

MEDIA Zee Entertainment ₹247.10

See the big picture

Conclusion of merger with Sony Pictures can herald the start of a new episode

HARI VISWANATH
BL Research Bureau

Since our last buy call on Zee Entertainment Enterprises (Zee) in July 2021, the stock is up by around 18 per cent. In the interim it had rallied by as high as 80 per cent, on announcement of merger with Sony Pictures (SPNI) and progress relating to that. The stock has however cooled off since its highs in December 2021. Broader market volatility, arbitrage and tactical investors possibly exiting as benefits relating to merger were getting discounted (while there were still some uncertainties on the deal then) at those high levels in December 2021, and some weakness in quarterly results may have been reasons for correction in the stock from peak levels.

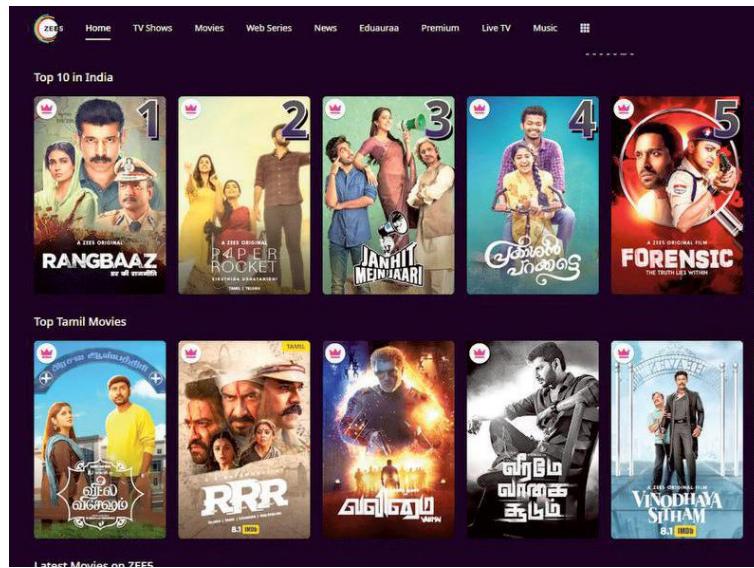
Weakness across the board in media stocks, sensitive to ad revenues that will be impacted in case of any economic slowdown is also a factor.

However, in our view the long-term opportunity for the combined Zee-SPNI remain attractive. This, along with inexpensive valuation of Zee presents an opportunity for investors. The stock currently trades at one-year forward PE of 16.3 times and EV/EBITDA of 10.7 times, versus its five-year average of 19.8 and 12.5 times respectively. Its profitability is currently impacted by its streaming business which is currently loss making, adjusting for that, its valuation multiples would be even cheaper and more attractive.

Based on consensus estimates, its earnings are likely to see strong traction with a FY22-24 EPS CAGR of a solid 28 per cent. These estimates as of now are for the individual company and do not factor the prospects of the combined Zee-SPNI. Scope for growth and profitability is even better as a combined larger company benefits from revenue as well as cost synergies.

Hence investors with a long-term perspective can buy the stock. The stock has good potential to outperform and yield good returns in the long term driven by a combination of valuation re-rating and tapping the business opportunity in the still underpenetrated Indian media sector. Further, Zee has also had some corporate governance overhang in the past due to leverage issues pertaining to promoter group (although they are minority shareholder now with mid-single digit per cent stake). While these promoter-related issues are largely behind and have been addressed well by them, markets still do not appear to be fully convinced and this has also impacted its valuation multiples. This too will get addressed conclusively with the merger as Sony comes on board and becomes the majority shareholder.

However investors must note that a minimum three-year perspective is required before investing as re-rating will happen over a period of time. While conclusion/nearing conclusion (based on getting necessary ap-



provals) of the merger could be a catalyst for some immediate re-rating, successful integration, which will take time, is required to tap the full potential. Further, there may also be impact in the interim from slowdown in global economy, which could have spill-over effects in our domestic economy and markets as well.

Zee management is hopeful of concluding the merger by October (stock exchange approval was received last week).

Prospects for combined company
On conclusion of merger, ZEE-SPNI will become one of the leading entertainment companies in India on par with Star/Disney. The combined entity will have 75 channels and revenue of around \$1.8 billion (around 55 per cent contribution from ZEE). It will have strong presence across different categories of entertainment and sports as well as in regional presence across the country.

Besides traditional television, the combined entity will also have a strong presence in the OTT space and will be much better positioned to take on the likes of Amazon, Netflix, and Disney/Hotstar. The combined company will have a large library of content to tap from. Ever since streaming (as the way to consume entertainment) started becoming a dominant theme, the mantra for success has shifted in favour of 'content+ scale' is king versus the earlier 'content is king'. This is because the streaming business model depends less on advertisement revenue, and more on having a large number of subscribers and keeping them locked-in for many years, preferably forever. The pay-off for the streaming business is more back-loaded as operating leverage

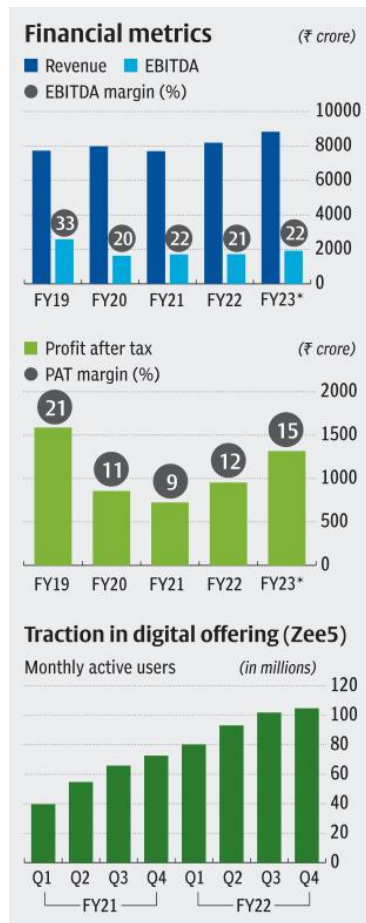
kicks in once the subscriber base reaches a certain scale.

Thus, the merger sets Zee up well for a digital future too.

Recent performance
Zee's operational performance was stable to better during FY22. While its network viewership market share was largely steady at around 17 per cent during the course of the year, it has done well in its streaming business. Monthly active-users for its digital offering scaled up to 105 million in Q4 of FY22 versus, 72.6 million in Q4 of FY21.

For the year, it derived around 55 per cent of revenues from advertising, 40 per cent from subscription (cable/DTH/OTT) and balance from other sources like film production/distribution. For FY22, it reported revenue of ₹8,189 crore, EBITDA of ₹1,722 crore and PAT of ₹956 crore. This represented year-on-year growth of 14.1 per cent, 1 per cent, and 32 per cent respectively.

While revenues rebounded from Covid-impacted FY21, EBITDA was muted as the company focussed on investments in streaming business. The digital business reported negative EBITDA of ₹753 crore (while revenue was at ₹549 crore). This gives an idea of to what extent current earnings are getting suppressed due to investments in digital business (although exact impact may vary depending on inter-segment eliminations at a consolidated level). PAT was better mainly due to the impact of few non-operating items. Consensus expectations is for better performance in FY23 with current estimates implying 8 per cent growth in revenue, 22 per cent in EBITDA and 38 per cent in EPS. This may, of course, change depending on the timing of the merger conclusion.



- Why
- Attractive risk-reward
- Combined entity to be leading player
- Re-rating likely

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WHO AM I?

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Here's a challenge. Using the five clues below, identify the company that is being talked about here

- 1 My corporate name was derived from the mother's name of my founder.
- 2 In the last 15 years since listing, I have delivered more than 100 times return to shareholders, consistently delivered about 30 per cent CAGR over the last 10 years.
- 3 In a country with only 16 per cent women participation in workforce, more than 80 per cent of my employees are women.
- 4 My founder's family has been very enterprising not only in the businesses they were involved but with the geographies explored by most Indian entrepreneurs.
- 5 Though promoters, FIs and public shareholders have been reducing stake thanks to strong stock performance over the last few years, DIs have been lapping up all of them.

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ROADS IRB Infrastructure Developers ₹213.95

Don't change lane for now

Prominent BOT player with good revenue visibility but expensive than peers

VISHAL BALABHADRUNI
BL Research Bureau

The shifting focus of the government towards infrastructure has led to allocation to NHAI to move up two-fold at ₹1.34-lakh crore in the current budget versus previous year's. The target set by the government to construct 25,000 km of highways by FY23 has led to a positive atmosphere for road and infrastructure developers. In the recent years, the pandemic has disrupted the sector by disrupting the availability of labour and/or supply chain disruptions also. However, with the pandemic problem being tackled there is a lesser chance of any disruption which this space can see.

Within this space, IRB infrastructure is a prominent player and is mainly focused on BOT (Build Operate and Transfer) and TOT (Toll Operate and Transfer) projects. The stock is trading at a forward P/E of 18.4x against its five-year average of 11.6x, its peers such as KNR constructions is trading at a forward P/E of 15.5x and PNC Infratech is trading at a forward P/E of 11.1x. The company has received financial closure for two projects from April till date and two projects got appointed in the same period. The revision of toll rates due to inflation is expected to benefit the operational projects and add to the toll collections.

While its prospects look good, new investors can follow a wait-and-watch approach for now due to its premium valuation. Existing investors can continue to hold the stock as of now.

Business and prospects

The company is a major toll developer in the country and its focus is BOT projects. Along with this, it is also involved in TOT projects where government gives an already operational project to private entity on long-term contracts. The company is also involved in HAM (Hybrid Annuity model). This is a model where government puts 40 per cent of equity, whereas 60 per cent equity is put up by the private developer. IRB Group's portfolio (including Private and Public InvIT) comprises 24 projects, which



includes 23 highway projects that further include 18 BOT projects, one TOT project, four HAM projects and an airport project in Sindhadurg District of Maharashtra.

In October 2021, the company raised funds from Cintra (a global infrastructure operator) and GIC (a global investment firm). Cintra was given 24.9 per cent equity in lieu of ₹3,148 crore and GIC was given 16.9 per cent in lieu of ₹2,167 crore. The shares were issued at ₹211.79 per share. The shares are now trading around the same levels now, after initially rallying post the deal. Out of these issue proceeds, ₹3,250-crore worth of company debt has been paid off and now ₹3,000-crore debt remains, which is self-liquidating as specific cashflows are attached to it.

The deal gave a good boost to the company on the leverage front. In FY22, the Net debt to EBITDA came down to 3.32 from 5.07 in FY21 and the Debt/Equity improved to 1.09 from 2.43.

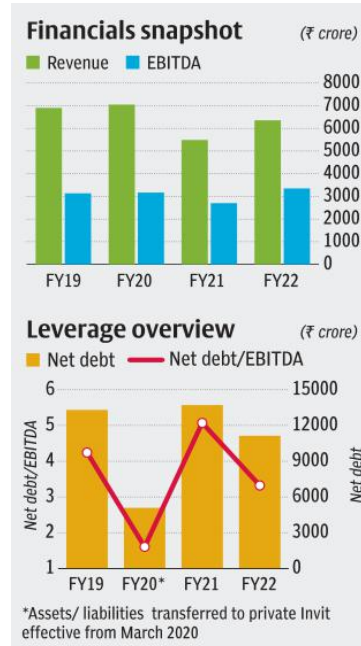
The company has a healthy orderbook as on March 31. It had an orderbook worth ₹16,051 crore, which is 10 per cent higher than March

31, 2021. IRB infrastructure has ₹5,591-crore worth operations and maintenance projects in BOT/TOT projects and the remaining ₹10,459.5 crore in EPC/Construction projects in BOT/HAM. The company has bagged nearly ₹7,600-crore worth projects in FY22. The order book gives around three years of revenue visibility and with the infra push, more projects are expected to come up and growth prospects look decent.

The order to bill ratio of the company for FY22 is 2.76, while it was 2.75 in FY21 which suggests decent execution capability of the company.

Subsequent to last FY results (Q1 FY23 results yet to be reported), the company has received appointed date for Palsit-Dankuni expressway on April 2 and the concession is 17 years. It has also received appointed date for Pathankot-Mandi highway on May 20, with construction period of 730 days and operation period of 15 years.

IRB group has received financial closure for Chitoor Thachur Highway Private Ltd on May 18, which will have a construction period of 730 days and operation period of 15 years. In addition to it, on June 16, the company received financial closure for the Meerut-Budaun expressway which has a traffic-linked concession period of 30 years, extendable for six years.



Recent financials

The total income of the company rose 15.8 per cent at ₹6,355.44 crore. The EBITDA also grew 24 per cent to ₹3,349.42 crore in FY22. The EBITDA margin grew to 57.71 per cent in FY22 from 51 per cent in FY21. The net profit of the company rose around 208.5 per cent to ₹361.3 crore in FY 22 from ₹117.49 crore in FY21. The huge rise in the net profit can be attributed to a combination of improvement in operational performance and the rise in its pre-Covid levels (FY 2019: ₹6,902 crore), while EBITDA has already crossed the pre-Covid levels (FY2019: ₹3132.9 crore).

The total toll collections and HAM proceeds in FY22 was ₹1,827.7 crore and in FY21 it was ₹1,611.2 crore. The toll collections in April were ₹327.4 crore, which grew 5 per cent to ₹343.51 crore in May, and declined 4.2 per cent and settled at ₹329.12 crore in June.

GMR INFR

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W: www.gmrinfra.com (CIN: L45203MH1996PLC281138)

Extract of the Consolidated Financial Results for the quarter ended 30 June 2022 (₹ in Crore)

| Sl. No. | Particulars | Quarter ended | | | Year ended |
|---------|----------------------------------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|
| | | 30 Jun 2022 | 31 Mar 2022 | 30 Jun 2021 | 31 Mar 2022 |
| | | Unaudited | Unaudited | Unaudited | Audited |
| 1 | Total income from operations | 1,641.39 | 1,386.96 | 1,011.14 | 4,959.16 |
| 2 | Net loss for the period from continuing operations (before tax and exceptional items) | (87.02) | (108.19) | (225.13) | (376.35) |
| 3 | Net loss for the period before tax from continuing operations (after exceptional items) | (87.02) | (171.29) | (225.13) | (764.61) |
| 4 | Net loss for the period after tax from continuing operations (after exceptional items) | (112.99) | (128.95) | (180.08) | (752.31) |
| 5 | Net loss for the period after tax from discontinued operations | - | - | (137.83) | (379.08) |
| 6 | Net loss for the period after tax from continuing and discontinued operations (4+5) | (112.99) | (128.95) | (317.91) | (1,131.39) |
| 7 | Total comprehensive income for the respective periods | (475.73) | (472.50) | (351.01) | (1,587.48) |
| 8 | Equity share capital | 603.59 | 603.59 | 603.59 | 603.59 |
| 9 | Earnings per share (of ₹ 1/- each) (for continuing and discontinued operations) Basic and Diluted (in ₹) | (0.23) | (0.24) | (0.42) | (1.70) |

Extract of the Standalone Financial Results for the quarter ended 30 June 2022 (₹ in Crore)

| Sl. No. | Particulars | Quarter ended | | | Year ended |
|---------|----------------------------------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|
| | | 30 Jun 2022 | 31 Mar 2022 | 30 Jun 2021 | 31 Mar 2022 |
| | | Unaudited | Unaudited | Unaudited | Audited |
| 1 | Total income from operations | 23.87 | 29.12 | 1.71 | 40.06 |
| 2 | Net loss for the period from continuing operations (before tax and exceptional items) | (21.14) | (23.16) | (17.82) | (83.80) |
| 3 | Net loss for the period before tax from continuing operations (after exceptional items) | (21.14) | (39.95) | (17.82) | (100.59) |
| 4 | Net loss for the period after tax from continuing operations (after exceptional items) | (21.14) | (98.67) | (17.82) | (159.31) |
| 5 | Net (loss)/profit for the period after tax from discontinued operations | - | - | 30.79 | (150.47) |
| 6 | Net (loss)/profit for the period after tax from continuing and discontinued operations (4+5) | (21.14) | (98.67) | 12.97 | (309.78) |
| 7 | Total comprehensive income for the respective periods | (62.71) | 1,184.28 | (107.82) | 1,421.51 |
| 8 | Equity share capital | 603.59 | 603.59 | 603.59 | 603.59 |
| 9 | Earnings per share (of ₹ 1/- each) (for continuing and discontinued operations) Basic and Diluted (in ₹) | (0.04) | (0.16) | 0.02 | (0.51) |

Notes:
a. The above is an extract of the detailed format of quarterly financial results filed with the stock exchange under Regulation 33 of the SEBI (Listing and other Disclosure Requirements) Regulations, 2015. The full format of the quarterly financial results are available on the website of the stock exchange (www.bseindia.com and www.nse-india.com) and on Company's website www.gmrigroup.in.
b. The unaudited consolidated and standalone financial results of the Company for the quarter ended 30 June 2022 have been reviewed by the Audit Committee at their meeting held on 29 July 2022 and approved by the Board of Directors in their meeting held on 29 July 2022.

For and on behalf of the Board of Directors
Gandhi Kiran Kumar
Managing Director & CEO
GMR GROUP - GIL / 176 / PREM ASSOCIATES

DELHI INTERNATIONAL AIRPORT

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STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULT FOR THE QUARTER ENDED JUNE 30, 2022 (Amounts in ₹ Crores)

| S. No. | Particulars | Quarter ended | | | Year ended |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------|------------|------------|
| | | 30.06.2022 | 30.06.2021 | 31.03.2022 | 31.03.2022 |
| | | Un-Audited | Un-Audited | Un-Audited | Audited |
| 1 | Total Income from Operation | 969.58 | 642.62 | 3,057.34 | |
| 2 | Net Profit / (Loss) for the period (before Tax, Exceptional and / or Extraordinary items) | (38.00) | 2.95 | 406.20 | |
| 3 | Net Profit / (Loss) for the period before Tax (after Exceptional and / or Extraordinary items) | (38.00) | 2.95 | 277.77 | |
| 4 | Net Profit / (Loss) for the period after Tax (after Exceptional and / or Extraordinary items) | (38.00) | 10.73 | 17.68 | |
| 5 | Total Comprehensive Income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)] | (239.88) | 25.20 | (181.29) | |
| 6 | Paid-up Equity Share Capital (Face Value of ₹ 10/- per equity share each) | 2,450.00 | 2,450.00 | 2,450.00 | |
| 7 | Reserves (Other Equity) (excluding Revaluation Reserve) | (317.77) | 130.02 | (77.89) | |
| 8 | Securities Premium Account | - | - | - | |
| 9 | Net Worth (Refer note 4) | 2,132.23 | 2,580.02 | 2,372.11 | |
| 10 | Paid up Debt Capital / Outstanding Debt | - | - | - | |
| 11 | Outstanding Redeemable Preference Shares | - | - | - | |
| 12 | Debt Equity Ratio (Refer Note 5) | 5.76 | 4.29 | 4.64 | |
| 13 | Loss / earnings Per Share (EPS) [Face value of ₹ 10/- each per equity share] EPS for the quarter not annualized (for continuing and discontinued operations)- | | | | |
| | | Basic (amount in ₹) | (0.16) | 0.04 | 0.07 |
| | | Diluted (amount in ₹) | (0.16) | 0.04 | 0.07 |
| 14 | Capital Redemption Reserve | - | - | - | |
| 15 | Debtenture Redemption Reserve | - | - | - | |
| 16 | Debt Service Coverage Ratio* (Refer Note 6) | 0.56 | 3.15 | 1.03 | |
| 17 | Interest Service Coverage Ratio* (Refer Note 7) | 0.58 | 3.17 | 1.24 | |

*Not annualised

Notes to the statement of unaudited financial results for the quarter ended June 30, 2022:

1. The above is an extract of the detailed format of quarterly financial results filed with the BSE Limited under Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the quarterly financial results are available on the website of the stock exchange i.e. www.bseindia.com and on the company's website: https://www.newdelhiairport.in
2. The applicable information required to be furnished under regulation 52(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been submitted to the stock exchange i.e. BSE Limited and the same can be accessed at stock exchange website i.e. www.bseindia.com and on the company's website: https://www.newdelhiairport.in
3. There is no impact on net profit/loss, total comprehensive income or any other relevant financial items due to change(s) in accounting policies.
4. Net worth (paid up equity share capital plus other Equity (including gain on equity instruments designated at Fair Value through Other Comprehensive Income) as on June 30, 2022 is ₹ 2,132.23 crores (June 30, 2021: ₹ 2,580.02 crores and March 31, 2022: ₹ 2,372.11 crores)
5. Debt Equity ratio represents (Borrowings/Shareholder's funds). Shareholder's funds is Equity shares plus Other Equity. Debt Equity ratio (including gain on equity instrument designated at Fair Value through Other Comprehensive Income) as on June 30, 2022 is 5.76 (June 30, 2021: 4.29, and March 31, 2022: 4.64)
6. Debt Service Coverage Ratio represents earnings available for debt services (Net Profit after taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.) / Debt service (Interest, option premium & Lease Payments + Principal Payments)
7. Interest Service Coverage Ratio represents earnings available for debt services (Net Profit after taxes + Non-cash operating expenses like depreciation and other amortizations + Interest + other adjustments like loss on sale of Fixed assets etc.) / Debt service (Interest, option premium)

For and on behalf of the Board of Directors of
Delhi International Airport Limited
Sd/-
I. Prabhakar Rao (DIN: 03482239)
Executive Director
DIAL/154-APREM ASSOCIATES