

Weakness in radio segment a concern...

ENIL's revenues came in at ₹ 115.6 crore, down 5.7% YoY, impacted by core radio revenues that de-grew ~17% YoY while solutions business grew ~34% YoY. Reported EBITDA came in at ₹ 28 crore while margins came in at 24.2%. Adjusted for Ind-AS, EBITDA was at ₹ 17.9 crore, down 34.5% YoY while adjusted margins came in at 15.5%, down 680 bps YoY on account of negative operating leverage. Reported PAT came in lower at ₹ 0.2 crore, impacted by a weak operating performance, lower other income and Ind-AS impact. Without Ind-AS 116, PAT would have been ₹ 2.9 crore.

Second consecutive quarter of radio weakness; outlook muted

The radio revenue decline was mainly owing to weakness in government advertisements (~12% of revenues in Q2FY20), which contributed half of the decline. The other segment that pulled down radio ads were media & entertainment, telecom/OTT and FMCG. On the other hand, sectors like auto and organised retail relatively did better. In the radio business, like to like effective volume decline was ~16% while pricing saw a 4.5% decline. The company expects the radio weakness to persist in FY20 while it remained confident on government ad recovery and radio segment growth trajectory of ~8% in the medium to long term. We bake in radio revenue CAGR of -3% in FY19-21E to ₹ 388 crore, with ~12.5% decline in FY20 followed by 8% growth in FY21E.

Solutions business remain robust...

The solutions business has been a solace for ENIL in challenging times. The company witnessed ~34% growth at ₹ 33 crore and EBITDA of ₹ 8 crore in Q2FY20 led by traction in client solutions, events and IP business. Going ahead, we bake in 22% CAGR in FY19-21E in the solutions business to ₹ 301 crore. We note that the company now expects flattish like to like EBITDA (overall) to be challenging in FY20 vs. 10% growth guidance earlier. We bake in overall EBITDA margins of 26.4% and 27.5% in FY20 and FY21, respectively, with like-to-like decline of 9% (ex-Ind-AS) in FY20.

Valuation & Outlook

The radio sector weakness has continued on account of macroeconomic headwinds along with a sharp decline in government ad spending. The continued robust growth and scaling up of the solutions business, however, is a breather for ENIL in challenging times. We would monitor the traction and consistency in the same before turning constructive. Moreover, we believe a recovery in radio ad growth is key for an overall rerating of the stock. Hence, we maintain our **HOLD** rating with a revised DCF based target price of ₹ 270, (implying ~6x FY21E EV/EBITDA). The target price cut is on account of weakness in revenues and earnings.



Particulars

Particular	Amount
Market Capitalization (₹ Crore)	₹ 1158.4 Crore
Total Debt (FY19)	₹ 0 Crore
Cash & Liquid Investments(FY19)	₹ 159 Crore
EV (₹ Crore)	₹ 999.3 Crore
52 week H/L	751/ 369
Equity capital	47.7
Face value	10.0

Key Highlights

- Overall revenue declined 5.7% YoY impacted by core radio revenues, which de-grew ~17% YoY while solutions business grew ~34% YoY
- Adjusted EBITDA (excluding Ind-AS 116) margins came in at 15.5%, down 680 bps YoY on account of negative operating leverage
- Maintain HOLD rating with revised DCF based target price of ₹ 270, (implying ~6x FY21E EV/EBITDA)

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Key Financial Summary

(Year-end March)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales (₹ crore)	556.5	537.1	620.8	620.9	697.7	6.0
EBITDA (₹ crore)	125.9	116.6	139.1	164.1	191.8	17.4
Net Profit (₹ crore)	55.2	35.6	53.9	41.8	58.2	3.9
EPS (₹)	11.6	7.5	11.3	8.8	12.2	
P/E (x)	21.0	32.5	21.5	27.7	19.9	
Price / Book (x)	1.4	1.3	1.2	1.2	1.2	
EV/EBITDA (x)	9.2	9.3	7.2	5.6	4.3	
RoCE (%)	9.3	6.2	9.0	7.3	9.2	
RoE (%)	6.4	3.5	5.8	4.4	5.9	

Exhibit 1: Variance Analysis

	Q2FY20	Q2FY20E	Q2FY19	Q1FY20	YoY (%)	QoQ (%)	Comments
Revenue	115.6	128.7	122.5	132.4	-5.7	-12.7	Revenue growth driven by non-radio business, which grew 34% YoY while core radio declined ~17%
Other Income	3.3	4.0	3.5	3.3	-3.6	2.4	
Marketing Expenses	18.9	25.7	12.2	22.1	55.2	-14.4	
Administrative Expenses	21.5	27.9	33.2	26.2	-35.3	-17.8	
License Fee	8.5	8.4	8.4	8.9	1.5	-4.7	
Employee Expenses	32.8	31.5	32.7	35.5	0.3	-7.6	Margins lower on account of negative operating leverage
Other Expenses	5.8	6.4	8.6	6.6	-33.1	-12.7	
EBITDA	28.0	28.7	27.3	33.1	2.5	-15.3	
EBITDA Margin (%)	24.2	22.3	22.3	25.0	193 bps	-73 bps	
Depreciation	25.9	25.2	16.6	25.0	56.6	3.9	
Interest	4.9	4.9	1.1	4.9	NA	1.4	
Total Tax	0.3	0.7	4.1	2.6	-93.2	-89.4	
PAT	0.2	2.0	9.1	3.9	-97.9	-95.1	Without Ind-AS 116, PAT would have been ₹ 2.9 crore

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

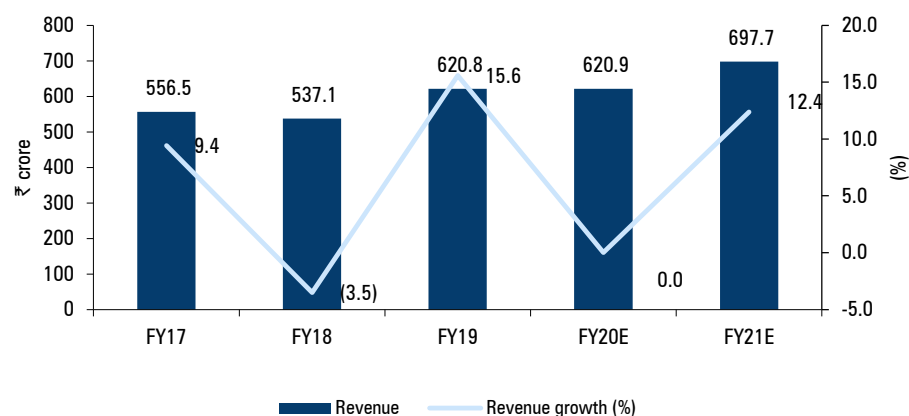
	FY20E			FY21E			Comments
(₹ Crore)	Old	New	% Change	Old	New	% Change	
Revenue	688.9	620.9	-9.9	773.5	697.7	-9.8	Build in decline in radio revenues in FY20 given macroeconomic headwinds
EBITDA	190.9	164.1	-14.1	218.4	191.8	-12.2	
EBITDA Margin (%)	27.7	26.4	-129 bps	28.2	27.5	-75 bps	
PAT	52.8	41.8	-20.9	68.9	58.2	-15.5	
EPS (₹)	11.1	8.8	-20.9	14.5	12.2	-15.5	

Source: Company, ICICI Direct Research

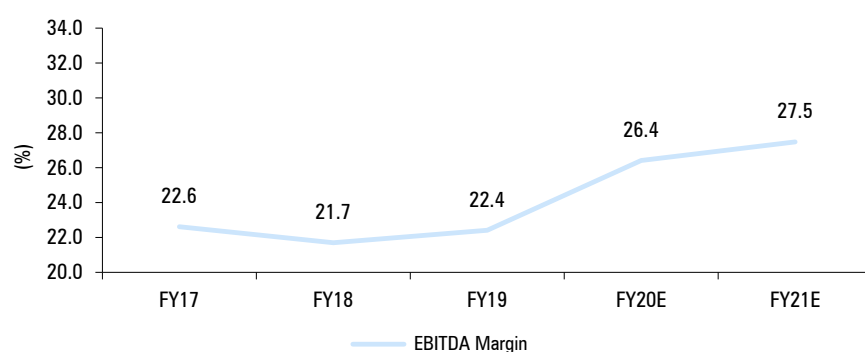
Conference call highlights

- **Capacity utilisation suffers owing to macroeconomic weakness:** The company indicated that there was ~16% volume decline during the quarter, resulting in lower utilisation across stations. The top eight stations utilisation was at 77% vs. 89% in the base quarter). On the other hand, capacity utilisation of 27 other legacy station was 52% (vs. 80% in base quarter. Batch 1 and Batch 2 stations capacity utilisation was at 25% and 11%, respectively
- **Solutions business to grow to 45-50% of revenues in medium term; gross margins to be 35%+:** The company indicated that given its focus on solution business, they have been able to protect EBITDA decline amid radio segment decline. They expect the segment to inch up to 45-50% of revenues (vs. 30% currently) and expect the gross margins to be 35%+ with aspiration to attain ~25% margins in the same. The segment involves ~20% of the dedicated workforce and working capital invested of ~₹ 15 crore
- **Other highlights:** i) Revenue of 35 legacy stations de-grew 7.2% during the quarter ii) Batch 1 revenues during the quarter were at ₹ 16.9 crore, down 21.8% and EBITDA: ₹ 2.5 crore (Q2FY19 –₹ 2.4 crore). Revenues from Batch 2 stations were at ₹ 3.8 crore with EBITDA loss of ₹ 7 lakh [Q2FY19 loss of ₹ 1.5 crore)], iii) capex for the quarter was ₹ 1 crore, with CFO of ₹ 32.8 crore and FCF of ₹ 17.6 crore, iv) cash & cash equivalent was at ~₹ 172 crore, v) revenue break-up in terms of clientele base was 50% retail advertisers, 12% government and 28% corporates

Story in Charts

Exhibit 3: Revenue trend


Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend


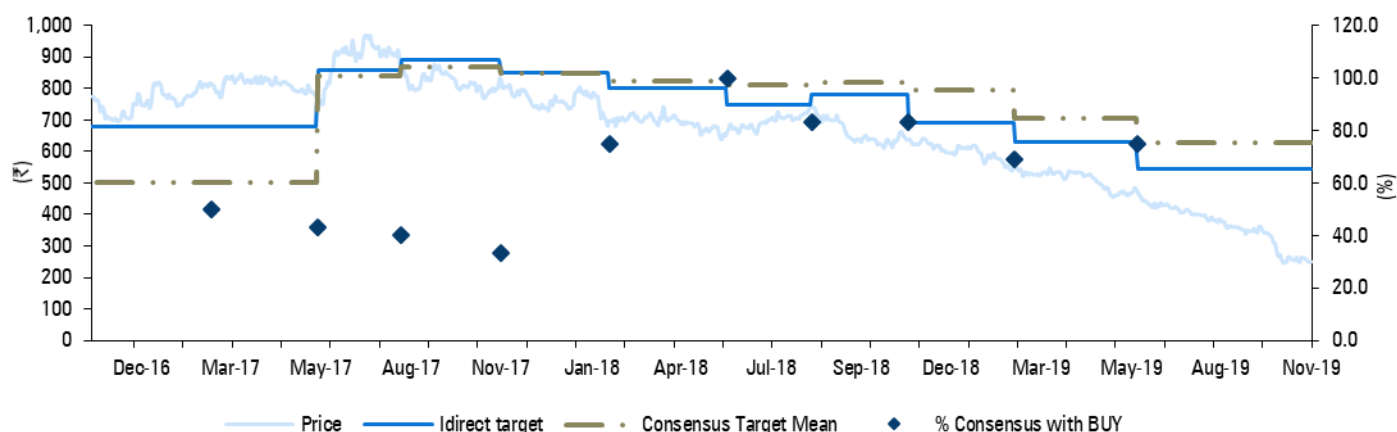
Source: Company, ICICI Direct Research

Exhibit 5: Excerpt of P&L (excl. Ind-AS 116)

(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	537.1	620.8	620.9	697.7
Growth (%)	-3.5	15.6	0.0	12.4
Other Costs	267.3	319.1	321.0	362.0
License Fee	34.7	36.4	38.1	40.5
Employee Expenses	118.5	126.2	135.1	140.5
Total Operating Expenditure	420.5	481.7	494.2	542.9
EBITDA	116.6	139.1	126.7	154.8
Growth (%)	-7.4	19.3	-9.0	22.2
Margins (%)	21.7	22.4	20.4	22.2

Source: Company, ICICI Direct Research

Exhibit 6: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 7: Top 10 shareholders

No	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	Bennett Coleman & Co., Ltd.	30-Sep-19	0.71	33.9	0.0
2	Ruane, Cunniff & Goldfarb L.P.	30-Sep-19	0.06	2.8	0.0
3	ICICI Prudential Asset Management Co. Ltd.	30-Sep-19	0.05	2.3	0.1
4	IDFC Asset Management Company	30-Sep-19	0.03	1.3	0.0
5	Reliance Nippon Life Asset Management	30-Sep-19	0.02	0.9	0.0
6	Aditya Birla Sun Life AMC Limited	30-Sep-19	0.01	0.6	0.0
7	Motilal Oswal Asset Management Company	30-Sep-19	0.01	0.5	0.0
8	HDFC Asset Management Co., Ltd.	30-Sep-19	0.00	0.1	0.0
9	Dimensional Fund Advisors, L.P.	30-Sep-19	0.00	0.1	0.0
10	Kotak Mahindra Asset Management Company	30-Apr-18	0.00	0.1	0.0

Source: Reuters, ICICI Direct Research

Exhibit 8: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
ICICI Prudential Asset Management Co. Ltd.	+0.69M	+0.14M	HDFC Asset Management Co., Ltd.	-0.09M	-0.02M
Taurus Asset Management Co. Ltd.	+0.01M	+0.00M			

Source: Reuters, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Promoter	71.15	71.15	71.15	71.15	71.15
FII	8.80	8.79	8.76	8.76	8.76
DII	13.04	13.00	13.02	12.72	13.57
Others	7.01	7.06	7.07	7.37	6.52

Source: Company, ICICI Direct Research

Financial summary

Exhibit 10: Profit and loss statement					₹ crore	
(Year-end March)	FY18	FY19	FY20E	FY21E		
Total operating Income	537.1	620.8	620.9	697.7		
Growth (%)	-3.5	15.6	0.0	12.4		
Other Costs	267.3	319.1	283.6	325.0		
License Fee	34.7	36.4	38.1	40.5		
Employee Expenses	118.5	126.2	135.1	140.5		
Total Operating Expenditure	420.5	481.7	456.8	505.9		
EBITDA	116.6	139.1	164.1	191.8		
Growth (%)	-7.4	19.3	17.9	16.9		
Depreciation	63.5	67.1	91.3	94.2		
Interest	4.7	4.0	21.5	22.2		
Other Income	9.4	15.7	13.6	14.0		
Exceptional Items	(4.2)	-	-	-		
PBT	62.1	83.7	64.9	89.4		
MI/PAT from associates	-	-	-	-		
Total Tax	26.4	29.8	23.1	31.2		
PAT	35.6	53.9	41.8	58.2		
Growth (%)	-35.4	51.2	-22.5	39.4		
EPS (₹)	7.5	11.3	8.8	12.2		

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement					₹ crore	
(Year-end March)	FY18	FY19	FY20E	FY21E		
Profit after Tax	35.6	53.9	41.8	58.2		
Add: Depreciation	63.5	67.1	91.3	94.2		
Add: Interest Paid	4.7	4.0	21.5	22.2		
(Inc)/dec in Current Assets	-16.9	-22.9	-3.7	-32.8		
Inc/(dec) in CL and Provisions	-5.1	33.4	0.1	21.8		
CF from operating activities	81.8	135.5	150.9	163.6		
(Inc)/dec in Investments	-47.9	19.5	-80.0	-100.0		
(Inc)/dec in Fixed Assets	-19.4	-45.1	-227.0	-15.0		
Others	14.3	9.9	213.0	-15.0		
CF from investing activities	-53.0	-15.7	-94.0	-130.0		
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0		
Inc/(dec) in loan funds	-19.2	-104.0	0.0	0.0		
Interest paid	-4.7	-4.0	-21.5	-22.2		
Dividend outflow	-5.7	-5.7	-11.5	-11.5		
Others	0.2	-0.3	-26.0	0.0		
CF from financing activities	-29.5	-114.0	-59.0	-33.7		
Net Cash flow	-0.6	5.9	-2.1	-0.1		
Opening Cash	18.6	18.0	23.9	21.8		
Closing Cash	18.0	23.9	21.8	21.7		

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet					₹ crore	
(Year-end March)	FY18	FY19	FY20E	FY21E		
Liabilities						
Equity Capital	47.7	47.7	47.7	47.7		
Reserve and Surplus	839.8	887.6	891.9	938.6		
Total Shareholders funds	887.5	935.3	939.6	986.3		
Total Debt	104.0	0.0	0.0	0.0		
Others	24.1	34.0	247.0	232.0		
Total Liabilities	1,015.5	969.3	1,186.6	1,218.3		
Assets						
Gross Block	1,139.3	1,225.0	1,452.0	1,467.0		
Less: Acc Depreciation	465.4	532.5	623.8	718.0		
Net Block	673.8	692.4	828.1	748.9		
Capital WIP	62.6	22.0	22.0	22.0		
Total Fixed Assets	736.4	714.4	850.1	770.9		
Goodwill	0.5	0.5	0.5	0.5		
Investments	164.8	145.3	225.3	325.3		
Inventory	-	-	-	-		
Debtors	170.2	200.5	204.1	229.4		
Loans and Advances	22.3	23.4	23.4	26.3		
Other Current Assets	45.8	37.3	37.3	41.9		
Cash	18.0	23.9	21.8	21.7		
Total Current Assets	256.2	285.0	286.6	319.3		
Creditors	104.9	126.7	126.7	142.4		
Provisions	10.8	12.0	12.0	13.4		
Other Current Liabilities	26.7	37.2	37.2	41.8		
Total Current Liabilities	142.4	175.9	175.9	197.7		
Net Current Assets	113.8	109.1	110.7	121.6		
Other non Current Assets	0.0	0.0	0.0	0.0		
Application of Funds	1,015.5	969.3	1,186.6	1,218.3		

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios					₹ crore	
(Year-end March)	FY18	FY19	FY20E	FY21E		
Per share data (₹)						
EPS	7.5	11.3	8.8	12.2		
Cash EPS	20.8	25.4	27.9	32.0		
BV	186.2	196.2	197.1	206.9		
DPS	1.2	1.2	2.4	2.4		
Cash Per Share	3.8	5.0	4.6	4.6		
Operating Ratios (%)						
EBITDA Margin	21.7	22.4	26.4	27.5		
PBT / Total Operating income	9.9	11.6	11.7	14.0		
PAT Margin	5.8	8.7	6.7	8.3		
Inventory days	0.0	0.0	0.0	0.0		
Debtor days	115.7	117.9	120.0	120.0		
Creditor days	71.3	74.5	74.5	74.5		
Return Ratios (%)						
RoE	3.5	5.8	4.4	5.9		
RoCE	6.2	9.0	7.3	9.2		
RoIC	6.8	9.1	7.9	11.4		
Valuation Ratios (x)						
P/E	32.5	21.5	27.7	19.9		
EV / EBITDA	9.3	7.2	5.6	4.3		
EV / Net Sales	2.0	1.6	1.5	1.2		
Market Cap / Sales	2.2	1.9	1.9	1.7		
Price to Book Value	0.0	0.0	0.0	0.0		
Solvency Ratios						
Debt/EBITDA	0.9	0.0	0.0	0.0		
Debt / Equity	0.1	0.0	0.0	0.0		
Current Ratio	1.7	1.5	1.5	1.5		
Quick Ratio	1.7	1.5	1.5	1.5		

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
ENIL (ENTNET)	243	270	Hold	1,158	11.3	8.8	12.2	21.5	27.7	19.9	7.2	5.6	4.3	6.2	9.0	7.3	3.5	5.8	4.4
Inox Leisure (INOX)	359	435	Buy	3,682	13.0	10.5	16.5	27.6	34.1	21.7	12.3	6.0	4.8	13.2	19.6	11.7	10.6	14.2	15.1
Music Broadcast (MUK)	30	32	Hold	830	2.2	2.0	2.1	13.5	15.2	14.1	5.3	5.9	4.8	16.5	11.5	14.4	10.2	8.3	9.0
PVR (PVRLIM)	1,742	2,100	Buy	8,139	39.2	25.8	42.8	44.4	67.5	40.7	16.0	7.7	6.7	14.7	13.8	9.8	11.5	14.8	14.7
Sun TV (SUNTV)	489	500	Hold	19,271	36.4	36.7	41.7	13.4	13.3	11.7	6.4	7.0	5.8	35.5	38.5	30.3	24.2	25.9	23.1
TV Today (TVTNET)	301	380	Buy	1,793	22.0	24.1	31.7	13.7	12.5	9.5	7.5	7.0	5.5	30.4	26.2	28.7	19.3	16.9	18.4
ZEE Ent. (ZEEENT)	284	220	Reduce	27,227	16.1	19.5	22.0	17.6	14.5	12.9	9.8	9.2	7.9	25.6	25.7	24.5	15.3	15.7	17.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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