & Amortization	2,785	4,427	4,683	4,924
EBIT	9,177	10,216	12,187	14,077
Interest expenditure	327	343	361	379
Other Non-operating Income	1,393	1,296	1,360	1,429
Recurring PBT	10,243	11,169	13,187	15,127
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	2,387	3,081	3,638	4,173
PAT	7,856	8,087	9,549	10,954
Less: Minority Interest	4	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	6,870	8,087	9,549	10,954
Net Income (Adjusted)	6,874	8,087	9,549	10,954

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	1,06,614	1,08,534	1,16,526	1,25,407
of which cash & cash eqv.	12,500	12,403	15,071	20,225
Total Current Liabilities & Provisions	18,003	18,715	19,574	20,215
Net Current Assets	88,611	89,819	96,952	1,05,191
Investments	11,947	11,947	11,947	11,947
Net Fixed Assets	6,742	11,367	11,716	12,077
ROU Assets	-	-	-	-
Capital Work-in-Progress	14	531	561	589
Total Intangible Assets	3,304	3,304	3,304	3,304
Other assets	4,619	4,850	5,092	5,347
Deferred Tax Assets	-	-	-	-
Total Assets	1,15,237	1,21,817	1,29,571	1,38,455
Liabilities				
Borrowings	1,580	1,580	1,580	1,580
Deferred Tax Liability	(4,101)	(4,101)	(4,101)	(4,101)
provisions	-	-	-	-
other Liabilities	2,424	2,545	2,672	2,807
Equity Share Capital	961	961	961	961
Reserves & Surplus	1,14,373	1,20,832	1,28,459	1,37,208
Total Net Worth	1,15,334	1,21,793	1,29,420	1,38,169
Minority Interest	-	-	-	-
Total Liabilities	1,15,237	1,21,817	1,29,571	1,38,455

Source Company data, I-Sec research

Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Dec-25	Mar-25	Jun-25	Sep-25
Net Sales	19,788	21,841	18,248	19,692
% growth (YOY)	(3.3)	0.7	(14.3)	(1.6)
EBITDA	3,184	2,852	2,280	1,464
Margin %	16.1	13.1	12.5	7.4
Other Income	345	362	250	264
Net profit	1,635	1,886	1,436	765

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	11,860	10,252	8,760	11,737
Working Capital Changes	739	(1,311)	(4,471)	(3,091)
Capital Commitments	(863)	(9,569)	(5,061)	(5,314)
Free Cashflow	12,723	19,821	13,821	17,051
Other investing cashflow	(15,158)	1,192	1,251	1,314
Cashflow from Investing Activities	(16,021)	(8,378)	(3,809)	(4,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(961)	(1,628)	(1,922)	(2,205)
Others	1,217	(343)	(361)	(378)
Cash flow from Financing Activities	228	(1,972)	(2,283)	(2,582)
Chg. in Cash & Bank balance	(3,933)	(97)	2,668	5,154
Closing cash & balance	7,218	12,403	15,071	20,225

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	7.7	8.4	10.0	11.4
Adjusted EPS (Diluted)	7.2	8.4	10.0	11.4
Cash EPS	10.6	13.0	14.8	16.5
Dividend per share (DPS)	2.4	1.7	2.0	2.3
Book Value per share (BV)	120.1	126.8	134.7	143.9
Dividend Payout (%)	31.4	20.1	20.1	20.1
Growth (%)				
Net Sales	(4.0)	4.7	8.3	6.3
EBITDA	31.9	22.4	15.2	12.6
EPS (INR)	55.4	9.0	18.1	14.7
Valuation Ratios (x)				
P/E	14.1	13.0	11.0	9.6
P/CEPS	10.3	8.4	7.4	6.6
P/BV	0.9	0.9	0.8	0.8
EV / EBITDA	6.9	5.6	4.7	3.9
P / Sales	1.3	1.2	1.1	1.1
Dividend Yield (%)	0.0	0.0	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	45.5	46.1	46.6	47.1
EBITDA Margins (%)	14.4	16.9	17.9	19.0
Effective Tax Rate (%)	23.3	27.6	27.6	27.6
Net Profit Margins (%)	9.5	9.3	10.2	11.0
NWC / Total Assets (%)	0.8	0.8	0.7	0.7
Net Debt / Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(1.9)	(1.6)	(1.5)	(1.6)
Profitability Ratios				
RoCE (%)	7.2	7.7	8.7	9.6
RoE (%)	6.8	7.0	7.8	8.4
RoIC (%)	8.0	7.8	9.1	10.2
Fixed Asset Turnover (x)	9.4	12.9	7.9	8.1
Inventory Turnover Days	413	389	376	380
Receivables Days	71	66	65	65
Payables Days	92	80	78	77

Source Company data, I-Sec research

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