

# Entertainment Network (India) (ENIL IN)

Rating: HOLD | CMP: Rs199 | TP: Rs214

August 17, 2021

## Q1FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current FY22E	Previous FY23E	Current FY22E	Previous FY23E
Rating	HOLD	HOLD		
Target Price	214	193		
Sales (Rs. m)	3,957	5,372	3,957	5,372
% Chng.	-	-		
EBITDA (Rs. m)	882	1,585	882	1,585
% Chng.	-	-		
EPS (Rs.)	0.7	10.5	(0.1)	10.3
% Chng.	NA	2.0		

### Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	5,406	2,668	3,957	5,372
EBITDA (Rs. m)	1,235	163	882	1,585
Margin (%)	22.8	6.1	22.3	29.5
PAT (Rs. m)	146	(350)	35	501
EPS (Rs.)	3.1	(7.3)	0.7	10.5
Gr. (%)	(73.0)	NA	NA	1,350.1
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	1.6	NA	0.4	5.9
RoCE (%)	2.7	NA	0.6	8.2
EV/Sales (x)	1.7	3.4	2.2	1.5
EV/EBITDA (x)	7.4	56.4	9.9	5.1
PE (x)	65.0	NA	274.2	18.9
P/BV (x)	1.0	1.2	1.2	1.1

Key Data	ENIL.BO   ENIL IN
52-W High / Low	Rs.227 / Rs.137
Sensex / Nifty	55,583 / 16,563
Market Cap	Rs.9bn/ \$ 127m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.95.17m

### Shareholding Pattern (%)

Promoter's	71.15
Foreign	6.20
Domestic Institution	6.18
Public & Others	16.47
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	5.9	20.0	41.1
Relative	1.3	12.5	(3.8)

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### Core solutions & digital business under lens

#### Quick Pointers:

- Non-FCT business contributed ~40% to sales with Gross/EBITDA margin of 50.5%/25.4% respectively.
- At the network level, volume was up by 60% while pricing dropped by 5%.

**ENIL's operational performance (EBITDA loss of Rs187mn) was marred by 2<sup>nd</sup> wave as recovery process was delayed since radio is an "AND" medium of advertising. Further, ad-volumes in high yield markets are still at sub-optimal levels which can prolong the recovery. While there are headwinds in radio segment as price recovery is a long drawn process, management sounded upbeat on the core solutions & digital business which is expected to form ~50% of the top-line in coming years. ENIL's business is likely to evolve in future with reduced dependence on core radio business (~57% share in FY21) given renewed focus on digital solutions (~12.5% of sales in 1Q) apart from core non-FCT offerings. We continue to maintain our HOLD rating with a TP of Rs214 (Rs193 earlier) as we await green shoots on delivery front (await more clarity on digital investments and margin performance). Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs99 (5x FY23E EBITDA) and 50% weight to DCF approach with per share value of Rs114.**

**Top-line increases 7.1% YoY:** ENIL's topline increased 7.1% YoY to Rs388mn (PLe of Rs386mn) due to 57% YoY/28% YoY increase in the radio/non-FCT business respectively. Batch 1 stations reported revenues of Rs35.2mn (up 85.3% YoY) with EBITDA loss of Rs49.3mn. Batch 2 stations reported revenues of Rs24.5mn (up 131.8% YoY) with EBITDA loss of Rs11.1mn.

**Loss of operating leverage results in EBITDA losses:** EBITDA losses stood at Rs187mn (PLe loss of Rs185mn) versus a loss of Rs260mn in 1QFY21 and profit of Rs240mn in 4QFY21 due to loss of operating leverage amid poor inventory utilization. EBITDA losses were lower than the previous year as operating costs fell by 7.5% YoY.

**Con-call highlights:** 1) On a YoY basis, industry ad-volumes in FMCG/Pharma/Auto/E-com were up by 140%/157%/135%/700% respectively 2) Revenue mix stood at 60%/27.5%/12.5% for Radio/Core solution/Digital business respectively. The mix is expected to be at 50%/25%/25% in the coming years 3) GM for core solutions business was 53% while it was 31% for digital business 4) Utilization of 8-legacy/27-legacy/batch-1/batch-2 stations stood at 31%/33%/16%/16.5% respectively. Utilization is expected to reach 90% by 3QFY22 if there is no 3rd wave 5) No further impairment (Rs975mn in 4QFY21) is expected on any radio stations going ahead 6) Margins in OTT content creation range between 20-40% 7) Cash balance of Rs2.1bn odd is likely to be utilized for investment in digital business 8) Pricing is unlikely to recover by end of FY22 and may take 1-2 years to reach pre-COVID levels.

## Exhibit 1: Q1FY22 Result Overview (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
<b>Net Sales</b>	<b>388</b>	<b>363</b>	<b>7.1%</b>	<b>990</b>	<b>-60.8%</b>
Employee expenses	240	263	-8.7%	235	2.0%
As a % of sales	61.8%	72.5%		23.8%	
Programming & royalty expenses	112	131	-14.6%	247	-54.7%
As a % of sales	28.7%	36.0%		24.9%	
License fees	79	79	0.5%	86	-7.6%
As a % of sales	20.4%	21.7%		8.6%	
Other expenses	145	150	-3.4%	183	-20.6%
As a % of sales	37.3%	41.4%		18.4%	
Expenditure	576	622	-7.5%	750	-23.3%
<b>EBITDA</b>	<b>(187)</b>	<b>(260)</b>	<b>NM</b>	<b>240</b>	<b>NM</b>
<b>EBITDA Margin</b>	<b>NM</b>	<b>NM</b>		<b>24.3%</b>	
Depreciation	196	238	-17.6%	229	-14.4%
<b>EBIT</b>	<b>(383)</b>	<b>(498)</b>	<b>NM</b>	<b>11</b>	<b>NM</b>
<b>EBIT Margin</b>	<b>NM</b>	<b>NM</b>		<b>1.1%</b>	
Interest	40	45	-10.8%	42	-4.5%
Other income	54	54	0.3%	46	19.0%
Exceptional items	-	-		NM	NM
<b>PBT</b>	<b>(369)</b>	<b>(488)</b>	<b>NM</b>	<b>(960)</b>	<b>NM</b>
Tax	(91)	(122)		NM	
<b>Tax Rate</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>	
Other comprehensive income	(1.6)	(1)		NM	
<b>PAT</b>	<b>(279)</b>	<b>(367)</b>	<b>NM</b>	<b>(653)</b>	<b>NM</b>
<b>PAT Margin</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>	
<b>EPS (Rs)</b>	<b>(5.8)</b>	<b>(7.7)</b>	<b>NM</b>	<b>(13.8)</b>	<b>NM</b>

Source: Company, PL

## Exhibit 2: Revenue assumption of 35 legacy stations

Particulars	FY19	FY20	FY21	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	16.9	16.9	16.9	16.9	16.9
Utilization level	85%	75%	79%	80%	85%
Inventory sold (mn sec) in slots	14.4	12.7	13.4	13.6	14.4
<b>YoY growth</b>	<b>7.0%</b>	<b>-12.1%</b>	<b>5.3%</b>	<b>1.3%</b>	<b>6.3%</b>
Realization per slot per station (Rs)	349	355	170	246	307
<b>YoY growth</b>	<b>6.4%</b>	<b>1.8%</b>	<b>-52.3%</b>	<b>45.0%</b>	<b>25.0%</b>
<b>Total revenues (Rs mn)</b>	<b>5,200.0</b>	<b>4,515.5</b>	<b>2,270.3</b>	<b>3,333.6</b>	<b>4,427.4</b>

Source: Company, PL

## Exhibit 3: Revenue assumptions for 17 batch 1 stations

Particulars	FY19	FY20	FY21	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	8.2	8.2	8.2	8.2	8.2
Utilization level	35%	31%	34%	35%	40%
Inventory sold (mn sec) in slots	2.9	2.6	2.8	2.9	3.3
YoY growth	48.8%	-11.4%	9.7%	2.9%	14.3%
Realization per slot per station (Rs)	333	279	98	141	184
YoY growth	-3.2%	-16.3%	-65.0%	45.0%	30.0%
<b>Total revenues (Rs mn)</b>	<b>958.1</b>	<b>710.6</b>	<b>272.9</b>	<b>407.3</b>	<b>605.2</b>

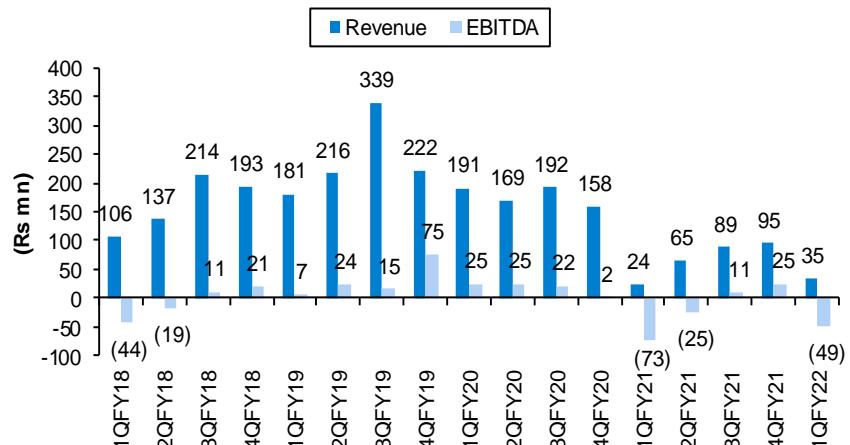
Source: Company, PL

## Exhibit 4: Revenue assumptions for 21 batch 2 stations

Particulars	FY19	FY20	FY21	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	7.6	10.2	10.2	10.2	10.2
Utilization level	11%	18%	30%	30%	40%
Inventory sold (mn sec) in slots	0.8	1.8	3.0	3.0	4.1
YoY growth	NA	118.2%	66.7%	0.0%	33.3%
Realization per slot per station	57.2	98.3	41.0	55.3	66.4
YoY growth	NA	71.7%	-58.3%	35.0%	20.0%
<b>Total revenues</b>	<b>48.0</b>	<b>179.8</b>	<b>125.0</b>	<b>168.8</b>	<b>270.0</b>

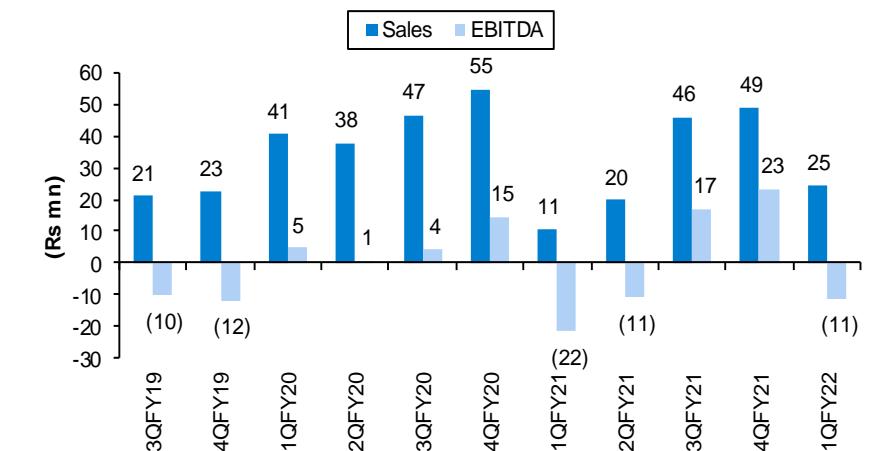
Source: Company, PL

## Exhibit 5: Revenue &amp; EBITDA trend of batch 1 stations



Source: Company, PL

Exhibit 6: Revenue &amp; EBITDA trend of batch 2 stations



Source: Company, PL

Exhibit 7: Weighted average valuation table

Particulars (Rs)	Weight assigned	Target price	Weighted average target price
EV/EBITDA approach	50%	199	99
DCF approach	50%	228	114
<b>Weighted average target price</b>			<b>214</b>

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>5,406</b>	<b>2,668</b>	<b>3,957</b>	<b>5,372</b>
YoY gr. (%)	(12.9)	(50.6)	48.3	35.8
Cost of Goods Sold	-	-	-	-
<b>Gross Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Margin (%)	-	-	-	-
Employee Cost	1,348	924	989	1,182
Other Expenses	2,823	1,582	2,085	2,605
<b>EBITDA</b>	<b>1,235</b>	<b>163</b>	<b>882</b>	<b>1,585</b>
YoY gr. (%)	(11.7)	(86.8)	442.7	79.6
Margin (%)	22.8	6.1	22.3	29.5
Depreciation and Amortization	991	948	836	889
<b>EBIT</b>	<b>244</b>	<b>(785)</b>	<b>46</b>	<b>695</b>
Margin (%)	4.5	NA	1.2	12.9
Net Interest	184	183	170	188
Other Income	128	177	170	161
<b>Profit Before Tax</b>	<b>188</b>	<b>(1,534)</b>	<b>46</b>	<b>668</b>
Margin (%)	3.5	NA	1.2	12.4
Total Tax	43	(441)	12	168
Effective tax rate (%)	22.6	28.8	25.1	25.1
<b>Profit after tax</b>	<b>146</b>	<b>(1,093)</b>	<b>35</b>	<b>501</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>146</b>	<b>(350)</b>	<b>35</b>	<b>501</b>
YoY gr. (%)	(73.0)	NA	NA	1,350.1
Margin (%)	2.7	NA	0.9	9.3
Extra Ord. Income / (Exp)	-	(743)	-	-
<b>Reported PAT</b>	<b>146</b>	<b>(1,093)</b>	<b>35</b>	<b>501</b>
YoY gr. (%)	(73.0)	NA	NA	1,350.1
Margin (%)	2.7	NA	0.9	9.3
Other Comprehensive Income	(1)	2	(2)	-
Total Comprehensive Income	145	(1,091)	33	501
<b>Equity Shares O/s (m)</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>EPS (Rs)</b>	<b>3.1</b>	<b>(7.3)</b>	<b>0.7</b>	<b>10.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>11,410</b>	<b>10,600</b>	<b>11,008</b>	<b>11,507</b>
Tangibles	3,510	3,532	3,928	4,411
Intangibles	7,900	7,068	7,080	7,096
<b>Acc: Dep / Amortization</b>	<b>3,060</b>	<b>4,008</b>	<b>4,844</b>	<b>5,733</b>
Tangibles	889	1,330	1,760	2,243
Intangibles	2,171	2,677	3,084	3,491
<b>Net fixed assets</b>	<b>8,350</b>	<b>6,593</b>	<b>6,164</b>	<b>5,774</b>
Tangibles	2,620	2,202	2,168	2,168
Intangibles	5,730	4,391	3,996	3,606
Capital Work In Progress	8	17	17	17
Goodwill	-	-	-	-
Non-Current Investments	377	427	434	449
Net Deferred tax assets	(220)	221	221	221
Other Non-Current Assets	193	232	218	215
<b>Current Assets</b>				
Investments	2,256	2,120	2,120	2,120
Inventories	-	-	-	-
Trade receivables	1,587	1,138	1,247	1,692
Cash & Bank Balance	20	56	461	1,118
Other Current Assets	252	236	257	269
<b>Total Assets</b>	<b>13,079</b>	<b>11,081</b>	<b>11,181</b>	<b>11,917</b>
<b>Equity</b>				
Equity Share Capital	477	477	477	477
Other Equity	8,706	7,567	7,553	8,005
<b>Total Networth</b>	<b>9,182</b>	<b>8,044</b>	<b>8,029</b>	<b>8,482</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,959	1,874	1,874	1,874
Provisions	-	-	-	-
Other non current liabilities	100	98	89	85
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,152	756	868	1,079
Other current liabilities	465	310	321	397
<b>Total Equity &amp; Liabilities</b>	<b>13,079</b>	<b>11,081</b>	<b>11,181</b>	<b>11,917</b>

Source: Company Data, PL Research

<b>Cash Flow (Rs m)</b>					<b>Key Financial Metrics</b>				
<b>Y/e Mar</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>Y/e Mar</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>
PBT	188	(791)	46	668	EPS	3.1	(7.3)	0.7	10.5
Add. Depreciation	991	948	836	889	CEPS	23.8	12.5	18.3	29.2
Add. Interest	184	183	170	188	BVPS	192.6	168.7	168.4	177.9
Less Financial Other Income	128	177	170	161	FCF	29.6	4.5	9.6	15.5
Add. Other	(83)	(124)	(11)	(4)	DPS	1.0	1.0	1.0	1.0
Op. profit before WC changes	1,280	216	1,041	1,742	<b>Return Ratio(%)</b>				
Net Changes-WC	58	144	8	(167)	RoCE	2.7	NA	0.6	8.2
Direct tax	(161)	(59)	(12)	(168)	ROIC	9.4	1.5	7.9	13.3
<b>Net cash from Op. activities</b>	<b>1,177</b>	<b>301</b>	<b>1,038</b>	<b>1,407</b>	RoE	1.6	NA	0.4	5.9
Capital expenditures	(131)	(76)	(408)	(500)	<b>Balance Sheet</b>				
Interest / Dividend Income	-	-	-	-	Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.2)
Others	(831)	161	-	-	Net Working Capital (Days)	29	52	35	42
<b>Net Cash from Invt. activities</b>	<b>(963)</b>	<b>85</b>	<b>(408)</b>	<b>(500)</b>	<b>Valuation(x)</b>				
Issue of share cap. / premium	-	-	-	-	PER	65.0	NA	274.2	18.9
Debt changes	-	-	-	-	P/B	1.0	1.2	1.2	1.1
Dividend paid	(57)	(48)	(48)	(48)	P/CEPS	8.3	15.8	10.9	6.8
Interest paid	(184)	(183)	(170)	(188)	EV/EBITDA	7.4	56.4	9.9	5.1
Others	(167)	(120)	(7)	(15)	EV/Sales	1.7	3.4	2.2	1.5
<b>Net cash from Fin. activities</b>	<b>(408)</b>	<b>(350)</b>	<b>(225)</b>	<b>(251)</b>	Dividend Yield (%)	0.5	0.5	0.5	0.5
<b>Net change in cash</b>	<b>(194)</b>	<b>36</b>	<b>405</b>	<b>657</b>					
Free Cash Flow	1,409	217	456	741					

Source: Company Data, PL Research

#### Quarterly Financials (Rs m)

<b>Y/e Mar</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>Q1FY22</b>
<b>Net Revenue</b>	<b>470</b>	<b>845</b>	<b>990</b>	<b>388</b>
YoY gr. (%)	(58.7)	(42.0)	(33.7)	7.1
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
<b>EBITDA</b>	<b>(62)</b>	<b>209</b>	<b>240</b>	<b>(187)</b>
YoY gr. (%)	NA	NA	6.9	NA
Margin (%)	NA	24.8	24.3	NA
Depreciation / Depletion	241	240	229	196
<b>EBIT</b>	<b>(303)</b>	<b>(31)</b>	<b>11</b>	<b>(383)</b>
Margin (%)	NA	NA	1.1	NA
Net Interest	51	46	42	40
Other Income	38	40	46	54
<b>Profit before Tax</b>	<b>(316)</b>	<b>230</b>	<b>(960)</b>	<b>(369)</b>
Margin (%)	NA	27.2	NA	NA
Total Tax	(79)	63	(303)	(91)
Effective tax rate (%)	25.0	27.4	31.6	24.8
<b>Profit after Tax</b>	<b>(237)</b>	<b>167</b>	<b>(657)</b>	<b>(277)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(237)</b>	<b>(100)</b>	<b>318</b>	<b>(277)</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	32.1	NA
Extra Ord. Income / (Exp)	-	267	(975)	-
<b>Reported PAT</b>	<b>(237)</b>	<b>167</b>	<b>(657)</b>	<b>(277)</b>
YoY gr. (%)	NA	57.1	NA	NA
Margin (%)	NA	19.8	NA	NA
Other Comprehensive Income	-	-	3	(2)
<b>Total Comprehensive Income</b>	<b>(237)</b>	<b>167</b>	<b>(653)</b>	<b>(279)</b>
Avg. Shares O/s (m)	48	48	48	48
<b>EPS (Rs)</b>	<b>(5.0)</b>	<b>(2.1)</b>	<b>6.7</b>	<b>(5.8)</b>

Source: Company Data, PL Research

## Price Chart



## Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-21	Hold	193	183
2	17-Jun-21	Hold	193	185
3	07-Apr-21	Accumulate	210	155
4	12-Feb-21	Accumulate	209	172
5	11-Jan-21	Accumulate	210	171
6	06-Nov-20	Accumulate	185	146
7	09-Oct-20	Hold	157	154

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	193	183
3	Indian Railway Catering and Tourism Corporation	Hold	2,654	2,661
4	Inox Leisure	BUY	380	316
5	Music Broadcast	Hold	24	25
6	Navneet Education	Accumulate	111	102
7	PVR	BUY	1,625	1,400
8	S Chand and Company	BUY	147	121
9	V.I.P. Industries	BUY	457	386
10	Zee Entertainment Enterprises	BUY	253	197

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

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