

August 10, 2020

Q1FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	157		157	
Sales (Rs. m)	3,058	5,378	3,931	5,769
% Chng.	(22.2)	(6.8)		
EBITDA (Rs. m)	(214)	1,371	354	1,425
% Chng.	NA	(3.8)		
EPS (Rs.)	(19.2)	4.9	(11.4)	4.7
% Chng.	NA	5.7		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	5,406	3,058	5,378	6,208
EBITDA (Rs. m)	1,235	(214)	1,371	1,819
Margin (%)	22.8	NA	25.5	29.3
PAT (Rs. m)	146	(914)	236	542
EPS (Rs.)	3.1	(19.2)	4.9	11.4
Gr. (%)	(73.0)	NA	NA	130.0
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.8	0.8	0.8	0.8
RoE (%)	1.6	NA	2.8	6.1
RoCE (%)	2.7	NA	3.8	8.3
EV/Sales (x)	0.7	1.2	0.7	0.5
EV/EBITDA (x)	3.1	NA	2.6	1.6
PE (x)	42.3	NA	26.1	11.3
P/BV (x)	0.7	0.7	0.7	0.7

Key Data

ENIL.BO | ENIL IN

52-W High / Low	Rs.396 / Rs.98
Sensex / Nifty	38,182 / 11,270
Market Cap	Rs.6bn / \$ 82m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.3.62m

Shareholding Pattern (%)

Promoter's	71.15
Foreign	7.83
Domestic Institution	13.20
Public & Others	7.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.4)	(43.6)	(66.2)
Relative	(5.5)	(39.5)	(66.7)

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Growth concerns persists; cost control is key

Quick Pointers:

- Annualized cost savings of ~Rs1bn is targeted in FY21E.
- Non-FCT business contributed ~60% to sales with GM/EBITDA margin of 48.7%/9.1% respectively (excluding the brand licensing revenue spillover of Rs73mn).

ENIL's performance was better than our expectations (EBITDA loss of Rs260mn versus our estimate of Rs644mn) on the back of better cost control. While targeted savings of Rs1bn in FY21E is noteworthy, we believe fixed cost absorption will continue to remain a challenge in a weak demand environment (inventory utilization for 35 legacy/17 batch 1/21 batch 2 stations is expected to be 45%/15%/10% in FY21E). Further, recovery in non-FCT business will be back ended as events, activations & concerts would remain suspended until COVID-19 risk subsides. While concerns on growth and margins have aggravated post-COVID we draw comfort from strong BS (zero debt), high cash (Rs2.4bn; ~39% of market cap is in cash), and improvement in the profitability profile of non-FCT business which was labelled as margin dilutive (GM has improved from 19% in FY17 to 36% in FY20). Higher focus on digital solutions within the non-FCT business, when on-ground activity is virtually absent will not only aid growth but also profits. We thus maintain our HOLD rating on the stock with a TP of Rs157. Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs65 (target multiple of 4x; no change) and 50% weight to DCF approach (Rs92 per share).

Top-line declines 71.9% YoY: ENIL's topline declined 71.9% YoY to Rs370mn (PLe of Rs276mn) due to 84.3%/40.1% YoY decline in the radio/non-FCT business respectively. Batch 1 stations reported revenues of Rs24mn (down 87.5% YoY) with EBITDA loss of Rs73mn. Batch 2 stations reported revenues of Rs11mn (down 73.8% YoY) with EBITDA loss of Rs22mn.

Cost control restricts EBITDA loss to Rs260mn: EBITDA loss stood at Rs260mn (PLe EBITDA loss of Rs644mn) due to better cost management. Programming cost was down 53.3% YoY to Rs134mn (PLe of Rs290mn) while other expenses were down 39.3% YoY to Rs154mn (PLe of Rs221mn).

Con-call highlights: 1) Inventory utilization of top 8 phase 2, balance 27 phase 2, 17 batch 1 and 21 batch 2 stations stood at 15%, 20%, 7% and 6% respectively **2)** Ad-volumes in the radio business declined 72% while price erosion was 30% (pricing discount was tactical in nature and yields are expected to recover from 2QFY21) **3)** Ad-volumes in April/May were negligible, while June/July witnessed a growth of 82%/50% MoM. **4)** Except for BFSI which reported a growth of 55%, ad-volumes across all sectors registered a decline. **5)** Within the non-FCT business, traction on digital side is better than on-ground events which has led to improvement in margins **6)** Employee count has been rationalized by 200 people **7)** EBITDA for non-FCT business was Rs86mn.

Exhibit 1: Q1FY21 Result Overview (Rs mn)

Y/e March	Q1FY21	Q1FY20	YoY gr.	Q4FY20	QoQ gr.
Net Sales	370	1,316	-71.9%	1,494	-75.2%
Employee expenses	263	355	-25.9%	317	-17.0%
<i>As a % of sales</i>	<i>71.1%</i>	<i>27.0%</i>		<i>21.2%</i>	
Programming & royalty expenses	134	287	-53.3%	518	-74.1%
<i>As a % of sales</i>	<i>36.3%</i>	<i>21.9%</i>		<i>34.7%</i>	
License fees	79	89	-12.0%	92	-14.0%
<i>As a % of sales</i>	<i>21.3%</i>	<i>6.8%</i>		<i>6.1%</i>	
Other expenses	154	253	-39.3%	343	-55.2%
<i>As a % of sales</i>	<i>41.6%</i>	<i>19.3%</i>		<i>23.0%</i>	
Expenditure	630	985	-36.1%	1,269	-50.4%
EBITDA	(260)	330	NM	225	NM
<i>EBITDA Margin</i>	<i>NM</i>	<i>25.1%</i>		<i>15.1%</i>	
Depreciation	238	241	-1.1%	255	-6.5%
EBIT	(498)	90	NM	(30)	NM
<i>EBIT Margin</i>	<i>NM</i>	<i>6.8%</i>		<i>NM</i>	
Interest	45	46	-3.9%	44	0.8%
Other income	54	31	74.1%	36	50.8%
Exceptional items	-	-	NM	-	NM
PBT	(488)	74	NM	(38)	NM
Tax	(122)	26	NM	(16)	NM
<i>Tax Rate</i>	<i>NM</i>	<i>35.1%</i>		<i>NM</i>	
Other comprehensive income	(1.1)	(1)	NM	1.9	NM
PAT	(367)	47	NM	(20)	NM
<i>PAT Margin</i>	<i>NM</i>	<i>3.6%</i>		<i>NM</i>	
EPS (Rs)	(7.7)	1.0	NM	(0.5)	NM

Source: Company, PL

Exhibit 2: Revenue assumption of 35 legacy stations

Particulars	FY19	FY20	FY21E	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%	45%	75%	80%
Inventory sold (mn sec) in slots	14.4	12.7	7.6	12.7	13.6
<i>YoY growth</i>	<i>7.0%</i>	<i>-12.1%</i>	<i>-40.0%</i>	<i>66.7%</i>	<i>6.7%</i>
Realization per slot per station (Rs)	349	355	338	348	360
<i>YoY growth</i>	<i>6.4%</i>	<i>1.8%</i>	<i>-5.0%</i>	<i>3.0%</i>	<i>3.5%</i>
Total revenues (Rs mn)	5,200.0	4,515.5	2,573.9	4,418.4	4,878.0

Source: Company, PL

Exhibit 3: Revenue assumptions for 17 batch 1 stations

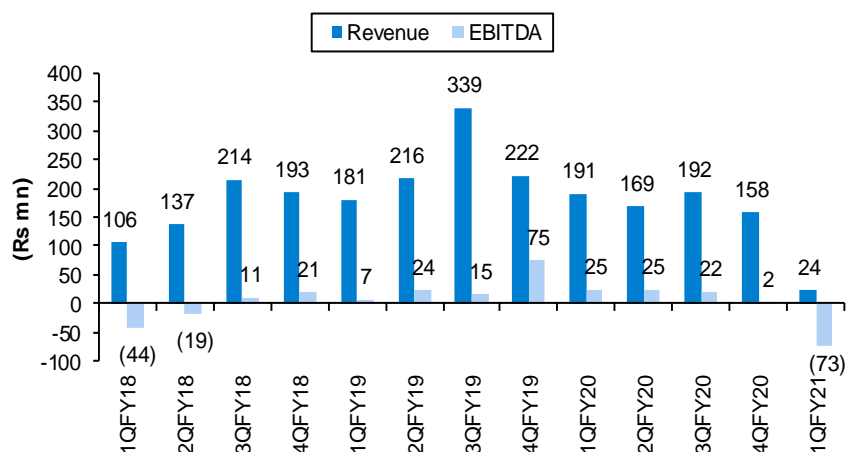
Particulars	FY19	FY20	FY21E	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	8.2	8.2	8.2	8.2	8.2
Utilization level	35%	31%	15%	30%	40%
Inventory sold (mn sec) in slots	2.9	2.6	1.2	2.5	3.3
<i>YoY growth</i>	48.8%	-11.4%	-51.6%	100.0%	33.3%
Realization per slot per station (Rs)	333	279	265	271	279
<i>YoY growth</i>	-3.2%	-16.3%	-5.0%	2.5%	3.0%
Total revenues (Rs mn)	958.1	710.6	326.6	669.6	919.6

Source: Company, PL

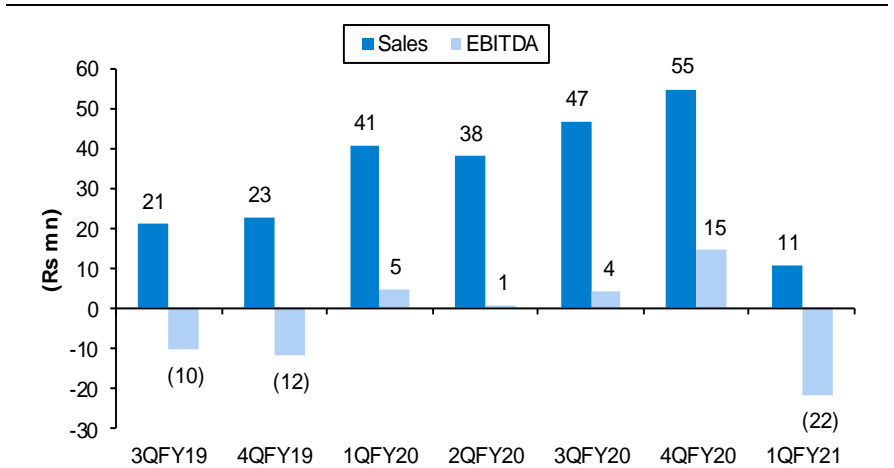
Exhibit 4: Revenue assumptions for 21 batch 2 stations

Particulars	FY19	FY20	FY21E	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%	10%	20%	30%
Inventory sold (mn sec) in slots	0.8	1.8	1.0	2.0	3.0
<i>YoY growth</i>	NA	118.2%	-44.4%	100.0%	50.0%
Realization per slot per station	57.2	98.3	93.4	95.7	98.6
<i>YoY growth</i>	NA	71.7%	-5.0%	2.5%	3.0%
Total revenues	48.0	179.8	94.9	194.5	300.6

Source: Company, PL

Exhibit 5: Revenue & EBITDA trend of batch 1 stations


Source: Company, PL

Exhibit 6: Revenue & 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%	130	65
DCF approach	50%	184	92
Weighted average target price			157

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	5,406	3,058	5,378	6,208
YoY gr. (%)	(12.9)	(43.4)	75.8	15.4
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
Employee Cost	1,348	994	1,156	1,347
Other Expenses	2,823	2,278	2,850	3,042
EBITDA	1,235	(214)	1,371	1,819
YoY gr. (%)	(11.7)	NA	NA	32.6
Margin (%)	22.8	NA	25.5	29.3
Depreciation and Amortization	991	1,007	1,051	1,083
EBIT	244	(1,221)	320	736
Margin (%)	4.5	NA	6.0	11.9
Net Interest	184	153	167	168
Other Income	128	153	161	155
Profit Before Tax	188	(1,221)	315	724
Margin (%)	3.5	NA	5.9	11.7
Total Tax	43	(306)	79	182
Effective tax rate (%)	22.6	NA	25.1	25.1
Profit after tax	146	(914)	236	542
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	146	(914)	236	542
YoY gr. (%)	(73.0)	NA	NA	130.0
Margin (%)	2.7	NA	4.4	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	146	(914)	236	542
YoY gr. (%)	(73.0)	NA	NA	130.0
Margin (%)	2.7	NA	4.4	8.7
Other Comprehensive Income	(1)	-	-	-
Total Comprehensive Income	145	(914)	236	542
Equity Shares O/s (m)	48	48	48	48
EPS (Rs)	3.1	(19.2)	4.9	11.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	11,503	11,910	12,464	13,041
Tangibles	3,625	4,023	4,560	5,119
Intangibles	7,878	7,887	7,904	7,922
Acc: Dep / Amortization	3,153	4,160	5,211	6,293
Tangibles	1,005	1,504	2,049	2,625
Intangibles	2,148	2,655	3,162	3,668
Net fixed assets	8,350	7,750	7,253	6,748
Tangibles	2,620	2,518	2,511	2,494
Intangibles	5,730	5,232	4,742	4,254
Capital Work In Progress	8	8	8	8
Goodwill	-	-	-	-
Non-Current Investments	377	340	394	452
Net Deferred tax assets	(220)	(366)	(252)	(217)
Other Non-Current Assets	193	177	226	248
Current Assets				
Investments	2,256	2,256	2,256	2,256
Inventories	-	-	-	-
Trade receivables	1,587	1,005	1,694	1,956
Cash & Bank Balance	20	214	267	1,024
Other Current Assets	252	183	269	310
Total Assets	13,079	11,971	12,403	13,039
Equity				
Equity Share Capital	477	477	477	477
Other Equity	8,706	7,744	7,932	8,426
Total Network	9,182	8,220	8,409	8,903
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	100	75	84	97
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,152	941	1,174	1,287
Other current liabilities	465	409	525	576
Total Equity & Liabilities	13,079	11,971	12,403	13,039

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	188	(1,221)	315	724
Add. Depreciation	991	1,007	1,051	1,083
Add. Interest	184	153	167	168
Less Financial Other Income	128	153	161	155
Add. Other	(83)	116	(102)	(19)
Op. profit before WC changes	1,280	55	1,430	1,955
Net Changes-WC	58	403	(477)	(165)
Direct tax	(161)	306	(79)	(182)
Net cash from Op. activities	1,177	765	875	1,608
Capital expenditures	(131)	(407)	(554)	(577)
Interest / Dividend Income	-	-	-	-
Others	(831)	-	-	-
Net Cash from Inv. activities	(963)	(407)	(554)	(577)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(57)	(48)	(48)	(48)
Interest paid	(184)	(153)	(167)	(168)
Others	(167)	37	(54)	(58)
Net cash from Fin. activities	(408)	(164)	(268)	(273)
Net change in cash	(194)	194	53	758
Free Cash Flow	1,409	69	311	917

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	3.1	(19.2)	4.9	11.4
CEPS	23.8	1.9	27.0	34.1
BVPS	192.6	172.4	176.4	186.8
FCF	29.6	1.4	6.5	19.2
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	2.7	NA	3.8	8.3
ROIC	9.4	NA	11.1	14.0
RoE	1.6	NA	2.8	6.1
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	29	8	35	39
Valuation(x)				
PER	42.3	NA	26.1	11.3
P/B	0.7	0.7	0.7	0.7
P/CEPS	5.4	66.7	4.8	3.8
EV/EBITDA	3.1	NA	2.6	1.6
EV/Sales	0.7	1.2	0.7	0.5
Dividend Yield (%)	0.8	0.8	0.8	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

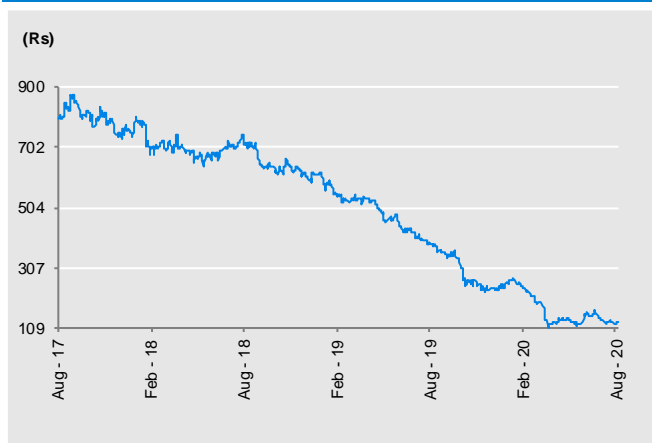
Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	1,139	1,457	1,494	370
YoY gr. (%)	(7.0)	(27.5)	(14.8)	(71.9)
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
EBITDA	275	405	225	(260)
YoY gr. (%)	0.6	0.2	(48.6)	NA
Margin (%)	24.1	27.8	15.1	NA
Depreciation / Depletion	246	250	255	238
EBIT	29	155	(30)	(498)
Margin (%)	2.6	10.6	NA	NA
Net Interest	46	47	44	45
Other Income	32	29	36	54
Profit before Tax	15	137	(38)	(488)
Margin (%)	1.3	9.4	NA	NA
Total Tax	3	30	(16)	(122)
Effective tax rate (%)	17.1	22.2	43.4	25.0
Profit after Tax	12	106	(22)	(366)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	12	106	(22)	(366)
YoY gr. (%)	(86.1)	(33.3)	NA	NA
Margin (%)	1.1	7.3	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12	106	(22)	(366)
YoY gr. (%)	(86.1)	(33.3)	NA	NA
Margin (%)	1.1	7.3	NA	NA
Other Comprehensive Income	(2)	-	2	(1)
Total Comprehensive Income	11	107	(20)	(367)
Avg. Shares O/s (m)	48	48	48	48
EPS (Rs)	0.3	2.2	(0.5)	(7.7)

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	Hold	157	133
2	23-Jun-20	Hold	157	159
3	18-Apr-20	Hold	179	133
4	03-Jan-20	Hold	287	260
5	14-Nov-19	Hold	317	242
6	03-Oct-19	Hold	447	325

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	157	133
3	Indian Railway Catering and Tourism Corporation	Accumulate	1,495	1,401
4	Inox Leisure	Accumulate	262	235
5	Music Broadcast	Hold	18	16
6	Navneet Education	Accumulate	89	78
7	PVR	Accumulate	1,107	1,073
8	S Chand and Company	Accumulate	57	51
9	V.I.P. Industries	Hold	240	262

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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