

May 8, 2022

Q4FY22 Result Update

☐ Change in Estimates | ☐ Target | ■ Reco

Change in Estimates

	Current FY23E	Previous FY24E	Current FY23E	Previous FY24E
Rating	HOLD		HOLD	
Target Price	184		200	
Sales (Rs. m)	4,373	4,914	4,821	5,061
% Chng.	(9.3)	(2.9)		
EBITDA (Rs. m)	1,168	1,415	1,470	1,554
% Chng.	(20.6)	(8.9)		
EPS (Rs.)	6.0	9.1	10.0	10.4
% Chng.	(40.1)	(12.5)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	2,668	3,059	4,373	4,914
EBITDA (Rs. m)	163	427	1,168	1,415
Margin (%)	6.1	13.9	26.7	28.8
PAT (Rs. m)	(350)	(275)	284	434
EPS (Rs.)	(7.3)	(5.8)	6.0	9.1
Gr. (%)	NA	NA	NA	52.7
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.5	0.5	0.5	0.5
RoE (%)	NA	NA	3.6	5.2
RoCE (%)	NA	NA	4.6	6.8
EV/Sales (x)	3.5	3.1	2.0	1.7
EV/EBITDA (x)	58.0	22.3	7.6	5.8
PE (x)	NA	NA	34.2	22.4
P/BV (x)	1.2	1.3	1.2	1.2

Key Data	ENIL.BO ENIL IN
52-W High / Low	Rs.233 / Rs.144
Sensex / Nifty	54,836 / 16,411
Market Cap	Rs.10bn/ \$ 126m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.20.31m

Shareholding Pattern (%)

Promoter's	71.15
Foreign	5.72
Domestic Institution	5.40
Public & Others	17.73
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.3)	7.3	37.4
Relative	7.3	17.5	22.6

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Entertainment Network (India) (ENIL IN)

Rating: HOLD | CMP: Rs204 | TP: Rs184

Digital initiatives at forefront

Quick Pointers:

- Mirchi digital app unveiled in international markets and India launch is expected by May end.

We cut our FY23E/FY24E EBITDA estimates by 21%/9% respectively due to general weakness in ad-environment and slower yield recovery. Going ahead, revival in radio business will be led by volumes which have shown signs of improvement (capacity utilization in legacy/batch-1/batch-2 stations stood at 74.7%/31.4%/26.5% respectively in FY22). In order to diversify out of radio business (low growth market), ENIL is taking steps to increase exposure to core solutions & digital business which is expected to form ~50% of the top-line in FY25E. On digital front, Mirchi app has already been unveiled in international markets and India launch is expected by May end. While Mirchi's diversification efforts are commendable we await green shoots on delivery front and retain HOLD on the stock with a TP of Rs184 (earlier Rs200). Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs93 (5x FY24E EBITDA; no change) and 50% weight to DCF approach with per share value of Rs92.

Top-line remains flat YoY: ENIL's topline increased 0.3% YoY to Rs994mn (PLe Rs893mn) mainly on the back of 7.6% growth in radio business. Non-FCT revenue declined 11.4% YoY due to Omicron led restrictions on on-ground activities. Batch 1 stations reported revenues of Rs97mn (up 1.8% YoY) with EBITDA margin of 10.2%. Batch 2 stations reported revenues of Rs45mn (down 8.4% YoY) with EBITDA margin of 35%.

EBITDA margin at 16.9%: EBITDA decreased 30%YoY to Rs168mn (PLe Rs250mn) with a margin of 16.9% (PLe 28%). Production expenses were up 143.5% QoQ on account of airing of 3 TV properties coupled with some expense pertaining to digital initiatives. ENIL reported loss of Rs28mn (PLe PAT of Rs34mn) as against loss of Rs657mn in 4QFY21.

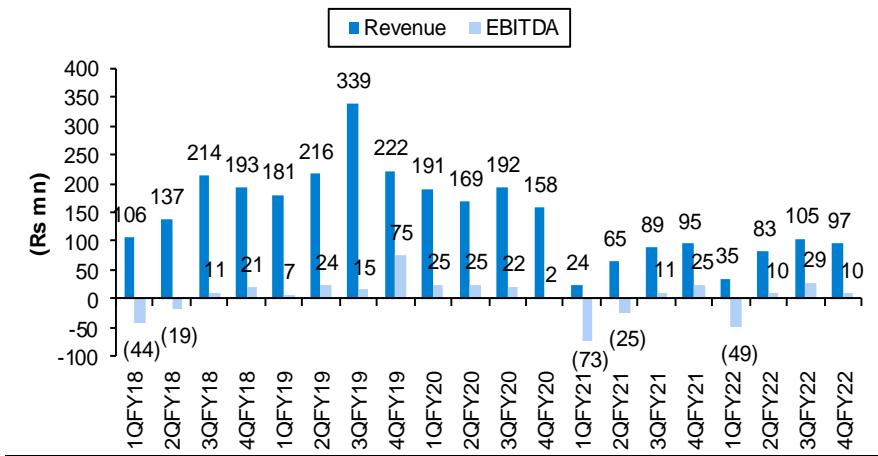
Con-call highlights: 1) Total revenue declined 28%/2.5% in Jan/Feb but increased 20.4% in March. 2) Radio revenue declined 2.2% in Jan but increased 15%/11% in Feb/March respectively. 3) Non-FCT revenue declined 61%/50% in Jan/Feb but witnessed substantial recovery in March. 4) Contribution of radio/non-FCT business stood at Rs659mn/Rs335mn respectively. 5) ~50% of cost saving achieved in FY22 is likely to be sustained in FY23E & FY24E. 6) In 4QFY22, capacity utilization of top-8/balance-27/batch-1/batch-2 stations stood at 104.0%/88.8%/76.3%/29.9% respectively. 7) Mirchi digital app will be launched in India by May end. Initially, monetization will be through ads. However, transaction and subscription models will be explored later. 8) Revenue from digital solutions business was Rs64mn in 4QFY22, contributing ~6.5% to the revenue. Digital share is expected to surpass 12-13% in FY23E and will further expand to 25% by FY25E. 9) In 4QFY22, spend towards digital initiatives was Rs63mn and the run-rate is expected to be maintained in FY23E.

Exhibit 1: Q4FY22 Result Overview (Rs mn)

Y/e March	Q4FY22	Q4FY21	YoY gr.	Q3FY22	QoQ gr.	FY22	FY21	YoY gr.
Net Sales	994	990	0.3%	989	0.5%	3,059	2,668	14.7%
Employee expenses	275	235	16.9%	263	4.5%	1,058	924	14.5%
As a % of sales	27.7%	23.8%		26.6%		34.6%	34.6%	
Programming & royalty expenses	252	247	2.1%	103	143.5%	552	615	-10.3%
As a % of sales	25.3%	24.9%		10.5%		18.0%	23.1%	
License fees	85	86	-0.3%	86	-0.3%	332	327	1.5%
As a % of sales	8.6%	8.6%		8.7%		10.9%	12.3%	
Other expenses	213	183	16.8%	180	18.3%	691	639	8.1%
As a % of sales	21.5%	18.4%		18.2%		22.6%	24.0%	
Expenditure	825	750	10.1%	633	30.5%	2,633	2,506	5.1%
EBITDA	168	240	-30.0%	356	-52.8%	427	163	162.4%
EBITDA Margin	16.9%	24.3%		36.0%		13.9%	6.1%	
Depreciation	196	229	-14.6%	198	-1.0%	788	948	-16.8%
EBIT	(27)	11	NM	159	NM	(362)	(785)	NM
EBIT Margin	NM	1.1%		16.1%		NM	NM	
Interest	39	42	-6.3%	42	-7.0%	162	183	-11.8%
Other income	32	46	-29.2%	34	-4.0%	160	177	-9.8%
Exceptional items	-	(975)	NM	-	NM	-	(743)	NM
PBT	(34)	(960)	NM	150	NM	(364)	(1,534)	NM
Tax	(6)	(303)	NM	41	NM	(89)	(441)	NM
Tax Rate	NM	NM		27.1%		NM	NM	
Other comprehensive income	0.7	3	-81.1%	1.5	-56.8%	(4.1)	1.9	NM
PAT	(27)	(653)	NM	111	NM	(279)	(1,091)	NM
PAT Margin	NM	NM		11.2%		NM	NM	
EPS (Rs)	(0.6)	(13.8)	NM	2.3	NM	(5.8)	(22.9)	NM

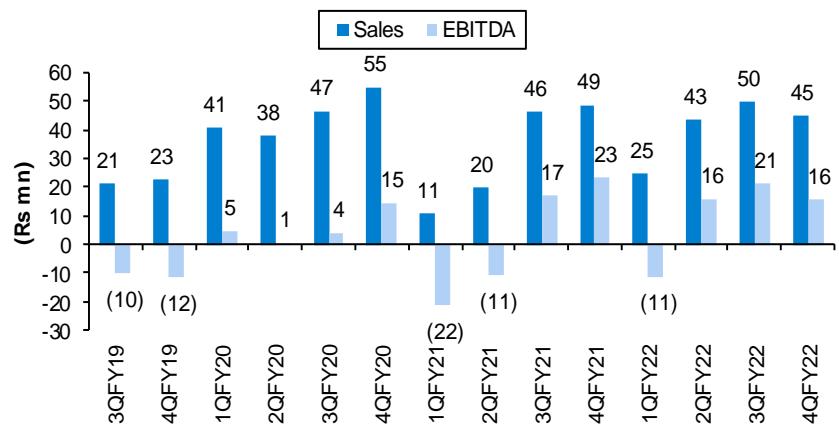
Source: Company, PL

Exhibit 2: Revenue & EBITDA trend of batch 1 stations



Source: Company, PL

Exhibit 3: Revenue & EBITDA trend of batch 2 stations



Source: Company, PL

Exhibit 4: Weighted average valuation table

Particulars (Rs)	Weight assigned	Target price	Weighted average target price
EV/EBITDA approach	50%	185	93
DCF approach	50%	183	92
Weighted average target price			184

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	2,668	3,059	4,373	4,914
YoY gr. (%)	(50.6)	14.7	42.9	12.4
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
Employee Cost	924	1,058	1,115	1,179
Other Expenses	1,582	1,575	2,090	2,319
EBITDA	163	427	1,168	1,415
YoY gr. (%)	(86.8)	162.4	173.7	21.2
Margin (%)	6.1	13.9	26.7	28.8
Depreciation and Amortization	948	788	801	845
EBIT	(785)	(362)	366	570
Margin (%)	NA	NA	8.4	11.6
Net Interest	183	162	153	167
Other Income	177	160	166	177
Profit Before Tax	(1,534)	(364)	380	580
Margin (%)	NA	NA	8.7	11.8
Total Tax	(441)	(89)	95	146
Effective tax rate (%)	28.8	24.4	25.1	25.1
Profit after tax	(1,093)	(275)	284	434
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(350)	(275)	284	434
YoY gr. (%)	NA	NA	NA	52.7
Margin (%)	NA	NA	6.5	8.8
Extra Ord. Income / (Exp)	(743)	-	-	-
Reported PAT	(1,093)	(275)	284	434
YoY gr. (%)	NA	NA	NA	52.7
Margin (%)	NA	NA	6.5	8.8
Other Comprehensive Income	2	(4)	-	-
Total Comprehensive Income	(1,091)	(279)	284	434
Equity Shares O/s (m)	48	48	48	48
EPS (Rs)	(7.3)	(5.8)	6.0	9.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	11,234	11,481	11,887	12,344
Tangibles	3,332	3,623	4,017	4,459
Intangibles	7,902	7,857	7,871	7,885
Acc: Dep / Amortization	4,641	5,430	6,231	7,076
Tangibles	1,131	1,517	1,917	2,361
Intangibles	3,511	3,912	4,314	4,715
Net fixed assets	6,593	6,051	5,657	5,268
Tangibles	2,202	2,106	2,100	2,098
Intangibles	4,391	3,945	3,557	3,170
Capital Work In Progress	17	6	6	6
Goodwill	-	-	-	-
Non-Current Investments	427	536	554	568
Net Deferred tax assets	221	311	311	311
Other Non-Current Assets	329	335	306	270
Current Assets				
Investments	2,120	2,056	2,056	2,056
Inventories	-	-	-	-
Trade receivables	1,138	1,268	1,438	1,615
Cash & Bank Balance	56	50	686	1,384
Other Current Assets	139	149	175	221
Total Assets	11,081	10,792	11,220	11,731
Equity				
Equity Share Capital	477	477	477	477
Other Equity	7,567	7,241	7,477	7,864
Total Networth	8,044	7,717	7,954	8,341
Non-Current Liabilities				
Long Term borrowings	1,874	1,879	1,879	1,879
Provisions	-	-	-	-
Other non current liabilities	98	106	89	84
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	756	718	913	1,026
Other current liabilities	310	372	384	402
Total Equity & Liabilities	11,081	10,792	11,220	11,731

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(791)	(364)	380	580
Add. Depreciation	948	788	801	845
Add. Interest	183	162	153	167
Less Financial Other Income	177	160	166	177
Add. Other	(124)	(147)	(19)	(9)
Op. profit before WC changes	216	439	1,314	1,583
Net Changes-WC	144	8	43	(54)
Direct tax	(59)	(55)	(95)	(146)
Net cash from Op. activities	301	393	1,262	1,383
Capital expenditures	(76)	(70)	(407)	(457)
Interest / Dividend Income	-	-	-	-
Others	161	46	-	-
Net Cash from Invt. activities	85	(24)	(407)	(457)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(48)	(48)	(48)	(48)
Interest paid	(183)	(161)	(153)	(167)
Others	(120)	(167)	(18)	(14)
Net cash from Fin. activities	(350)	(375)	(219)	(229)
Net change in cash	36	(6)	637	698
Free Cash Flow	313	336	680	721

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(7.3)	(5.8)	6.0	9.1
CEPS	12.5	10.8	22.8	26.8
BVPS	168.7	161.9	166.9	175.0
FCF	6.6	7.1	14.3	15.1
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	NA	NA	4.6	6.8
ROIC	1.5	4.0	10.4	12.1
RoE	NA	NA	3.6	5.2
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.2)
Net Working Capital (Days)	52	66	44	44
Valuation(x)				
PER	(27.8)	(35.4)	34.2	22.4
P/B	1.2	1.3	1.2	1.2
P/CEPS	16.3	18.9	9.0	7.6
EV/EBITDA	58.0	22.3	7.6	5.8
EV/Sales	3.5	3.1	2.0	1.7
Dividend Yield (%)	0.5	0.5	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	388	688	989	994
YoY gr. (%)	7.1	46.3	17.1	0.3
Raw Material Expenses	-	-	-	-
Gross Profit	-	1	1	1
Margin (%)	-	0.1	0.1	0.1
EBITDA	(187)	89	356	168
YoY gr. (%)	NA	NA	70.2	(30.0)
Margin (%)	NA	13.0	36.0	16.9
Depreciation / Depletion	196	199	198	196
EBIT	(383)	(110)	159	(27)
Margin (%)	NA	NA	16.1	NA
Net Interest	40	41	42	39
Other Income	54	40	34	32
Profit before Tax	(369)	(111)	150	(34)
Margin (%)	NA	NA	15.2	NA
Total Tax	(91)	(32)	41	(6)
Effective tax rate (%)	24.8	28.9	27.1	17.7
Profit after Tax	(277)	(79)	110	(28)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(277)	(79)	110	(28)
YoY gr. (%)	NA	NA	(34.4)	NA
Margin (%)	NA	NA	11.1	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(277)	(79)	110	(28)
YoY gr. (%)	NA	NA	(34.4)	NA
Margin (%)	NA	NA	11.1	(2.8)
Other Comprehensive Income	(2)	(5)	2	1
Total Comprehensive Income	(279)	(84)	111	(27)
Avg. Shares O/s (m)	48	48	48	48
EPS (Rs)	(5.8)	(1.7)	2.3	(0.6)

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Hold	200	204
2	10-Feb-22	Hold	201	182
3	10-Jan-22	Hold	197	172
4	27-Oct-21	Hold	197	189
5	07-Oct-21	Hold	213	190
6	17-Aug-21	Hold	214	199
7	07-Jul-21	Hold	193	183
8	17-Jun-21	Hold	193	185

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	200	204
3	Indian Railway Catering and Tourism Corporation	Hold	727	791
4	Inox Leisure	BUY	681	493
5	Music Broadcast	Hold	24	26
6	Navneet Education	BUY	128	108
7	Nazara Technologies	BUY	2,550	1,695
8	PVR	BUY	2,272	1,882
9	S Chand and Company	BUY	159	114
10	Safari Industries (India)	BUY	1,264	968
11	V.I.P. Industries	BUY	825	726
12	Zee Entertainment Enterprises	BUY	413	286

PL's Recommendation Nomenclature (Absolute Performance)

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

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