

November 5, 2020

Q2FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		HOLD	
Target Price	185		157	
Sales (Rs. m)	5,379	6,209	5,378	6,208
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,372	1,819	1,371	1,819
% Chng.	-	-	-	-
EPS (Rs.)	4.8	11.1	5.2	11.6
% Chng.	(6.3)	(4.1)	-	-

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	5,406	3,021	5,379	6,209
EBITDA (Rs. m)	1,235	(181)	1,372	1,819
Margin (%)	22.8	(6.0)	25.5	29.3
PAT (Rs. m)	146	(878)	231	529
EPS (Rs.)	3.1	(18.4)	4.8	11.1
Gr. (%)	(73.0)	NA	NA	129.6
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.7	0.7	0.7	0.7
RoE (%)	1.6	NA	2.7	5.9
RoCE (%)	2.7	NA	4.0	8.4
EV/Sales (x)	1.2	2.1	1.2	0.9
EV/EBITDA (x)	5.4	NA	4.6	3.1
PE (x)	47.7	NA	30.1	13.1
P/BV (x)	0.8	0.8	0.8	0.8

Key Data

ENIL.BO | ENIL IN

52-W High / Low	Rs.282 / Rs.98
Sensex / Nifty	41,340 / 12,120
Market Cap	Rs.7bn / \$ 93m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.10.88m

Shareholding Pattern (%)

Promoter's	71.15
Foreign	6.95
Domestic Institution	12.64
Public & Others	9.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.4)	8.2	(43.3)
Relative	(9.9)	(17.7)	(44.8)

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Strong recovery expected in 2HFY21

Quick Pointers:

- EBITDA breakeven with an annualized cost savings of ~Rs800mn odd is targeted in FY21E.
- Non-FCT business contributed 27% to sales with GM/EBITDA margin of 53%/38% respectively.

ENIL's operating performance was better than our expectations (EBITDA loss of Rs62mn versus our estimate of Rs125mn) on the back of better cost control. Management expects cost savings of ~Rs800mn and is targeting EBITDA breakeven in FY21E amid improvement in demand environment in 2H given 1) festivities and 2) pick-up in non-FCT business. Consequently, we expect an EBITDA loss of Rs181mn in FY21E (earlier estimate of loss was Rs214mn) as we choose to remain conservative. However, our FY22E/23E EBITDA estimates are broadly unchanged. While concerns on growth continue to prevail, given 1) attractive valuations (stock trades at EV/EBITDA multiple of 4.6x FY22E) 2) stringent cost control and 3) 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 and has reached a level of 53% in 2QFY21) we upgrade the stock to ACCUMULATE (earlier HOLD) with a TP of Rs185 (earlier Rs157). Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs91 (target multiple of 4x; no change) and 50% weight to DCF approach with per share value of Rs94.

Top-line declines 58.7% YoY: ENIL's topline declined 58.7% YoY to Rs470mn (PLe of Rs566mn) due to 57.1%/62.5% YoY decline in the radio/non-FCT business respectively. Batch 1 stations reported revenues of Rs65mn (down 61.4% YoY) with EBITDA loss of Rs25mn. Batch 2 stations reported revenues of Rs20mn (down 47.8% YoY) with EBITDA loss of Rs11mn.

Cost control restricts EBITDA loss to Rs62mn: EBITDA loss stood at Rs62mn (PLe EBITDA loss of Rs125mn) due to better cost management. Programming cost was down 52.4% YoY to Rs118mn, employee cost was down 39.1% YoY to Rs200mn while other expenses were down 33.5% YoY to Rs136mn.

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 43%, 50%, 41% and 13% respectively. For the entire network, utilization levels stood at 32% 2) Ad-volumes were down by 54% in top 8 markets and 11% in balance 27 markets 3) Yields were down by ~30% due to promotional offers & are expected to recover from 3QFY21 4) GM for non-FCT/digital/radio business was 53%/45%/60% respectively 5) Government volumes were down by 27% 6) The royalty matter regarding payments that have to be made to music labels for sourcing content is in court and the verdict is expected by end of this month. 6) Policy on distribution of excess cash will be taken in the next board meeting 7) In states where the impact of COVID was less like Rajasthan, Chhattisgarh, JK, Assam and HP revenues were up by 3%, 11%, 40%, 75% and 36% respectively.

Exhibit 1: Q2FY21 Result Overview (Rs mn)

Y/e March	Q2FY21	Q2FY20	YoY gr.	Q1FY21	QoQ gr.	H1FY21	H1FY20	YoY gr.
Net Sales	470	1,139	-58.7%	370	27.1%	833	2,455	-66.1%
Employee expenses	200	328	-39.1%	263	-24.1%	463	683	-32.3%
<i>As a % of sales</i>	<i>42.5%</i>	<i>28.8%</i>		<i>71.1%</i>		<i>55.5%</i>	<i>27.8%</i>	
Programming & royalty expenses	117	247	-52.4%	134	-12.4%	248	534	-53.6%
<i>As a % of sales</i>	<i>25.0%</i>	<i>21.7%</i>		<i>36.3%</i>		<i>29.8%</i>	<i>21.8%</i>	
License fees	80	85	-6.2%	79	1.6%	159	175	-9.2%
<i>As a % of sales</i>	<i>17.0%</i>	<i>7.5%</i>		<i>21.3%</i>		<i>19.0%</i>	<i>7.1%</i>	
Other expenses	136	204	-33.5%	154	-11.8%	286	457	-37.5%
<i>As a % of sales</i>	<i>28.8%</i>	<i>17.9%</i>		<i>41.6%</i>		<i>34.3%</i>	<i>18.6%</i>	
Expenditure	533	864	-38.4%	630	-15.4%	1,155	1,849	-37.6%
EBITDA	(62)	275	NM	(260)	NM	(322)	606	NM
<i>EBITDA Margin</i>	<i>NM</i>	<i>24.1%</i>		<i>NM</i>		<i>NM</i>	<i>24.7%</i>	
Depreciation	241	246	-1.9%	238	1.2%	479	486	-1.5%
EBIT	(303)	29	NM	(498)	NM	(801)	119	NM
<i>EBIT Margin</i>	<i>NM</i>	<i>2.6%</i>		<i>NM</i>		<i>NM</i>	<i>4.9%</i>	
Interest	51	46	10.0%	45	13.7%	95	93	3.1%
Other income	38	32	19.6%	54	-30.0%	92	63	46.6%
Exceptional items	-	-	NM	-	NM	-	-	NM
PBT	(316)	15	NM	(488)	NM	(804)	89	NM
Tax	(79)	3	NM	(122)	NM	(201)	29	NM
<i>Tax Rate</i>	<i>NM</i>	<i>17.1%</i>		<i>NM</i>		<i>NM</i>	<i>32.1%</i>	
Other comprehensive income	0.0	(2)	NM	(1.1)	NM	(1.1)	(2.9)	NM
PAT	(237)	11	NM	(367)	NM	(604)	57.8	NM
<i>PAT Margin</i>	<i>NM</i>	<i>0.9%</i>		<i>NM</i>		<i>NM</i>	<i>2.4%</i>	
EPS (Rs)	(5.0)	0.3	NM	(7.7)	NM	(12.7)	1.3	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	313	348	360
<i>YoY growth</i>	<i>6.4%</i>	<i>1.8%</i>	<i>-12.0%</i>	<i>11.2%</i>	<i>3.5%</i>
Total revenues (Rs mn)	5,200.0	4,515.5	2,384.2	4,418.7	4,878.3

Source: Company, PL

Exhibit 3: Revenue assumptions for 17 batch 1 stations

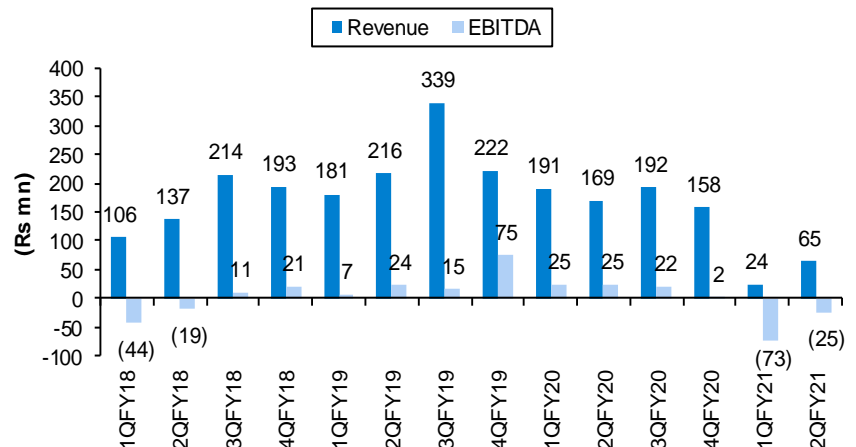
Particulars	FY19	FY20	FY21E	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	8.2	8.2	8.2	8.2	8.2
Utilization level	35%	31%	25%	30%	40%
Inventory sold (mn sec) in slots	2.9	2.6	2.1	2.5	3.3
<i>YoY growth</i>	48.8%	-11.4%	-19.4%	20.0%	33.3%
Realization per slot per station (Rs)	333	279	237	271	279
<i>YoY growth</i>	-3.2%	-16.3%	-15.0%	14.5%	3.0%
Total revenues (Rs mn)	958.1	710.6	487.1	669.3	919.1

Source: Company, PL

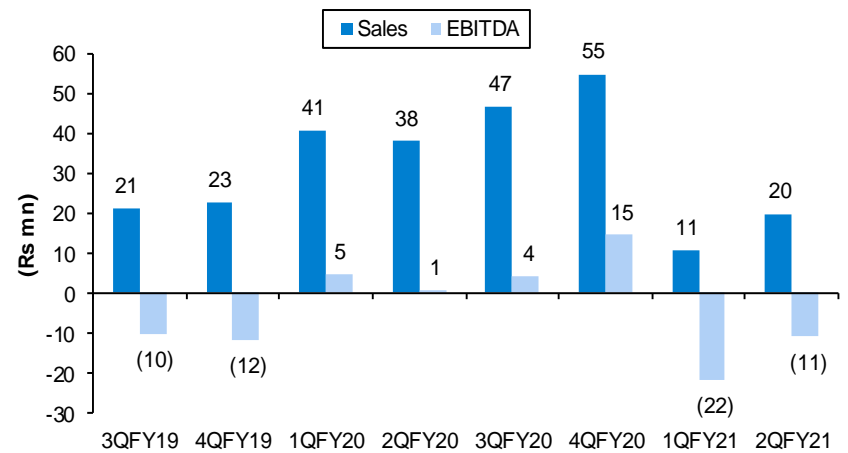
Exhibit 4: Revenue assumptions for 21 batch 2 stations

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	86.5	96.2	99.1
<i>YoY growth</i>	NA	71.7%	-12.0%	11.2%	3.0%
Total revenues	48.0	179.8	87.9	195.5	302.0

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%	183	91
DCF approach	50%	187	94
Weighted average target price			185

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	5,406	3,021	5,379	6,209
YoY gr. (%)	(12.9)	(44.1)	78.0	15.4
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
Employee Cost	1,348	982	1,183	1,347
Other Expenses	2,823	2,221	2,824	3,043
EBITDA	1,235	(181)	1,372	1,819
YoY gr. (%)	(11.7)	NA	NA	32.6
Margin (%)	22.8	NA	25.5	29.3
Depreciation and Amortization	991	992	1,037	1,069
EBIT	244	(1,173)	335	750
Margin (%)	4.5	NA	6.2	12.1
Net Interest	184	181	204	217
Other Income	128	181	177	174
Profit Before Tax	188	(1,173)	308	707
Margin (%)	3.5	NA	5.7	11.4
Total Tax	43	(294)	77	177
Effective tax rate (%)	22.6	25.1	25.1	25.1
Profit after tax	146	(878)	231	529
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	146	(878)	231	529
YoY gr. (%)	(73.0)	NA	NA	129.6
Margin (%)	2.7	NA	4.3	8.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	146	(878)	231	529
YoY gr. (%)	(73.0)	NA	NA	129.6
Margin (%)	2.7	NA	4.3	8.5
Other Comprehensive Income	(1)	-	-	-
Total Comprehensive Income	145	(878)	231	529
Equity Shares O/s (m)	48	48	48	48
EPS (Rs)	3.1	(18.4)	4.8	11.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	11,410	11,812	12,366	12,943
Tangibles	3,510	3,902	4,440	4,999
Intangibles	7,900	7,910	7,926	7,944
Acc: Dep / Amortization	3,060	4,051	5,088	6,157
Tangibles	889	1,374	1,904	2,466
Intangibles	2,171	2,677	3,184	3,691
Net fixed assets	8,350	7,761	7,278	6,786
Tangibles	2,620	2,528	2,536	2,533
Intangibles	5,730	5,232	4,742	4,254
Capital Work In Progress	8	8	8	8
Goodwill	-	-	-	-
Non-Current Investments	377	338	394	452
Net Deferred tax assets	(220)	(352)	(246)	(212)
Other Non-Current Assets	193	175	226	248
Current Assets				
Investments	2,256	2,256	2,256	2,256
Inventories	-	-	-	-
Trade receivables	1,587	993	1,695	1,956
Cash & Bank Balance	20	221	269	998
Other Current Assets	252	181	269	310
Total Assets	13,079	11,969	12,431	13,052
Equity				
Equity Share Capital	477	477	477	477
Other Equity	8,706	7,780	7,963	8,444
Total Network	9,182	8,256	8,439	8,921
Non-Current Liabilities				
Long Term borrowings	1,959	1,959	1,959	1,959
Provisions	-	-	-	-
Other non current liabilities	100	74	86	97
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,152	921	1,175	1,287
Other current liabilities	465	407	525	576
Total Equity & Liabilities	13,079	11,969	12,431	13,052

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	188	(1,173)	308	707
Add. Depreciation	991	992	1,037	1,069
Add. Interest	184	181	204	217
Less Financial Other Income	128	181	177	174
Add. Other	(83)	101	(90)	(21)
Op. profit before WC changes	1,280	101	1,459	1,972
Net Changes-WC	58	397	(471)	(165)
Direct tax	(161)	294	(77)	(177)
Net cash from Op. activities	1,177	792	911	1,629
Capital expenditures	(131)	(402)	(554)	(577)
Interest / Dividend Income	-	-	-	-
Others	(831)	-	-	-
Net Cash from Inv. activities	(963)	(402)	(554)	(577)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(57)	(48)	(48)	(48)
Interest paid	(184)	(181)	(204)	(217)
Others	(167)	39	(56)	(58)
Net cash from Fin. activities	(408)	(190)	(308)	(323)
Net change in cash	(194)	200	49	729
Free Cash Flow	1,409	86	316	913

Source: Company Data, PL Research

Key Financial Metrics

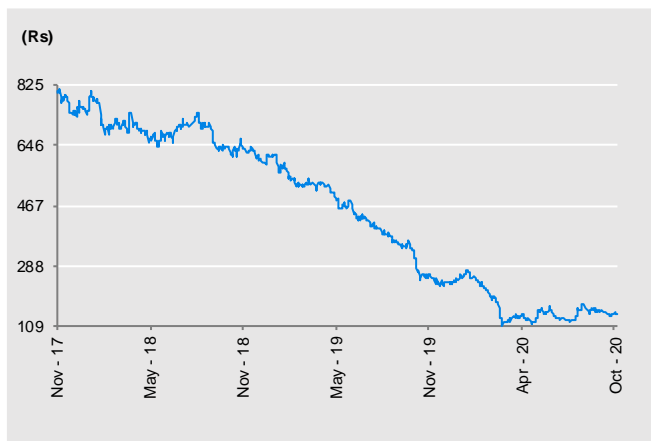
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	3.1	(18.4)	4.8	11.1
CEPS	23.8	2.4	26.6	33.5
BVPS	192.6	173.2	177.0	187.1
FCF	29.6	1.8	6.6	19.2
DPS	1.0	1.0	1.0	1.0
Return Ratio(%)				
RoCE	2.7	NA	4.0	8.4
ROIC	9.4	NA	11.0	13.9
RoE	1.6	NA	2.7	5.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	29	9	35	39
Valuation(x)				
PER	47.7	NA	30.1	13.1
P/B	0.8	0.8	0.8	0.8
P/CEPS	6.1	61.3	5.5	4.3
EV/EBITDA	5.4	NA	4.6	3.1
EV/Sales	1.2	2.1	1.2	0.9
Dividend Yield (%)	0.7	0.7	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	1,457	1,494	370	470
YoY gr. (%)	(27.5)	(14.8)	(71.9)	(58.7)
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
EBITDA	405	225	(260)	(62)
YoY gr. (%)	0.2	(48.6)	NA	NA
Margin (%)	27.8	15.1	NA	NA
Depreciation / Depletion	250	255	238	241
EBIT	155	(30)	(498)	(303)
Margin (%)	10.6	NA	NA	NA
Net Interest	47	44	45	51
Other Income	29	36	54	38
Profit before Tax	137	(38)	(488)	(316)
Margin (%)	9.4	NA	NA	NA
Total Tax	30	(16)	(122)	(79)
Effective tax rate (%)	22.2	43.4	25.0	25.0
Profit after Tax	106	(22)	(366)	(237)
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	106	(22)	(366)	(237)
YoY gr. (%)	(33.3)	NA	NA	NA
Margin (%)	7.3	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	106	(22)	(366)	(237)
YoY gr. (%)	(33.3)	NA	NA	NA
Margin (%)	7.3	NA	NA	NA
Other Comprehensive Income	-	2	(1)	-
Total Comprehensive Income	107	(20)	(367)	(237)
Avg. Shares O/s (m)	48	48	48	48
EPS (Rs)	2.2	(0.5)	(7.7)	(5.0)

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Oct-20	Hold	157	154
2	10-Aug-20	Hold	157	129
3	08-Jul-20	Hold	157	133
4	23-Jun-20	Hold	157	159
5	18-Apr-20	Hold	179	133
6	03-Jan-20	Hold	287	260
7	14-Nov-19	Hold	317	242

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	154
3	Indian Railway Catering and Tourism Corporation	BUY	1,647	1,356
4	Inox Leisure	Accumulate	323	281
5	Music Broadcast	Hold	20	21
6	Navneet Education	Accumulate	95	76
7	PVR	Accumulate	1,435	1,255
8	S Chand and Company	BUY	89	66
9	V.I.P. Industries	Hold	288	291

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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