

## Q3 FY10 Results Update

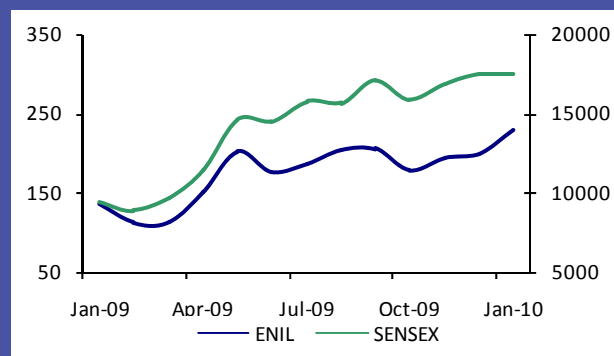
## Entertainment Network (India) Ltd (ENIL)

<b>Recommendation</b>	<b>HOLD</b>
<b>CMP (20<sup>th</sup> January 09)</b>	<b>Rs. 223</b>
<b>Sector</b>	<b>Media</b>
<b>Stock Data</b>	
52 Weeks High/Low	270.90/103
BSE Code	532700
NSE Code	ENIL
Market Cap (Rs. in Cr.)	Rs. 1095
Daily Avg. Vol. (1Mth)	105822(BSE)
<b>Key Financials Q3FY10 (Rs. in Cr.)</b>	
Revenue	116.6
EBITDA	17.7
PBT	0.9
PAT (After Minority Interest)	2.5
<b>Margins (%)</b>	
EBITDA	15.2
PAT	0.8
<b>EPS (Rs.)</b>	
Basic & Diluted	0.5

### Relative Performance

	3-Mth	6-Mth	1-Yr
ENIL	28.5%	23.0%	69.7%
Sensex	10.0%	11.0%	85.5%

### One Year Price Graph ENIL Vs. Sensex



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### Snapshot

Entertainment Network (India) Limited (ENIL) operates FM radio broadcasting stations through the brand Radio Mirchi in 32 Indian cities and is headquartered in Mumbai. ENIL has a wholly owned subsidiary, Times Innovative Media Limited (TIM), through which it operates its out-of-home media brand Times OOH and experiential marketing brand 360 Degree Experience. Its promoter, Bennett, Coleman & Co. Limited (BCCL), is the flagship company of The Times Group, which has a heritage of over 150 years and is one of India's leading media groups.

### Quarterly Results ---- Revenues as well as profits above our expectations

- ✓ ENIL declared its Q3FY10 results which were above our expectations on the revenue front as well as the profitability front. The company reported revenues of Rs. 116.6 crores in Q3FY10 as against Rs. 110.1 crores in Q3FY09 i.e. a growth of 5.9% on a YoY basis and Rs. 98.3 crores in Q2FY10, a growth of 18.6% on a QoQ basis. This is because the advertising revenues have picked across the sectors as the economy on the whole is showing some signs of recovery.
- ✓ The company made a provision for private treaty revenues for Rs. 3.08 crores thus increasing the administrative expenses. ENIL reported an operating profit of Rs. 17.7 crores in Q3FY10 as against a profit of Rs. 5.9 crores in Q3FY09 and a loss of Rs. 0.8 crores in Q2FY10.
- ✓ ENIL reported net profit for Q3FY10 to the tune of Rs. 2.5 crores after minority interest against a loss of Rs. 10.7 crores in Q3FY09 and a loss of Rs. 13.9 crores in Q2FY10.

### Performance Analysis

In the Radio business the revenues for the 10 legacy stations witnessed a growth of 4.7% and the 22 new stations led to a further growth in revenues of the company by 9.6%. The FM Radio segment accounted for an operating profit of Rs. 21.1 crores. The company remains the leader with approximately 40-41% of the market share.

The revenues for the TIML business were up by 17.1%. There have been new additions in customer base in the airports and traditional sectors to the tune of 26 and 91 customers respectively.

The major stream of revenue for the company is advertising. The advertising spends basically comes from Banking and Financial Services segment, Real estate, FMCG and IT/ITES which have all been showing signs of improvement since the start of FY10 thus increasing the company's revenues and profitability as well. Thus the company has started witnessing an increase in the client advertising spends in Q3FY10 and we believe that a similar trend will continue going forward.

**Future Plans**

The company has planned horizontal expansion in the radio business by way of getting additional licences in new cities under Phase III. The phase III plans are on its way and the auctions are expected very shortly.

BEST has won the case in the Supreme court under which now a 15 year advertising rights contract i.e. till 2022 is awarded for approximately 1300 bus shelters in Mumbai and its suburbs to Times OOH. Thus this will bring additional revenues in the OOH segment.

**Valuation & Recommendation**

Though the radio business of the company is able to generate profits at the EBIDTA as well as PAT levels, the other two business segments viz. TIML and the event management business are still facing problems and are thus not able to generate profits. This is bringing down the overall profitability of the company. The company has however turned profitable at PAT level in the current quarter on the consolidated basis on account of higher profit contribution from Radio business & improvement in the other two businesses. We believe the company will end the current year with a minor net loss, but however will turn profitable in FY11.

At the current price of Rs.223, ENIL is trading at a PE of 65.9x FY11E & 33.6x FY12E. The valuations look stretched at current levels, but taking in to consideration that ENIL is into a growth phase with high capex, the benefits of which will accrue in the next 2-3 years, the valuations looks justified. We have valued the stock using Sum of the Parts valuations arriving at a price target of Rs.285 per share, available at a discount of 28% to the current price. We Reiterate a Hold on the stock with a Price target of Rs.285 per share with a long term view.

**Q3 FY10 Results Update**
**Entertainment Network (India) Ltd (ENIL)**
**Quarterly Results**

	Q3FY10	Q3FY09	YoY [%]	Q2FY10	QoQ [%]
Gross Sales	116.6	110.1	5.9%	98.3	18.6%
Net Sales	116.6	110.1	5.9%	98.3	18.6%
Other Income	0.3	0.3	22.1%	0.2	96.2%
Total Income	116.9	110.4	5.9%	98.5	18.7%
Production Expenses	14.1	14.8	-4.8%	12.1	16.5%
License Fees	35.5	44.7	-20.7%	39.8	-10.8%
Marketing Expenses	7.4	4.3	72.1%	4.1	
Administration and Other Expenses	26.5	23.6	12.6%	26.2	1.3%
Employees Cost	15.8	17.1	-7.9%	17.2	
TOTAL EXPENDITURE	99.2	104.5	-5.0%	99.3	-0.1%
<b>PBIDT</b>	<b>17.7</b>	<b>5.9</b>		<b>(0.8)</b>	
Interest	3.0	4.9	-38.5%	3.1	-2.0%
PBDT	14.7	1.1		-3.8	
Depreciation	13.8	13.4	3.2%	13.7	0.7%
NP before Mionority Interest	0.9	(12.3)		(17.5)	
Tax	(0.0)	1.4		(0.3)	
Fringe Benefit Tax	0.0	0.0		0.0	
Deferred Tax	0.0	0.0		0.0	
Reported Profit After Tax	0.9	(13.7)		(17.2)	
Minority Interest After NP	(1.6)	(3.1)		(3.3)	
<b>Net Profit after Minority Interest</b>	<b>2.5</b>	<b>(10.7)</b>		<b>(13.9)</b>	
<b>EPS (Unit Curr.)</b>	<b>0.5</b>	<b>(2.2)</b>		<b>(2.9)</b>	
Equity	47.7	47.7		47.7	
Face Value	10	10		10	
PBIDTM(%)	15.2%	5.4%		-0.8%	
PBDTM(%)	12.6%	1.0%		-3.9%	
PATM(%)	0.8%	-12.5%		-17.5%	

**Valuation Matrix**

Radio Business	DCF Basis	201
TIM (OOH Business 85%)	2x FY11E Mkt Cap/Sales	64
Event Management Business (ADSL)	2x FY11E Mkt Cap/Sales	20
<b>Fair Price Per Share</b>		<b>285</b>

Source: Nirmal Bang Research

**Consolidated Income Statement (in crores RS.)**

	2008	2009	2010E	2011E	2012E
<b>Sales</b>	413.5	433.5	421.2	472.1	583.8
Net Sales	413.5	426.7	421.2	472.1	583.8
Other Income	3.4	2.2	5.0	5.0	5.0
<b>Total Income</b>	416.8	428.9	426.2	477.1	588.8
Employee Expenses	66.7	77.9	77.4	76.7	89.2
Power, Oil & Fuel	7.6	22.5	14.2	9.4	11.7
Selling & Administrative Expenses	251.0	278.0	198.7	201.0	248.3
Other Operating expenses	63.7	64.0	87.3	89.7	117.1
Misc. Expenses	10.4	15.0	12.8	15.4	18.7
<b>Total Expenditure</b>	399.4	457.5	390.5	392.2	485.0
<b>EBITDA</b>	17.4	(28.6)	35.7	84.9	103.9
Interest	17.4	14.5	12.2	15.8	16.6
Depreciation & Amortization	18.2	30.2	51.3	54.5	54.5
Profit Before Tax	(18.2)	(73.3)	(27.9)	14.6	32.8
Total Taxes	0.1	0.1	(5.8)	1.6	4.3
Deferred Tax	(3.4)	(3.1)			
Net Income After Taxes	(14.9)	(70.2)	(22.0)	13.0	28.5
Minority Interest in Income	(0.5)	(12.6)	(12.5)	-	-
Extraordinary Items	-	-	-	-	-
<b>Adjusted Net Profit</b>	(17.1)	(60.5)	(6.4)	16.1	31.6
<b>Earnings Per Share (Rs)</b>	-	-	-	2.7	6.0
Shares Outstanding (Diluted)	4.8	4.8	4.8	4.8	4.8
Retained Earnings	(17.1)	(60.5)	(6.4)	16.1	31.6

**Balance Sheet (in crores)**

	2008	2009E	2010E	2011E	2012E
<b>Sources of Funds</b>					
Shareholders' Equity	47.7	47.7	47.7	47.7	47.7
Reserves	393.0	332.8	326.4	342.5	374.1
<b>Share Holders Funds</b>	<b>473.2</b>	<b>400.3</b>	<b>381.4</b>	<b>390.2</b>	<b>421.8</b>
Secured Loans	115.3	58.0	58.0	58.0	58.0
Unsecured Loans	78.0	90.1	90.1	90.1	90.1
<b>Total Debt</b>	<b>193.3</b>	<b>148.1</b>	<b>148.1</b>	<b>148.1</b>	<b>148.1</b>
Net Deferred Tax	(6.1)	(9.2)	(9.2)	(9.2)	(9.2)
<b>Total Liabilities and Equity</b>	<b>660.3</b>	<b>539.2</b>	<b>520.3</b>	<b>529.0</b>	<b>560.6</b>
<b>Application Of Funds</b>					
Gross Fixed Assets	390.3	439.2	489.2	539.2	589.2
Less: Depreciation	83.1	134.6	187.9	242.4	296.9
Net Fixed Assets	307.2	304.6	301.2	296.7	292.2
Investments	3.0	-	2.5	2.5	2.5
WIP	11.0	13.7	18.8	14.6	17.7
<b>Current Assets, Loans &amp; Adv</b>					
Cash	14.7	16.2	4.0	13.3	17.2
Receivables	133.5	134.6	130.8	142.3	175.9
Loans and Advances	281.9	169.6	173.1	181.1	191.9
<b>Total Current Assets</b>	<b>430.1</b>	<b>320.4</b>	<b>307.9</b>	<b>336.7</b>	<b>385.1</b>
<b>Current Liabilities &amp; Prov</b>					
<b>Current Liabilities</b>	<b>87.9</b>	<b>95.7</b>	<b>107.0</b>	<b>118.2</b>	<b>132.9</b>
Provisions	3.1	3.7	3.1	3.2	4.0
<b>Total Curr. Liabs &amp; Prov.</b>	<b>91.0</b>	<b>99.4</b>	<b>110.1</b>	<b>121.4</b>	<b>136.8</b>
<b>Net Current Assets</b>	<b>339.1</b>	<b>221.0</b>	<b>197.7</b>	<b>215.3</b>	<b>248.2</b>
<b>Total Assets</b>	<b>660.3</b>	<b>539.2</b>	<b>520.3</b>	<b>529.0</b>	<b>560.6</b>

**NOTE**

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