

February 10, 2022

## Q3FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	201		197	
Sales (Rs. m)	4,821	5,061	5,174	5,510
% Chng.	(6.8)	(8.1)		
EBITDA (Rs. m)	1,470	1,554	1,542	1,647
% Chng.	(4.6)	(5.7)		
EPS (Rs.)	9.9	10.4	10.9	11.7
% Chng.	(9.1)	(10.9)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	2,668	3,067	4,821	5,061
EBITDA (Rs. m)	163	558	1,470	1,554
Margin (%)	6.1	18.2	30.5	30.7
PAT (Rs. m)	(350)	(187)	474	496
EPS (Rs.)	(7.3)	(3.9)	9.9	10.4
Gr. (%)	NA	NA	NA	4.6
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.6	0.6	0.6	0.6
RoE (%)	NA	NA	5.8	5.7
RoCE (%)	NA	NA	7.5	7.5
EV/Sales (x)	3.1	2.6	1.5	1.3
EV/EBITDA (x)	51.4	14.2	5.1	4.2
PE (x)	NA	NA	18.3	17.5
P/BV (x)	1.1	1.1	1.1	1.0

### Key Data

ENIL.BO | ENIL IN

52-W High / Low	Rs.227 / Rs.140
Sensex / Nifty	58,926 / 17,606
Market Cap	Rs.9bn/ \$ 115m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.7.08m

### Shareholding Pattern (%)

Promoter's	71.15
Foreign	5.74
Domestic Institution	5.40
Public & Others	17.71
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.6	(8.1)	13.3
Relative	6.2	(14.9)	(1.4)

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## Diversification at forefront

### Quick Pointers:

- Mirchi digital app launched in international markets. India launch is expected by March.
- Unlikely to achieve revenue guidance of Rs4bn in FY22.

**We cut our FY23/FY24 EBITDA estimates by 5%/6% respectively as yields which are at ~33% discount to pre-COVID levels may take time to recover. However, ad-volumes have shown signs of improvement (capacity utilization in legacy/batch-1/batch-2 stations stood at 99.4%/40.5%/30.9% respectively) which is encouraging. While there are headwinds in radio segment as price recovery is a long drawn process, management sounded upbeat on the core solutions & digital business which is expected to form ~50% of the top-line in FY25. As a step to diversify, Mirchi digital app debuted in international markets and India launch is on the anvil soon. While ENIL's effort to diversify out of core radio business (low growth market) is commendable we await green shoots on delivery front. Consequently, we maintain HOLD rating on the stock with a TP of Rs201 (earlier Rs197). Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs105 (5x FY24E EBITDA) and 50% weight to DCF approach with per share value of Rs96.**

**Top-line increases 17.1% YoY:** ENIL's topline increased 17.1% YoY to Rs989mn (PLe of Rs1,149mn) on the back of 23% growth in radio business. Non-FCT business was flat due to limited on-ground events. Batch 1 stations reported revenues of Rs105mn (up 18.2% YoY) with EBITDA margin of 27.2%. Batch 2 stations reported revenues of Rs50mn (up 8% YoY) with EBITDA margin of 42.3%.

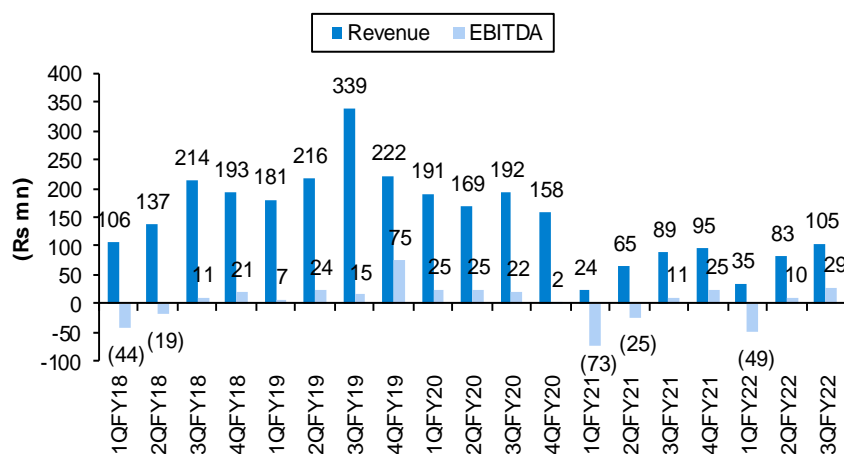
**EBITDA margin shoots to 36.0%:** EBITDA increased 70.2% YoY to Rs356mn (PLe Rs267mn; CE Rs238mn) with a margin of 36.0% (PLe 23.2%). Operational performance was strong led by benefits flowing from past cost saving initiatives and lower production cost due to limited on-ground events. However, PAT declined 34.4% YoY (high base as there was an exceptional gain of Rs267mn in 3QFY21) to Rs110mn.

**Con-call highlights:** 1) Revenue from solutions business was Rs207mn with an EBITDA of Rs93mn 2) Invested Rs34mn in solutions business in 3QFY22 3) Revenue from international business was ~Rs70mn with an EBITDA loss of Rs9mn 4) Yields are down 5% YoY and ~33% as compared to pre-COVID levels 5) Capacity utilization of legacy/batch 1/batch 2 stations stood at 99.4%/40.5%/30.9% respectively 6) Revenue guidance of Rs4bn initially targeted for FY22 is unlikely to be achieved 7) Out of Rs850-900mn of cost savings achieved in the past, ~60% is likely to be carried forward 8) Production cost was down 33.4% YoY due to limited on-ground events 9) Digital business has about 90 employees 10) Mirchi digital app will be launched in India around March. ENIL is banking on podcasts as content differentiator. Initially the content will be available for free & subscription model may be explored later. Video content will also available on the app.

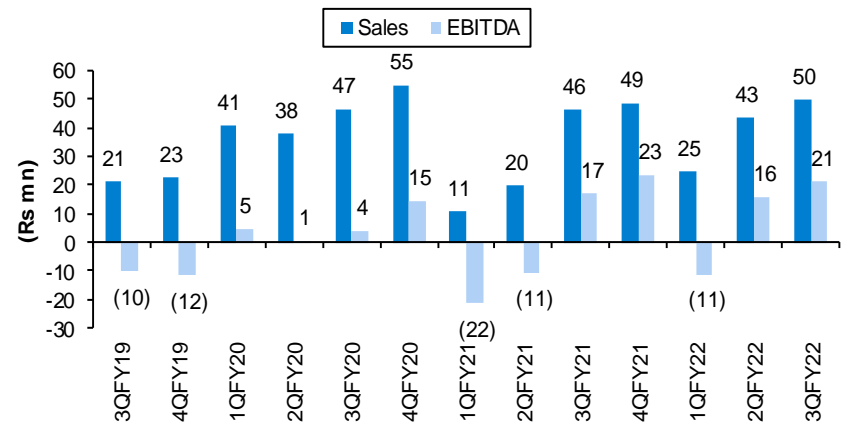
**Exhibit 1: Q3FY22 Result Overview (Rs mn)**

Y/e March	Q3FY22	Q3FY21	YoY gr.	Q2FY22	QoQ gr.	9MFY22	9MFY21	YoY gr.
<b>Net Sales</b>	<b>989</b>	<b>845</b>	<b>17.1%</b>	<b>688</b>	<b>43.7%</b>	<b>2,065</b>	<b>1,678</b>	<b>23.1%</b>
Employee expenses	263	226	16.5%	279	-5.7%	782	689	13.6%
<i>As a % of sales</i>	<i>26.6%</i>	<i>26.7%</i>		<i>40.6%</i>		<i>37.9%</i>	<i>41.0%</i>	
Programming & royalty expenses	103	155	-33.4%	85	21.4%	300	403	-25.6%
<i>As a % of sales</i>	<i>10.5%</i>	<i>18.4%</i>		<i>12.4%</i>		<i>14.5%</i>	<i>24.0%</i>	
License fees	86	83	2.9%	82	4.2%	247	242	2.1%
<i>As a % of sales</i>	<i>8.7%</i>	<i>9.8%</i>		<i>11.9%</i>		<i>11.9%</i>	<i>14.4%</i>	
Other expenses	180	171	5.5%	152	18.4%	478	457	4.6%
<i>As a % of sales</i>	<i>18.2%</i>	<i>20.3%</i>		<i>22.2%</i>		<i>23.1%</i>	<i>27.2%</i>	
Expenditure	633	635	-0.5%	599	5.6%	1,807	1,790	0.9%
<b>EBITDA</b>	<b>356</b>	<b>209</b>	<b>70.2%</b>	<b>89</b>	<b>299.5%</b>	<b>258</b>	<b>(113)</b>	<b>NM</b>
<i>EBITDA Margin</i>	<i>36.0%</i>	<i>24.8%</i>		<i>13.0%</i>		<i>12.5%</i>	<i>NM</i>	
Depreciation	198	240	-17.6%	199	-0.7%	593	719	-17.5%
<b>EBIT</b>	<b>159</b>	<b>(31)</b>	<b>NM</b>	<b>(110)</b>	<b>NM</b>	<b>(334)</b>	<b>(831)</b>	<b>NM</b>
<i>EBIT Margin</i>	<i>16.1%</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Interest	42	46	-8.7%	41	3.4%	123	141	-13.4%
Other income	34	40	-15.0%	40	-14.8%	128	132	-3.1%
Exceptional items	-	267	-100.0%	-	NM	-	267	NM
<b>PBT</b>	<b>150.4</b>	<b>230.1</b>	<b>-34.6%</b>	<b>(111.0)</b>	<b>NM</b>	<b>(329.4)</b>	<b>(574.2)</b>	<b>NM</b>
Tax	41	63	-35.3%	(32)	NM	(83)	(138)	NM
<i>Tax Rate</i>	<i>27.1%</i>	<i>27.4%</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Other comprehensive income	1.5	(0)	NM	(4.7)	NM	(4.7)	(1.6)	NM
<b>PAT</b>	<b>111.2</b>	<b>166.7</b>	<b>-33.3%</b>	<b>(83.6)</b>	<b>NM</b>	<b>(251.4)</b>	<b>(437.7)</b>	<b>NM</b>
<i>PAT Margin</i>	<i>11.2%</i>	<i>19.7%</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
<b>EPS (Rs)</b>	<b>2.3</b>	<b>3.5</b>	<b>-34.4%</b>	<b>(1.7)</b>	<b>NM</b>	<b>(5.2)</b>	<b>(9.2)</b>	<b>NM</b>

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%	210	105
DCF approach	50%	191	96
<b>Weighted average target price</b>			<b>201</b>

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>2,668</b>	<b>3,067</b>	<b>4,821</b>	<b>5,061</b>
YoY gr. (%)	(50.6)	14.9	57.2	5.0
Cost of Goods Sold	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
Employee Cost	924	1,043	1,085	1,139
Other Expenses	1,582	1,466	2,266	2,369
<b>EBITDA</b>	<b>163</b>	<b>558</b>	<b>1,470</b>	<b>1,554</b>
YoY gr. (%)	(86.8)	243.3	163.4	5.7
Margin (%)	6.1	18.2	30.5	30.7
Depreciation and Amortization	948	804	852	902
<b>EBIT</b>	<b>(785)</b>	<b>(246)</b>	<b>618</b>	<b>652</b>
Margin (%)	NA	NA	12.8	12.9
Net Interest	183	163	169	172
Other Income	177	159	183	182
<b>Profit Before Tax</b>	<b>(1,534)</b>	<b>(249)</b>	<b>633</b>	<b>662</b>
Margin (%)	NA	NA	13.1	13.1
Total Tax	(441)	(63)	159	166
Effective tax rate (%)	28.8	25.1	25.1	25.1
<b>Profit after tax</b>	<b>(1,093)</b>	<b>(187)</b>	<b>474</b>	<b>496</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(350)</b>	<b>(187)</b>	<b>474</b>	<b>496</b>
YoY gr. (%)	NA	NA	NA	4.6
Margin (%)	NA	NA	9.8	9.8
Extra Ord. Income / (Exp)	(743)	-	-	-
<b>Reported PAT</b>	<b>(1,093)</b>	<b>(187)</b>	<b>474</b>	<b>496</b>
YoY gr. (%)	NA	NA	NA	4.6
Margin (%)	NA	NA	9.8	9.8
Other Comprehensive Income	2	(5)	-	-
Total Comprehensive Income	(1,091)	(192)	474	496
<b>Equity Shares O/s (m)</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>EPS (Rs)</b>	<b>(7.3)</b>	<b>(3.9)</b>	<b>9.9</b>	<b>10.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>11,234</b>	<b>11,550</b>	<b>11,998</b>	<b>12,469</b>
Tangibles	3,332	3,639	4,073	4,528
Intangibles	7,902	7,911	7,925	7,940
<b>Acc: Dep / Amortization</b>	<b>4,641</b>	<b>5,446</b>	<b>6,298</b>	<b>7,200</b>
Tangibles	1,131	1,528	1,974	2,469
Intangibles	3,511	3,917	4,324	4,731
<b>Net fixed assets</b>	<b>6,593</b>	<b>6,104</b>	<b>5,700</b>	<b>5,269</b>
Tangibles	2,202	2,110	2,099	2,059
Intangibles	4,391	3,994	3,601	3,210
Capital Work In Progress	17	17	17	17
Goodwill	-	-	-	-
Non-Current Investments	427	420	423	449
Net Deferred tax assets	221	221	221	221
Other Non-Current Assets	232	215	202	202
<b>Current Assets</b>				
Investments	2,120	2,120	2,120	2,120
Inventories	-	-	-	-
Trade receivables	1,138	966	1,585	1,664
Cash & Bank Balance	56	460	959	1,808
Other Current Assets	236	236	241	253
<b>Total Assets</b>	<b>11,081</b>	<b>10,802</b>	<b>11,511</b>	<b>12,046</b>
<b>Equity</b>				
Equity Share Capital	477	477	477	477
Other Equity	7,567	7,328	7,754	8,202
<b>Total Network</b>	<b>8,044</b>	<b>7,805</b>	<b>8,231</b>	<b>8,679</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,874	1,874	1,874	1,874
Provisions	-	-	-	-
Other non current liabilities	98	94	78	81
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	756	708	955	1,028
Other current liabilities	310	322	374	384
<b>Total Equity &amp; Liabilities</b>	<b>11,081</b>	<b>10,802</b>	<b>11,511</b>	<b>12,046</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(791)	(249)	633	662
Add. Depreciation	948	804	852	902
Add. Interest	183	163	169	172
Less Financial Other Income	177	159	183	182
Add. Other	(124)	(6)	(18)	4
Op. profit before WC changes	216	712	1,635	1,740
Net Changes-WC	144	150	(310)	(8)
Direct tax	(59)	63	(159)	(166)
<b>Net cash from Op. activities</b>	<b>301</b>	<b>924</b>	<b>1,167</b>	<b>1,566</b>
Capital expenditures	(76)	(316)	(448)	(471)
Interest / Dividend Income	-	-	-	-
Others	161	-	-	-
<b>Net Cash from Inv. activities</b>	<b>85</b>	<b>(316)</b>	<b>(448)</b>	<b>(471)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(48)	(48)	(48)	(48)
Interest paid	(183)	(163)	(169)	(172)
Others	(120)	6	(3)	(26)
<b>Net cash from Fin. activities</b>	<b>(350)</b>	<b>(204)</b>	<b>(219)</b>	<b>(246)</b>
<b>Net change in cash</b>	<b>36</b>	<b>404</b>	<b>499</b>	<b>849</b>
Free Cash Flow	217	439	542	912

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	(7.3)	(3.9)	9.9	10.4
CEPS	12.5	13.0	27.8	29.3
BVPS	168.7	163.7	172.7	182.1
FCF	4.5	9.2	11.4	19.1
DPS	1.0	1.0	1.0	1.0
<b>Return Ratio(%)</b>				
RoCE	NA	NA	7.5	7.5
ROIC	1.5	5.2	12.8	12.9
RoE	NA	NA	5.8	5.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	52	31	48	46
<b>Valuation(x)</b>				
PER	NA	NA	18.3	17.5
P/B	1.1	1.1	1.1	1.0
P/CEPS	14.5	14.0	6.5	6.2
EV/EBITDA	51.4	14.2	5.1	4.2
EV/Sales	3.1	2.6	1.5	1.3
Dividend Yield (%)	0.6	0.6	0.6	0.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>990</b>	<b>388</b>	<b>688</b>	<b>989</b>
YoY gr. (%)	(33.7)	7.1	46.3	17.1
Raw Material Expenses	-	-	-	-
Gross Profit	-	-	-	-
Margin (%)	-	-	-	-
<b>EBITDA</b>	<b>240</b>	<b>(187)</b>	<b>89</b>	<b>356</b>
YoY gr. (%)	6.9	NA	NA	70.2
Margin (%)	24.3	NA	13.0	36.0
Depreciation / Depletion	229	196	199	198
<b>EBIT</b>	<b>11</b>	<b>(383)</b>	<b>(110)</b>	<b>159</b>
Margin (%)	1.1	NA	NA	16.1
Net Interest	42	40	41	42
Other Income	46	54	40	34
<b>Profit before Tax</b>	<b>(960)</b>	<b>(369)</b>	<b>(111)</b>	<b>150</b>
Margin (%)	NA	NA	NA	15.2
Total Tax	(303)	(91)	(32)	41
Effective tax rate (%)	31.6	24.8	28.9	27.1
<b>Profit after Tax</b>	<b>(657)</b>	<b>(277)</b>	<b>(79)</b>	<b>110</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>318</b>	<b>(277)</b>	<b>(79)</b>	<b>110</b>
YoY gr. (%)	NA	NA	NA	(34.4)
Margin (%)	32.1	NA	NA	11.1
Extra Ord. Income / (Exp)	(975)	-	-	-
<b>Reported PAT</b>	<b>(657)</b>	<b>(277)</b>	<b>(79)</b>	<b>110</b>
YoY gr. (%)	NA	NA	NA	(34.4)
Margin (%)	NA	NA	NA	11.1
Other Comprehensive Income	3	(2)	(5)	2
<b>Total Comprehensive Income</b>	<b>(653)</b>	<b>(279)</b>	<b>(84)</b>	<b>111</b>
Avg. Shares O/s (m)	48	48	48	48
<b>EPS (Rs)</b>	<b>6.7</b>	<b>(5.8)</b>	<b>(1.7)</b>	<b>2.3</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jan-22	Hold	197	172
2	27-Oct-21	Hold	197	189
3	7-Oct-21	Hold	213	190
4	17-Aug-21	Hold	214	199
5	7-Jul-21	Hold	193	183
6	17-Jun-21	Hold	193	185
7	7-Apr-21	Accumulate	210	155
8	12-Feb-21	Accumulate	209	172

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	197	172
3	Indian Railway Catering and Tourism Corporation	Hold	779	861
4	Inox Leisure	BUY	486	380
5	Music Broadcast	Hold	24	25
6	Navneet Education	BUY	128	91
7	Nazara Technologies	BUY	3,125	2,413
8	PVR	BUY	1,891	1,537
9	S Chand and Company	BUY	159	119
10	Safari Industries (India)	NR	-	682
11	V.I.P. Industries	BUY	769	677
12	Zee Entertainment Enterprises	BUY	413	293

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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