

Covid-19 impacts revenues sharply!

Entertainment Network India (ENIL) reported a weak set of Q1FY21 numbers. Revenues came in at ₹ 38.5 crore (down 71% YoY) with core radio revenue de-growth of ~84% YoY in Q1FY21. The solutions business saw 40% YoY decline in revenues (60% decline without brand licensing revenue). Reported EBITDA came in at ₹ 25.9 crore against EBITDA of ₹ 33.1 crore in Q1FY20. Although ENIL managed a cost reduction across all fronts, negative operating leverage led to EBITDA loss. The company reported a net loss of ₹ 37.9 crore against net profit of ₹ 3.9 crore in Q1FY20.

Radio revenues worst hit during lockdown

The radio business continued to report revenue de-growth in Q1FY21 following a disappointing FY20. Ad volume took a big hit due to reduced spend by corporate/government during Covid-19 induced lockdown. We note that ENIL's core radio revenue decline in Q1FY21 was higher than competitor in the industry who reported ~79% decline (total revenue trend better for ENIL owing to solutions business). Radio revenue decline was mainly owing to weakness in education (81% down YoY), M&E (77% down), FMCG (72% down) and other sectors that de-grew 87% while health & pharma, BFSI, government were relatively better where ad spend was down 50-55% YoY. The company said ad volumes trend from June onwards was better as June and July were up 82% & 50% MoM, respectively. Revenues are expected to remain under pressure in the near term with full ad recovery likely from Q4FY21E onwards. Accordingly, we revise our estimates and expect radio revenues to decline 37% YoY in FY21E followed by a sharp recovery of 49% YoY in FY22E to ₹ 337 crore, on a lower base.

Non-FCT trend better than FCT business...

Solutions business revenue was down 40.1% YoY at ~₹ 22 crore (decline of 59.8% YoY not accounting for brand licensing revenue). Although solutions business de-grew, it reported strong gross margins at 65.6%. Solutions IP business was down 70% YoY but reported margin of 38%. The management said digital solutions account for 28% of revenues. Going ahead, we bake in 7.7% CAGR in solution business in FY20-22E to ₹ 210 crore.

Valuation & Outlook

The radio sector remains the worst hit media segment with FY20 being a washout due to macroeconomic headwinds and Covid-19 affecting FY21E earnings. Gross margins growth of solutions business is a relief for ENIL in challenging times. We would monitor the traction and consistency in the same before turning constructive. The company has cash & cash equivalents of ~₹ 236 crore, which assures liquidity. Larger players in the industry will benefit in case of consolidation. However, recovery in radio ad growth is key for overall rerating of the stock. We believe full ad recovery is still a couple of quarters away. Hence, we maintain our **HOLD** rating on the stock with a revised target price of ₹ 145 (implying ~4x FY22E EV/EBITDA).

Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales (₹crore)	537.1	620.8	548.1	377.9	554.5	0.6
EBITDA (₹crore)	116.6	139.1	125.3	62.0	150.8	9.7
Net Profit (₹crore)	35.6	53.9	10.7	(27.6)	33.7	77.3
EPS (₹)	7.5	11.3	2.2	(5.8)	7.1	
P/E (x)	17.3	11.4	57.5	(22.3)	18.3	
Price / Book (x)	0.7	0.7	0.7	0.7	0.7	
EV/EBITDA (x)	4.7	3.3	3.0	5.7	2.0	
RoCE (%)	6.2	9.0	3.0	(1.7)	6.4	
RoE (%)	3.5	5.8	1.2	(3.1)	3.7	

Source: Company, ICICI Direct Research *



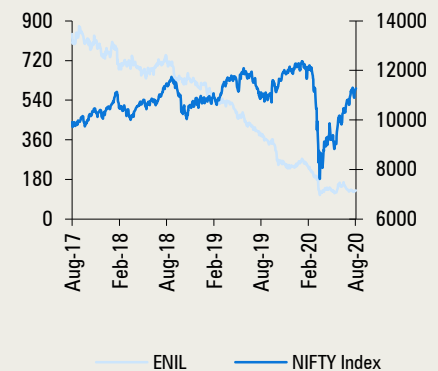
Particulars

Particular	Amount
Market Capitalization (₹Crore)	₹615.4 Crore
Total Debt (FY 20)	₹0 Crore
Cash & Liquid	₹240.2 Crore
Investments (FY 20)	
EV (₹Crore)	₹456.4 Crore
52 week H/L	396/101
Equity capital	47.7

Key Highlights

- Maintain HOLD rating with revised target price of ₹ 145, (implying ~4x FY22E EV/EBITDA)

Price Chart



Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Exhibit 1: Variance Analysis

	Q1FY21	Q1FY20	Q4FY20	YoY (%)	QoQ (%)	Comments
Revenue	38.5	132.4	151.8	-71.0	-74.7	Radio revenue de-growth of 84.3% YoY while solutions business de-grew 40.1% YoY amidst lockdown
Other Income	5.8	3.3	3.8	79.3	55.9	
Marketing Expenses	11.7	22.1	44.4	-47.3	-73.7	
Administrative Expenses	16.6	26.2	36.0	-36.4	-53.8	
License Fee	7.9	8.9	9.2	-12.0	-14.0	
Employee Expenses	26.3	35.5	31.7	-25.9	-17.0	
Other Expenses	1.9	6.6	7.6	-71.0	-74.7	
EBITDA	-25.9	33.1	23.0	-178.5	-212.8	Weaker topline led to operating loss
EBITDA Margin (%)	-67.4	25.0	15.1	-9240 bps	-8257 bps	
Depreciation	25.3	25.0	26.9	1.3	-5.9	
Interest	4.7	4.9	4.7	NA	0.4	
Total Tax	-12.2	2.6	-1.6	-561.6	661.6	
PAT	-37.9	3.9	-3.2	-1,084.2	1,072.8	
Key Metrics						
Op. Revenue growth	-72%	11%	-14%			
Rate/Slot	328.5	283.8	373.7	15.7	-12.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(`Crоре)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	468.8	377.9	-19.4	612.5	554.5	-9.5	Realigned estimates after Q1FY 21 performance
EBITDA	112.0	62.0	-44.6	178.0	150.8	-15.3	
EBITDA Margin (%)	23.9	16.4	-749 bps	29.1	27.2	-187 bps	
PAT	1.9	-27.6	-1,552.6	42.9	33.7	-21.5	
EPS (₹)	0.4	-5.8	-1,547.4	9.0	7.1	-21.5	

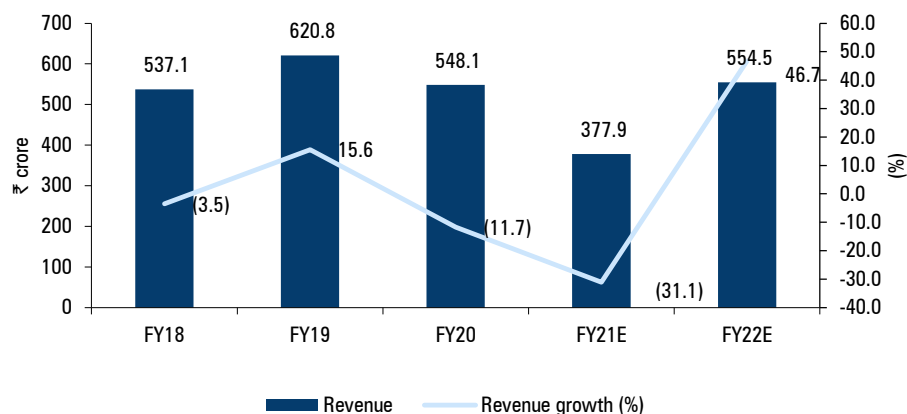
Source: Company, ICICI Direct Research

Conference Call Highlights

- **Gains in listenership and market share:** The management said radio listenership in top six cities has grown 28% while the time spent on it has increased by 30 minutes to 156 minutes during the lockdown. The management also added that Radio Mirchi's revenue market share was at 33%
- **Ad volume takes big hit, full recovery post Q4FY21E:** The management said radio revenue decline was mainly owing to weakness in education (81% down YoY) M&E (77% down), FMCG (72% down) and other sectors, which de-grew 87%. Also, IT and e-commerce reported sharp de-growth while health & pharma, BFSI, government were relatively better where ad spend was down 50-55% YoY. The management said ad volume trend from June onwards was better as June and July were up 82% & 50% MoM, respectively. Currently, ad spend from BFSI, auto and FMCG sectors is improving as per management. They also said ad spend from smaller markets of Punjab and some cities of Gujarat is increasing as lockdown restrictions were lifted earlier compared to bigger cities. Q3FY21E is likely to see ad recovery owing to festive season while full recovery and growth is expected from Q4FY21, Q1FY22
- **Capacity utilisation at one of the lowest:** The management said overall volume utilisation was very low in Q1FY21. Top eight stations' utilisation was at 15% while other 28 legacy stations' utilisation was at 20%. Batch 1 and Batch 2 stations capacity utilisations was at 7.4% and 6.3%, respectively. The management said ad prices were down 30% as few clients providing services related to Covid-19 were given discounts. However, for other clients, ad yield remained almost same
- **Cost rationalisation:** ENIL has undertaken cost control measures on all fronts, which has benefitted the company during the quarter. The management said cost cuts are sustainable and will benefit, going forward. The management maintained guidance to cut operating costs by ₹ 70-75 crore annually. Also, the company is planning to surrender some of the space owned by it, which will lead to lower rent expenses
- **Foray in overseas markets:** The company is planning to further expand its presence in the Middle East region and is likely to enter UAE, Bahrain and Qatar region by Diwali. Also, ENIL will extend its presence in US and Canada
- **Other highlights:** i) Revenue of 35 legacy stations de-grew 69.1% YoY ii) Batch 1 revenues during the quarter were at ₹ 2.4 crore, down 87.5% and EBITDA loss: ₹ 7.3 crore (Q1FY20 profit of ₹ 2.5 crore). Revenues from Batch 2 stations down 73.7% and were at ₹ 1.1 crore with EBITDA loss of ₹ 2.2 crore (Q1FY20 profit of ₹ 0.5 crore)

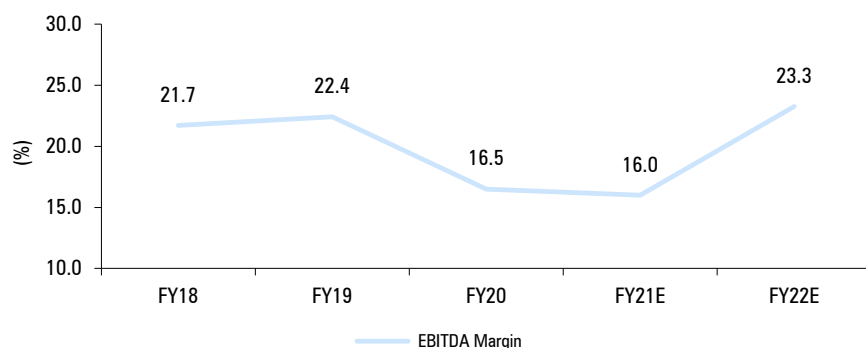
Story in Charts

Exhibit 3: Revenue trend



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA margin trend (ex- Ind-AS trend)



Source: Company, ICICI Direct Research

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

(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	620.8	548.1	377.9	554.5
Growth (%)	15.6	-11.7	-31.1	46.7
Other Costs	319.1	287.3	210.1	286.5
License Fee	36.4	35.6	35.4	32.4
Employee Expenses	126.2	134.8	107.4	124.8
Total Operating Expenditure	481.7	457.7	352.9	443.7
EBITDA	139.1	90.4	25.0	110.8
Growth (%)	19.3	-35.0	-72.4	343.1
Margins (%)	22.4	16.5	6.6	20.0

Source: Company, ICICI Direct Research

Financial summary

Exhibit 6: Profit and loss statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Total operating income	620.8	548.1	377.9	554.5	
Growth (%)	15.6	-11.7	-31.1	46.7	
Other Costs	319.1	252.4	173.1	246.5	
License Fee	36.4	35.6	35.4	32.4	
Employee Expenses	126.2	134.8	107.4	124.8	
Total Operating Expenditure	481.7	422.8	315.9	403.7	
EBITDA	139.1	125.3	62.0	150.8	
Growth (%)	19.3	-9.9	-50.5	143.2	
Depreciation	67.1	104.2	100.1	99.8	
Interest	4.0	19.5	18.2	20.0	
Other Income	15.7	13.4	19.8	20.0	
Exceptional Items	-	-	-	-	
PBT	83.7	15.1	-36.5	51.0	
M/PAT from associates	-	-	-	-	
Total Tax	29.8	4.4	-8.9	17.3	
PAT	53.9	10.7	-27.6	33.7	
Growth (%)	51.2	-80.1	-357.6	-222.1	
EPS (₹)	11.3	2.2	-5.8	7.1	

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Profit after Tax	53.9	10.7	-27.6	33.7	
Add: Depreciation	67.1	104.2	100.1	99.8	
Add: Interest Paid	4.0	19.5	18.2	20.0	
(Inc)/dec in Current Assets	-22.9	28.3	24.9	-66.9	
Inc/(dec) in CL and Provisions	33.4	3.6	-38.7	32.8	
CF from operating activities	135.5	166.3	76.9	119.5	
(Inc)/dec in Investments	19.5	-90.7	0.0	-50.0	
(Inc)/dec in Fixed Assets	-45.1	-46.7	-15.0	-25.0	
Others	9.9	-0.3	-15.0	-15.0	
CF from investing activities	-15.7	-137.8	-30.0	-90.0	
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	-104.0	0.0	0.0	0.0	
Interest paid	-4.0	-19.5	-18.2	-20.0	
Dividend outflow	-5.7	-4.8	-4.8	-9.5	
Others	-0.3	-24.0	0.0	0.0	
CF from financing activities	-114.0	-48.3	-23.0	-29.5	
Net Cash flow	5.9	-19.8	23.9	-0.1	
Opening Cash	18.0	23.9	4.1	28.0	
Closing Cash	23.9	4.1	28.0	28.0	

Source: Company, ICICI Direct Research

Exhibit 8: Balance sheet		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Liabilities					
Equity Capital	47.7	47.7	47.7	47.7	
Reserve and Surplus	887.6	869.6	837.2	861.4	
Total Shareholders funds	935.3	917.3	884.9	909.1	
Total Debt	0.0	0.0	0.0	0.0	
Others	34.0	223.8	208.8	193.8	
Total Liabilities	969.3	1,141.1	1,093.7	1,102.9	
Assets					
Gross Block	1,225.0	1,292.8	1,307.8	1,332.8	
Less: Acc Depreciation	532.5	636.7	736.8	836.6	
Net Block	692.4	656.1	570.9	496.1	
Capital WIP	22.0	0.8	0.8	0.8	
Total Fixed Assets	714.4	656.9	571.8	497.0	
Goodwill	0.5	0.0	0.0	0.0	
Investments	145.3	236.1	236.1	286.1	
Inventory	-	-	-	-	
Debtors	200.5	160.7	144.9	189.9	
Loans and Advances	23.4	24.1	23.2	32.4	
Other Current Assets	37.3	48.1	39.8	52.5	
Cash	23.9	4.1	28.0	28.0	
Total Current Assets	285.0	236.9	236.0	302.8	
Creditors	126.7	142.4	113.9	136.7	
Provisions	12.0	11.9	9.5	11.4	
Other Current Liabilities	37.2	25.1	17.3	25.4	
Total Current Liabilities	175.9	179.5	140.7	173.6	
Net Current Assets	109.1	57.5	95.3	129.2	
Other non Current Assets	0.0	0.0	0.0	0.0	
Application of Funds	969.3	1,141.1	1,093.7	1,102.9	

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Per share data (₹)					
EPS	11.3	2.2	-5.8	7.1	
Cash EPS	25.4	24.1	15.2	28.0	
BV	196.2	192.4	185.6	190.7	
DPS	1.2	1.0	1.0	2.0	
Cash Per Share	5.0	0.9	5.9	5.9	
Operating Ratios (%)					
EBITDA Margin	22.4	22.9	16.4	27.2	
PBT / Total Operating income	11.6	3.9	-10.1	9.2	
PAT Margin	8.7	2.0	-7.3	6.1	
Inventory days	0.0	0.0	0.0	0.0	
Debtor days	117.9	107.0	140.0	125.0	
Creditor days	74.5	94.8	110.0	90.0	
Return Ratios (%)					
RoE	5.8	1.2	-3.1	3.7	
RoCE	9.0	3.0	-1.7	6.4	
RoIC	9.1	3.0	-6.0	8.5	
Valuation Ratios (x)					
P/E	11.4	57.5	-22.3	18.3	
EV / EBITDA	3.3	3.0	5.7	2.0	
EV / Net Sales	0.7	0.7	0.9	0.5	
Market Cap / Sales	1.0	1.1	1.6	1.1	
Price to Book Value	0.0	0.0	0.0	0.0	
Solvency Ratios					
Debt/EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	1.5	1.3	1.5	1.6	
Quick Ratio	1.5	1.3	1.5	1.6	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, MBA, CFA., Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH00000990. ICICI Securities Limited SEBI Registration is INZ00183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.