

November 11, 2022

## Q2FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	189		190	
Sales (Rs. m)	4,909	5,261	4,914	5,266
% Chng.	(0.1)	(0.1)		
EBITDA (Rs. m)	1,168	1,315	1,169	1,317
% Chng.	(0.1)	(0.1)		
EPS (Rs.)	5.2	6.9	5.2	6.9
% Chng.	(0.3)	(0.3)		

### Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	3,059	4,445	4,909	5,261
EBITDA (Rs. m)	427	929	1,168	1,315
Margin (%)	13.9	20.9	23.8	25.0
PAT (Rs. m)	(275)	150	249	328
EPS (Rs.)	(5.8)	3.1	5.2	6.9
Gr. (%)	NA	NA	66.0	31.8
DPS (Rs.)	1.0	1.0	1.0	1.0
Yield (%)	0.6	0.6	0.6	0.6
RoE (%)	NA	NA	3.2	4.0
RoCE (%)	NA	1.7	4.1	5.2
EV/Sales (x)	2.5	1.6	1.3	1.1
EV/EBITDA (x)	17.7	7.7	5.7	4.5
PE (x)	NA	51.8	31.2	23.7
P/BV (x)	1.0	1.0	1.0	1.0

### Key Data

### ENIL.BO | ENIL IN

52-W High / Low	Rs.233 / Rs.155
Sensex / Nifty	60,614 / 18,028
Market Cap	Rs.8bn / \$ 95m
Shares Outstanding	48m
3M Avg. Daily Value	Rs.4.62m

### Shareholding Pattern (%)

Promoter's	71.15
Foreign	5.72
Domestic Institution	5.54
Public & Others	17.59
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.8)	(20.9)	(23.4)
Relative	(6.1)	(29.1)	(23.8)

### Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

### Shweta Shekhawat

shwetashekhawat@plindia.com | 91-22-66322256

# Entertainment Network (India) (ENIL IN)

Rating: HOLD | CMP: Rs163 | TP: Rs189

## Volumes recover but yields lag

### Quick Pointers:

- Exceptional loss of Rs178mn pertaining to impairment provision towards the US and Bahrain operations led to a loss of Rs126mn in 2QFY23.

**While ENIL's top-line of Rs1,031mn was in-line with our estimate, there was a miss at bottom-line level due to an exceptional loss of Rs178mn pertaining to impairment provision in the US and Bahrain businesses on account of COVID.**

**Going ahead, revival in radio business will be led by volumes which have shown signs of improvement (up 20% during 1HFY23 in top-21 markets over pre-COVID base) while yields would take longer to recover. In order to diversify out of radio business (low growth market), ENIL is taking steps to increase exposure to core solutions & digital business which is expected to form ~50% of the top-line in FY25E. While Mirchi's diversification efforts are commendable we await green shoots on delivery front as losses on digital business will have to be absorbed in the initial phase. We keep our estimates broadly unchanged and expect sales/EBITDA CAGR of 9%/19% respectively over FY23-FY25E and retain HOLD on the stock with a TP of Rs189. Our TP is based on 50% weight to EV/EBITDA methodology with per share value of Rs96 (6x Sep-FY24E EBITDA; no change in target multiple) and 50% weight to DCF approach with per share value of Rs93.**

**Top-line recovery at 91% of pre-pandemic levels:** ENIL's top-line increased 49.9% YoY to Rs1,031mn (PLe of Rs1,035mn) on the back of 45.7%/57.7% growth in radio/solutions business. Non-FCT revenue increased 57.7% YoY to Rs271mn on a lower base. Batch 1 stations reported revenues of Rs120mn (up 45.5% YoY) with EBITDA margin of 26.8%. Batch 2 stations reported revenues of Rs57mn (up 31.7% YoY) with EBITDA margin of 43.1%.

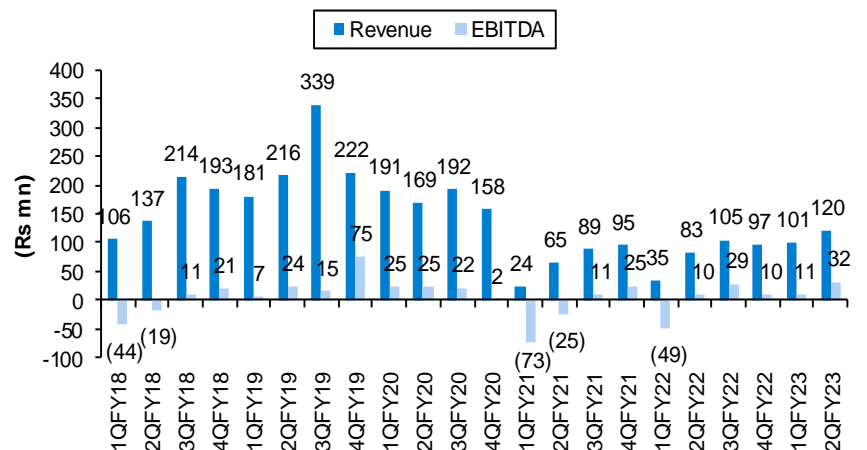
**EBITDA margin at 19.2%:** EBITDA increased 122.2% YoY to Rs198mn (PLe Rs162mn) with a margin of 19.2% (PLe 15.7%). ENIL reported a net loss of Rs126mn (PLe loss of Rs26mn) as against a loss of Rs79mn/Rs114mn in 2QFY22/1QFY23 respectively. However, adjusting for exceptional loss of Rs178mn PAT stood at Rs52mn (not adjusted for tax).

**Con-call highlights:** 1) After excluding losses from digital business, EBITDA stood at Rs255mn 2) Revenue from digital solutions business was Rs70mn in 2QFY23, contributing ~7% to the top-line. Digital share is expected to expand to 25% by FY25E. 3) License term for radio stations is 15 years and currently Legacy/Batch 1/Batch 2 stations have 7.5/9/11 years remaining respectively before renewal clause kicks-in. 4) Although volumes have breached pre-pandemic levels, pricing is ~38.5% lower 5) Revenue from core radio business was Rs752mn in 2QFY23. 6) Costs savings of ~Rs400mn envisaged in FY23E over pre-pandemic base. In 2QFY23, cost savings was ~7.5% over 2QFY20. 7) In line with its business strategy to undertake strategic investments in digital platform space, ENIL has acquired stake in Spardha Learnings Private Limited, an online music-learning space for Rs70mn.

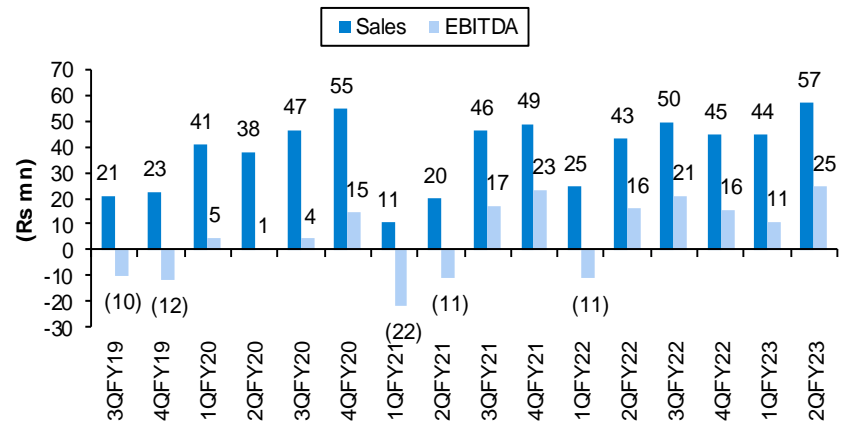
**Exhibit 1: Q2FY23 Result Overview (Rs mn)**

Y/e March	Q2FY23	Q2FY22	YoY gr.	Q1FY23	QoQ gr.	H1FY23	H1FY22	YoY gr.
<b>Net Sales</b>	<b>1,031</b>	<b>688</b>	<b>49.9%</b>	<b>953</b>	<b>8.2%</b>	<b>1,985</b>	<b>1,077</b>	<b>84.3%</b>
Employee expenses	373	279	33.5%	373	0.0%	746	519	43.6%
<i>As a % of sales</i>	<i>36.2%</i>	<i>40.6%</i>		<i>39.1%</i>		<i>37.6%</i>	<i>48.2%</i>	
Programming & royalty expenses	153	85	79.3%	196	-22.1%	349	197	77.2%
<i>As a % of sales</i>	<i>14.8%</i>	<i>12.4%</i>		<i>20.5%</i>		<i>17.6%</i>	<i>18.3%</i>	
License fees	88	82	6.6%	84	4.2%	172	161	6.5%
<i>As a % of sales</i>	<i>8.5%</i>	<i>11.9%</i>		<i>8.8%</i>		<i>8.7%</i>	<i>15.0%</i>	
Other expenses	220	152	44.2%	248	-11.4%	468	297	57.4%
<i>As a % of sales</i>	<i>21.3%</i>	<i>22.2%</i>		<i>26.0%</i>		<i>23.6%</i>	<i>27.6%</i>	
Expenditure	833	599	39.1%	901	-7.6%	1,734	1,175	47.6%
<b>EBITDA</b>	<b>198</b>	<b>89</b>	<b>122.2%</b>	<b>52</b>	<b>279.6%</b>	<b>250</b>	<b>(98)</b>	<b>NM</b>
<i>EBITDA Margin</i>	<i>19.2%</i>	<i>13.0%</i>		<i>5.5%</i>		<i>12.6%</i>	<i>NM</i>	
Depreciation	195	199	-2.2%	191	2.0%	386	395	-2.4%
<b>EBIT</b>	<b>3</b>	<b>(110)</b>	<b>NM</b>	<b>(139)</b>	<b>NM</b>	<b>(135)</b>	<b>(493)</b>	<b>NM</b>
<i>EBIT Margin</i>	<i>0.3%</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Interest	39	41	-3.3%	39	0.7%	78	81	-2.7%
Other income	40	40	1.9%	43	-7.2%	84	94	-10.8%
Exceptional items	(178)	-	NM	-	NM	(178)	-	NM
<b>PBT</b>	<b>(173)</b>	<b>(111)</b>	<b>NM</b>	<b>(134)</b>	<b>NM</b>	<b>(308)</b>	<b>(480)</b>	<b>NM</b>
Tax	(48)	(32)	NM	(21)	NM	(68)	(123)	NM
<i>Tax Rate</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Other comprehensive income	0.0	(5)	NM	(1.9)	NM	(2)	(6)	NM
<b>PAT</b>	<b>(126)</b>	<b>(84)</b>	<b>NM</b>	<b>(115)</b>	<b>NM</b>	<b>(241)</b>	<b>(363)</b>	<b>NM</b>
<i>PAT Margin</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
<b>EPS (Rs)</b>	<b>(2.6)</b>	<b>(1.7)</b>	<b>NM</b>	<b>(2.4)</b>	<b>NM</b>	<b>(5)</b>	<b>(7)</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%	191	96
DCF approach	50%	186	93
Weighted average target price			189

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>3,059</b>	<b>4,445</b>	<b>4,909</b>	<b>5,261</b>
YoY gr. (%)	14.7	45.3	10.4	7.2
Employee Cost	1,058	1,467	1,571	1,631
Other Expenses	1,575	2,049	2,170	2,315
<b>EBITDA</b>	<b>427</b>	<b>929</b>	<b>1,168</b>	<b>1,315</b>
YoY gr. (%)	162.4	117.7	25.8	12.6
Margin (%)	13.9	20.9	23.8	25.0
Depreciation and Amortization	788	802	846	893
<b>EBIT</b>	<b>(362)</b>	<b>127</b>	<b>322</b>	<b>422</b>
Margin (%)	NA	2.9	6.6	8.0
Net Interest	162	156	167	168
Other Income	160	169	177	184
<b>Profit Before Tax</b>	<b>(364)</b>	<b>(37)</b>	<b>332</b>	<b>438</b>
Margin (%)	NA	NA	6.8	8.3
Total Tax	(89)	(9)	83	110
Effective tax rate (%)	24.4	25.1	25.1	25.1
<b>Profit after tax</b>	<b>(275)</b>	<b>(28)</b>	<b>249</b>	<b>328</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(275)</b>	<b>150</b>	<b>249</b>	<b>328</b>
YoY gr. (%)	NA	NA	66.0	31.8
Margin (%)	NA	3.4	5.1	6.2
Extra Ord. Income / (Exp)	-	(178)	-	-
<b>Reported PAT</b>	<b>(275)</b>	<b>(28)</b>	<b>249</b>	<b>328</b>
YoY gr. (%)	NA	NA	NA	31.8
Margin (%)	NA	NA	5.1	6.2
Other Comprehensive Income	(4)	(2)	-	-
Total Comprehensive Income	(279)	(30)	249	328
<b>Equity Shares O/s (m)</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>48</b>
<b>EPS (Rs)</b>	<b>(5.8)</b>	<b>3.1</b>	<b>5.2</b>	<b>6.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>11,481</b>	<b>11,894</b>	<b>12,351</b>	<b>12,840</b>
Tangibles	3,623	4,023	4,465	4,938
Intangibles	7,857	7,871	7,886	7,901
<b>Acc: Dep / Amortization</b>	<b>5,430</b>	<b>6,231</b>	<b>7,077</b>	<b>7,970</b>
Tangibles	1,517	1,918	2,362	2,854
Intangibles	3,912	4,314	4,715	5,117
<b>Net fixed assets</b>	<b>6,051</b>	<b>5,663</b>	<b>5,273</b>	<b>4,870</b>
Tangibles	2,106	2,106	2,103	2,085
Intangibles	3,945	3,557	3,170	2,785
Capital Work In Progress	6	6	6	6
Goodwill	-	-	-	-
Non-Current Investments	536	558	568	585
Net Deferred tax assets	311	311	311	311
Other Non-Current Assets	335	311	270	237
<b>Current Assets</b>				
Investments	2,056	2,056	2,056	2,056
Inventories	-	-	-	-
Trade receivables	1,268	1,461	1,614	1,730
Cash & Bank Balance	50	457	986	1,633
Other Current Assets	149	178	221	237
<b>Total Assets</b>	<b>10,792</b>	<b>11,031</b>	<b>11,336</b>	<b>11,695</b>
<b>Equity</b>				
Equity Share Capital	477	477	477	477
Other Equity	7,241	7,163	7,364	7,645
<b>Total Network</b>	<b>7,717</b>	<b>7,640</b>	<b>7,841</b>	<b>8,121</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	1,879	1,879	1,879	1,879
Provisions	-	-	-	-
Other non current liabilities	106	117	112	116
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	718	1,002	1,097	1,157
Other current liabilities	372	393	408	423
<b>Total Equity &amp; Liabilities</b>	<b>10,792</b>	<b>11,031</b>	<b>11,336</b>	<b>11,695</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(364)	(37)	332	438
Add. Depreciation	788	802	846	893
Add. Interest	162	156	167	168
Less Financial Other Income	160	169	177	184
Add. Other	(147)	15	(10)	5
Op. profit before WC changes	439	935	1,335	1,505
Net Changes-WC	8	101	(41)	(24)
Direct tax	(55)	9	(83)	(110)
<b>Net cash from Op. activities</b>	<b>393</b>	<b>1,045</b>	<b>1,210</b>	<b>1,370</b>
Capital expenditures	(70)	(413)	(457)	(489)
Interest / Dividend Income	-	-	-	-
Others	46	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(24)</b>	<b>(413)</b>	<b>(457)</b>	<b>(489)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(48)	(48)	(48)	(48)
Interest paid	(161)	(156)	(167)	(168)
Others	(167)	(22)	(10)	(18)
<b>Net cash from Fin. activities</b>	<b>(375)</b>	<b>(225)</b>	<b>(224)</b>	<b>(234)</b>
<b>Net change in cash</b>	<b>(6)</b>	<b>407</b>	<b>529</b>	<b>648</b>
Free Cash Flow	336	566	544	663

Source: Company Data, PL Research

**Key Financial Metrics**

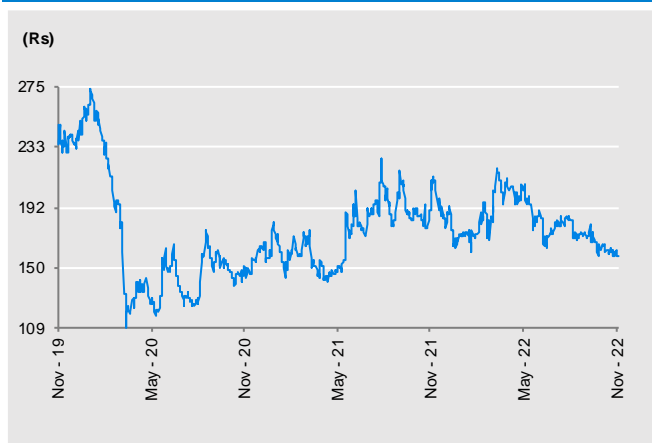
Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	(5.8)	3.1	5.2	6.9
CEPS	10.8	20.0	23.0	25.6
BVPS	161.9	160.3	164.5	170.4
FCF	7.1	11.9	11.4	13.9
DPS	1.0	1.0	1.0	1.0
<b>Return Ratio(%)</b>				
RoCE	NA	1.7	4.1	5.2
ROIC	4.0	8.4	10.3	11.2
RoE	NA	NA	3.2	4.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	66	38	38	40
<b>Valuation(x)</b>				
PER	NA	51.8	31.2	23.7
P/B	1.0	1.0	1.0	1.0
P/CEPS	15.1	8.2	7.1	6.4
EV/EBITDA	17.7	7.7	5.7	4.5
EV/Sales	2.5	1.6	1.3	1.1
Dividend Yield (%)	0.6	0.6	0.6	0.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
<b>Net Revenue</b>	<b>989</b>	<b>994</b>	<b>953</b>	<b>1,031</b>
YoY gr. (%)	17.1	0.3	145.4	49.9
<b>EBITDA</b>	<b>356</b>	<b>168</b>	<b>52</b>	<b>198</b>
YoY gr. (%)	70.2	(30.0)	NA	122.2
Margin (%)	36.0	16.9	5.5	19.2
Depreciation / Depletion	198	196	191	195
<b>EBIT</b>	<b>159</b>	<b>(27)</b>	<b>(139)</b>	<b>3</b>
Margin (%)	16.1	NA	NA	0.3
Net Interest	42	39	39	39
Other Income	34	32	43	40
<b>Profit before Tax</b>	<b>150</b>	<b>(34)</b>	<b>(134)</b>	<b>(173)</b>
Margin (%)	15.2	NA	NA	NA
Total Tax	41	(6)	(21)	(48)
Effective tax rate (%)	27.1	17.7	15.5	27.4
<b>Profit after Tax</b>	<b>110</b>	<b>(28)</b>	<b>(114)</b>	<b>(126)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>110</b>	<b>(28)</b>	<b>(114)</b>	<b>52</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	11.1	NA	NA	5.0
Extra Ord. Income / (Exp)	-	-	-	(178)
<b>Reported PAT</b>	<b>110</b>	<b>(28)</b>	<b>(114)</b>	<b>(126)</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	11.1	NA	NA	NA
Other Comprehensive Income	2	1	(2)	-
<b>Total Comprehensive Income</b>	<b>111</b>	<b>(27)</b>	<b>(115)</b>	<b>(126)</b>
Avg. Shares O/s (m)	48	48	48	48
<b>EPS (Rs)</b>	<b>2.3</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>1.1</b>

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	Hold	190	167
2	07-Jul-22	Hold	184	180
3	08-May-22	Hold	184	204
4	08-Apr-22	Hold	200	204
5	10-Feb-22	Hold	201	182
6	10-Jan-22	Hold	197	172

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	190	167
2	Indian Railway Catering and Tourism Corporation	Hold	635	731
3	Inox Leisure	BUY	652	515
4	Music Broadcast	Hold	23	24
5	Navneet Education	BUY	170	130
6	Nazara Technologies	BUY	1,012	670
7	PVR	BUY	2,119	1,689
8	S Chand and Company	BUY	234	187
9	Safari Industries (India)	BUY	2,457	1,811
10	V.I.P. Industries	BUY	1,009	710
11	Zee Entertainment Enterprises	BUY	302	280

**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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### **Prabhudas Lilladher Pvt. Ltd.**

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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