RELIGARE Values that bind

RELIGARE SECURITIES LIMITED
Equity Research

Initiating Coverage — ***Sector : Media***

Entertainment Network — Outperformer

Current Price: Rs.243
Target Price: Rs.310

November 30, 2006

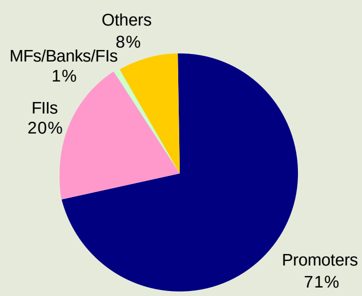
Sensex	13,617
Nifty	3,928
BSE Code	532700
NSE Code	ENIL
Bloomberg	ENIL@IN
Reuters	ENIL.BO
Shares Issued	47.6 mn
Market Cap (Rs)	11.6 bn
52 Wk H/L (Rs)	288/160
Free Float (%)	28.7

Absolute Returns (%)

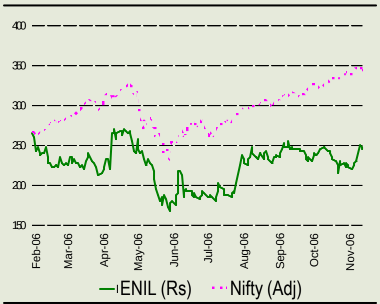
	1 mth	3 mth	12 mth
Stock	0.25	3.43	(8.23)
Sensex	4.55	16.32	34.65

Average Daily Volume

	BSE	NSE
3 months	17,293	26,367
6 months	15,373	24,843
12 months	175,027	268,972



ENIL Vs Nifty



Abneesh Roy
abneesh.roy@religare.in
+91 22 6655 0176

We are initiating coverage on ENIL with an Outperformer rating. As the market leader in Radio, ENIL is a play on the high growth of the radio industry, which will be driven by the strong growth in the advertising industry at 15-18% and a rising share of radio in the ad pie. ENIL will maintain its leadership position despite the entry of new players. The radio market is set to expand sharply; so ENIL's loss of market share will be more than offset by the sharp expansion of the overall market. Sales and earnings growth will remain strong. Its subsidiary in the outdoor and live entertainment businesses will add a further 14-18% to earnings. Valuations are reasonable for an electronic media company which has low debt, high growth and strong free cash flows. **We initiate coverage on ENIL with an Outperformer rating and a target price of Rs. 310.**

The advertising industry will grow at 15-18% in the next 4 years. Advertising revenues are a leveraged play on GDP growth. We expect the industry to show a strong growth of 15-18% driven by strong economic growth and continuing liberalization in this sector.

Growth in Private FM Radio will explode as its share in the ad pie is set to rise sharply from 2.3% in FY06 to 5.5% in FY10 (excluding All India Revenues). Private sector FM radio will be available in 87 cities instead of the current 12, and investments in radio will rise sharply. Radio offers several advantages to advertisers. It is a cost-effective medium for local advertising, and offers access to an attractive target market - the high spending 15-29 age group. Ad avoidance is lowest in radio and it complements other mediums of advertising. For listeners, it is one of the most convenient, cheap and interactive forms of entertainment.

ENIL will continue to be the market leader. ENIL has several advantages which will help it to maintain its leadership position. As a national player it will get a much larger share of the revenues compared to regional players, as regional players can only address the local advertisers. It has strong advantages in programming, which include the ability to attract Bollywood content and personalities. As an organization and as a group, it has a strong sales ethos which will drive revenues. It can invest in brand building and has indeed been doing so in the last 3 years. As the market leader, it can retain talent more effectively than competitors. ENIL has used its national presence and first mover advantage to build a premium positioning which translates into pricing power - it commands a huge premium in the market and we expect this to stay. We expect revenues to grow at a CAGR of 29% from FY 07-09. ENIL's market share will drop from the current 50% to 36% in FY10 , but in a much larger market.

ENIL's subsidiary in the outdoor and live entertainment (event management) businesses will add 14-18% to its bottom-line The outdoor and the event management industry will see a shift in share from the unorganized players to large organized players like ENIL. This will benefit ENIL whose subsidiary is set for a sharp growth as well.

Valuations are reasonable and offer upside

ENIL currently trades at the lower end of its P/E band at 29x 1-year forward earnings. Global Radio players currently trade at an average EV/EBITDA multiple of 12.1x CY07E. We have valued ENIL at 13x 1-year forward EV/EBIDTA multiple as it is in a sunrise sector in India with a fast growth while the global companies are in a mature market with slow growth. We have also valued ENIL at a P/E multiple of 25. This P/E multiple is lower than that of Zee (which is also in the electronic media segment like ENIL) and is higher than that of print media. Based on these methods, our target price is 310. Hence, at current valuations, we believe ENIL is under valued.

Y/E, 31st March	FY06	FY07E	FY08E	FY09E	FY10E
Net sales (Rs mn)	1,377	2,350	3,464	4,440	5,511
Adjusted net profit (Rs mn)	218	297	445	650	1,012
EPS (Rs)	4.6	6.2	9.3	13.7	21.3
P/E (x)	53.1	39.0	26.0	17.8	11.4
EV/EBIDTA (x)	30.4	22.8	13.2	8.3	5.5
EV/Sales (x)	8.4	5.1	3.3	2.4	1.8
Average RoE (%)	14.6	10.6	14.0	17.6	22.6
Average RoCE (%)	15.3	10.6	14.7	23.8	31.4

Source: Company, Religare Research

Table of Contents

1. Advertising industry to sizzle at 15-18% over the next 4 years

Exhibit 1

Country	Ad Spend as % of GDP
India	0.47
China	0.55
Philippines	0.72
Singapore	1.12
New Zealand	1.38
Thailand	1.60
World	0.98

Source: Zenith Optimedia, 2005

1.1.1. Advertising spend in India is just 0.47% of GDP, which is much lower than the world average of 0.98%. It is also lower than the spend in other developing countries like China, Philippines and Thailand.

This indicates the huge potential for growth in advertising spend in India due to the following reasons:

- Liberalization of the media sector - growth in media vehicles leading to increase in media penetration
- Favorable demographics
- Increasing purchasing power of Indian consumer
- Growth of new customer segments like retail, insurance, etc.
- Media inflation
- Last, but not the least, strong economic growth

1.1.2. Advertising revenues are a leveraged play on GDP growth. The pattern seen in the behaviour of the ad spend growth rate vs GDP growth rate indicates the following relationship:

Ad spend rises much faster than GDP growth when GDP growth is high

- Ad spend rises much faster than GDP growth when GDP growth is high. For example, between 1995-1997, when the economy grew at a high rate of 7% +, ad spend grew at an average of 2.6 times the GDP growth rate.

A deceleration in GDP growth hits ad spend sharply. The reason for this is that advertising is seen as a discretionary item, and is therefore one of the easiest item to cut in case of a slowdown

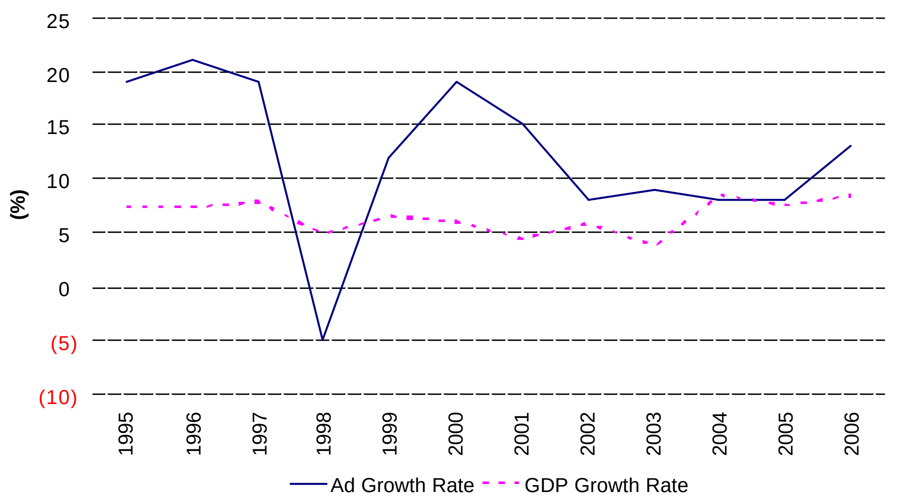
- A deceleration in GDP growth hits ad spend sharply. In 1998, ad spend growth became negative when GDP growth decreased sharply to 4.8% from 7.8% a year ago. The reason for this is that advertising is seen as a discretionary item, and is therefore one of the easiest item to cut in case of a slowdown. If the slowdown in the economy is prolonged, as seen from 2001-03, ad spend recovers after a lag. This is again because of the discretionary nature of the ad spend. It increases only after the financial performance of companies shows a sustained recovery.

Exhibit 2

Gross Indian Ad Industry	Ad Growth Rate	Real GDP Growth Rate	Ad growth/ Real GDP growth
1995	19	7.3	2.6
1996	21	7.3	2.9
1997	19	7.8	2.4
1998	(5)	4.8	-1.0
1999	12	6.5	1.8
2000	19	6.1	3.1
2001	15	4.4	3.4
2002	8	5.8	1.4
2003	9	4	2.3
2004	8	8.5	0.9
2005	8	7.5	1.1
2006	13	8.4	1.5
11 year CAGR	**11.3**	**6.5**	–

Source: Zenith Optimedia, 2005

Exhibit 3 : Ad growth rate Vs GDP growth rate



Source: Economic Survey 2005-06, Zenith Optimedia, 2005

Public policy and liberalization of the media sector have played a key role in encouraging investments in this sector and will continue to do so

1.2. Liberalization of the media sector: Apart from strong economic growth, public policy and liberalization of the media sector have played a key role in encouraging investments in this sector and will continue to do so. Higher investments open up new opportunities and propel the growth of the sector. The key regulatory reforms in media are given below:

Exhibit 4

Media Segment	Policy change	Effect
Multiplex	Relaxation of entertainment taxes by various State Governments.	Approximately 700 screens will be launched in 115 multiplexes in the next 2 years.
TV	DTH licenses and CAS implementation	Lower under reporting of subscriber numbers by cable distributors leading to higher revenues for broadcasters. The end consumer pays for what he sees
Print	FDI limit of 26%	Launch of more editions, JVs with the world leaders will lead to better and new products for the end consumer. More options for advertisers will propel growth in ad revenues.
Radio	Revenue share instead of an irrational high license fee policy. New FM licenses issued. FDI/FII limit of 20%	By Q4FY08, 287 FM stations are expected to be operational across 87 cities. Higher investments will drive the growth of this sector.
Films	Corporatization of cinema industry.	It is a positive move as it will attract more investments in the sector. Improvements in technology used in making films, themes of movies, exhibition, finance, and marketing.

Source: Religare Research

There is likelihood that FDI/FII of 20% will be relaxed and news and current affairs will be allowed on private FM

We expect all forms of media to do well in the next 3-4 years

We believe that the radio sector will get the benefit of further liberalization and policy change in the following areas which are likely to happen in the next 1-2 years:

1.2.1. **Relaxation on foreign investments to be a big trigger -** Print medium has a FDI/FII cap of 26 per cent, where as radio has a cap of only 20 per cent. There is a likelihood that this ceiling will be relaxed.

1.2.2. **News and Current Affairs:** Currently news and current affairs are not allowed on Private FM Radio. We expect these to be allowed in the next one year. This will increase the stickiness of the listeners.

All forms of media are on the rise – With the liberalization of the sector, we expect all forms of media to do well in the next 3-4 years. This has been corroborated by **NRS 2005 & 2006.**

Exhibit 5 : Finding of NRS 2006

Media Segment	Improvement over 2005
TV	Satellite TV reach has increased by 11% to 230mn homes in FY06. C &S homes have increased by 12% to 68mn.
Print	Reach of press increased in FY06 by 3% to 222mn. Literacy has risen from 69.9% to 71.1%.
Radio	Reach of radio increased from 23% to 27% of the population in FY06.

Source: NRS 2005 and 2006, Religare Research

The Indian economy has grown at 8% in the last three years and is expected to continue on a high growth path in near future. Hence, we expect the advertising industry to grow at 15-18% over the next 4 years.

2. Share of private FM radio to shoot from 2.3% in FY06 to 5.5% in FY10 of the ad pie

2.1.1 **Expansion into 87 new cities:** Currently, FM radio is available only in 12 cities. After the recent round of licenses, private sector FM radio will be available in 87 cities. Currently the share of Private FM radio is 2.3% of the ad pie and will go up to 5.5% in FY10. After that the share is expected to go up to 7 % in 6 years and to 12% in 10 years. After 10 years, the share is expected to fall and settle at about 10%, as internet advertising and other new media pick up. Currently, outdoor accounts for 7% of total advertising, which is nearly 3 times the share of radio. This also indicates that the potential for the growth of radio is huge.

Exhibit 6

Country	Radio ad spend % of total ad spend
India	2.3
China	4.9
Philippines	15.4
New Zealand	12.0
Thailand	7.7
World	8.5
Singapore	9.5
USA	11.0
Sri Lanka	18.0

Source: Zenith Optimedia, 2005, AC Nielsen

As the table shows, the share of radio in India is much lower than the world average and other developing countries like China, Sri Lanka and Philippines.

2.1.2 **Deregulation unlocks the true potential of radio.** We can see from the example of Belgium that deregulation leads to unlocking of the true potential of radio . In Belgium, Radio was deregulated in 1990. This led to a CAGR of 31% in CY1991-1993 against a CAGR of 7.5% in CY1988-1990 as can be seen from the table below:

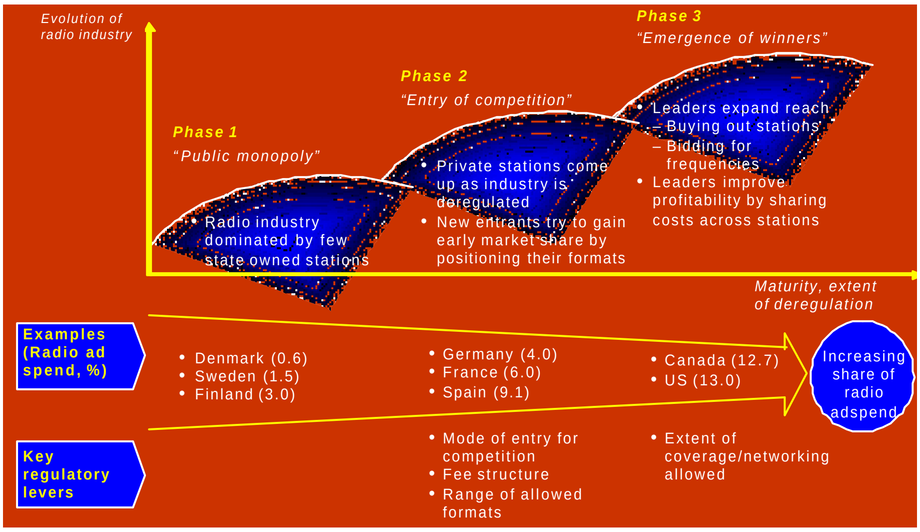
In Belgium due to deregulation in radio, CAGR in revenue saw a jump from 7.5% to 31%

Exhibit 7

Belgium	CY88	CY89	CY90	CY91	CY92	CY93
Radio ad revenue in BEF mn	534	519	616	1,931	2,670	3,321
CAGR		CY88-90=7.5%			CY91-93=31%	

Source: Mediamark, McKinsey Analysis

Exhibit 8



Source: McKinsey Analysis, HSBC, IREP, ZAW

The entry of new players like HT and DNA actually expanded the print market and the market leader, TOI continued to see healthy growth

2.2. Entry of new players in Media expands the market. The experience in the print media in Mumbai gives interesting insights into what can happen in the radio market. In Mumbai, the entry of new players like HT and DNA actually expanded the market and the market leader, TOI continued to see healthy growth. In Radio, which is at a nascent stage of its development, we believe that the expansion of the market will be far sharper. This is also borne out by the recent experience in 3 new FM markets which saw the entry of new players.

Exhibit 9

City	May, 2006		September, 2006		
	Revenues (Rs mn)	No. of Private FM Radio Players	Revenues (Rs mn)	No. of Private FM Radio Players	Average
Jaipur	3	1	12	4	3
Bangalore	12	1	32	3	11
Hyderabad	6	1	14	2	7

Source: Religare Research

Thus we see the average revenues have remained the same and the overall radio market has just multiplied.

2.3. Radio complements other mediums of advertising -

Radio ads complement TV, print and outdoor advertising

2.3.1. Radio adds to Television

- The prime time slots for radio and television are different, which makes it a complementary rather than a competitive entity.
- Due to the high clutter of TV channels and channel swapping habits of TV consumers, TV audiences have become increasingly fragmented. Radio acts as a reminder medium.
- Radio reaches light TV viewing audiences who miss out on TV ads.
- Radio brings interactivity - Radio ad can be made interactive through Visual radio, live contests which are difficult on TV, as Radio is a local medium. An interactive ad has far higher impact than a non-interactive one.
- Radio can accomplish city-specific targeting – The local broadcasting and local flavor of radio means that it can accomplish city-specific targeting which is not possible for TV as it has a national/regional footprint. Although some channels like NDTV have started city specific beams, they are very few and have very low viewership.
- Radio is the last medium to be consumed before purchase - For example, when a consumer is going for lunch, he can be targeted by Restaurants, FMCG companies while he is listening to Radio in his car, thus leading to purchase.
- Speed to market - Radio ads can be made and broadcast in a few hours. The time for making a TV ad is a long process and takes weeks.

2.3.2. Radio adds to Print

- Radio brings emotion - Since radio is an audio medium, radio ads have emotion which is not possible in Print.
- Radio gives day long exposure - Consumers read the newspaper mostly in the morning while they listen to Radio through the day.
- Brings interactivity to a press campaign - Print ads have lot of clutter. Radio ad can be made interactive through Visual radio, live contests which are difficult on Print.

2.3.3. Radio adds to Outdoors

- Much more matter on Radio - Outdoor ads can carry very little advertising message and largely contain visuals. Radio ads can complement an outdoor ad by providing the details.
- Radio gives day long exposure - Consumers see the outdoor ads only while they are driving past that particular outdoor site while they keep listening to the Radio medium at different time bands of the day.
- Brings emotion and interactivity to an outdoor campaign - Outdoor ads are not interactive. Radio ads can be made interactive through Visual radio, live contests etc.

The programming costs on radio is predominantly the payment of royalty. Multiple creative formats are prohibitively expensive on TV

2.4. Low costs of programming and advertisements: The programming and advertising costs on radio are much lower than television or print. The programming costs on radio is predominantly the payment of royalty to the various societies like Phonographic Performance Ltd and Indian Performing Rights Society. Different creative formats can be made at a nominal cost. Multiple creative formats are prohibitively expensive on TV. This means that the cost of advertising on radio is much lower than on TV.

2.5. Radio addresses a premium audience: The listenership of FM radio is highest in the 15-29 age group which comprises mainly of students and young employees. This provides a golden opportunity for advertisers to address this highly lucrative age group. Seven out of ten people in SEC A audiences listen to the radio daily.

The average FM listener has a higher propensity to spend than the average consumer as the listenership of FM radio is highest in the 15-29 age group

The profile of the FM listeners in Delhi and Mumbai is shown in the table below. It provides interesting insights into the lifestyle and habits of the listeners and tells us that the average FM listener has a higher propensity to spend than the average consumer.

Exhibit 10 : Psychographic Profile of FM Audiences

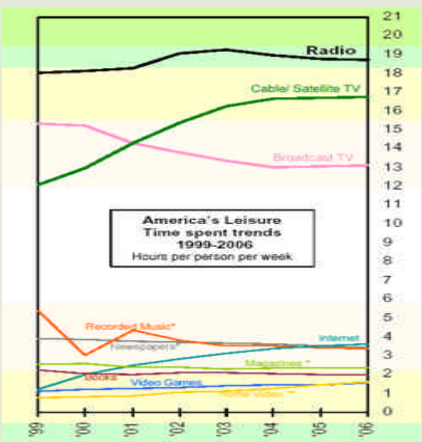
Particulars	Delhi		Mumbai	
	All (%)	FM (%)	All (%)	FM (%)
Wear jeans	18	54	19	34
Wear sneakers	22	50	17	36
Watch TV	58	74	74	83
Go out with friends	14	23	28	40
Read books/magazines	22	40	36	56
Listen to music	23	49	26	54
Eating out	30	76	45	71
Visit beauty parlours	8	16	7	13

Source: BECIL (Broadcast Engineering Consultants India Ltd)

2.6. Radio will reach out to larger audiences

2.6.1. Convenient form of entertainment - Radio is the most convenient form of entertainment because of its high mobility. It is also a passive form of entertainment. These characteristics mean that relatively more time is spent on radio listening than on other forms of entertainment. In USA, people spend nearly 70 leisure hours per week with media, music, books and electronics. Radio occupies 28% of that time which is the largest share.

Exhibit 11



Source: Veronis Suhler Stevens Communication Industry Forecast 2006

2.6.2. Cheapest medium of entertainment - Private FM Radio is the cheapest medium for the end user. There is no subscription fee as in the case of newspapers or cable television and the cost of hardware is also low. Increasingly mobile phones come equipped with a built in FM radio. Hence Radio will see a larger reach than TV and Print.

Exhibit 12

Entertainment Option	Avg Capital Cost (Rs)	Avg Monthly Cost (Rs)
TV	6,000	130
Newspaper	0	45
Cinema	0	60
Satellite Radio	1,800	100
FM Radio	150	0

Source: PWC- FICCI Report, Religare Research

2.6.3. Interactive (with a personal touch): Radio has the capability to build a personal rapport with listeners through repeated exposure to RJs and programs where listeners can easily call in. This is difficult for television and impossible for print.

2.7. Local Advertising: Apart from newspapers, radio is the most local of all media. Hence, it can be effectively used for local-level promotions and region-specific advertising campaigns which is not possible on TV. This makes it attractive for a large number of local advertisers.

Exhibit 13

Country	Local advertising % of Total Radio revenues
USA	70
India	8

Source: CII-KPMG Report, 2005

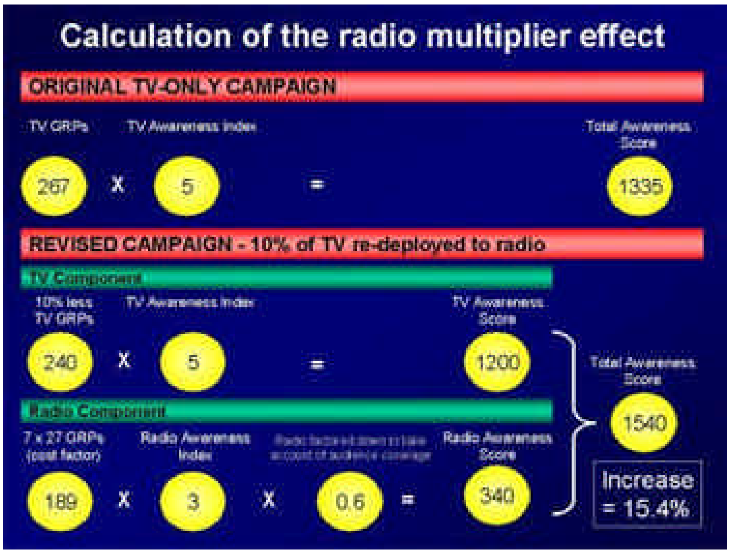
About 70% of radio advertisers in the US are local advertisers. Also a Radio channel gets higher advertisement rates from a local advertiser compared to national advertisers. This is because the national advertiser normally comes through a large media agency and thereby gets a much higher discount in the advertising rates due to his higher spends.

Currently, ENIL gets around 20% of its revenues from local advertisers. In the long run, the share of local advertising in the revenues of ENIL will rise and it will establish itself more strongly even among retail advertisers. This will increase the average rate of advertising and also reduce its business risk due to lesser dependence on the large corporate advertisers.

2.8. Multiplier effect of Radio – As per the study conducted by Radio Advertising Bureau (RAB), UK, if 10% of a given TV budget is re-deployed on radio, the efficiency of the campaign in building awareness increases on an average by 15% .

- Radio in isolation was measured to be 60% as effective as TV in raising advertising awareness
- However, this radio effectiveness was achieved at 15% of the cost of TV.
- Radio's total reach in the region is 60% of that for TV

Exhibit 14



Source: Millward brown study –Radio Advertising Bureau (RAB), UK

Exhibit 15

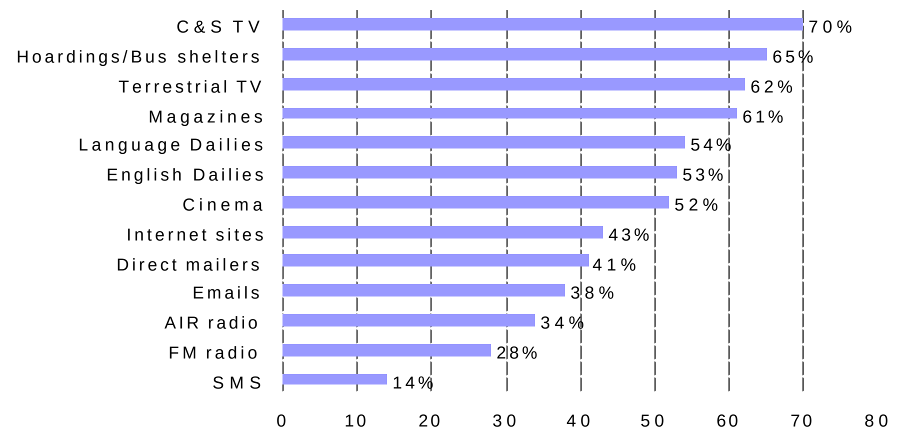
Media segment	% Ad avoidance
Newspaper	68
Magazines	61
TV	44
Radio	16

Source: Western International Media

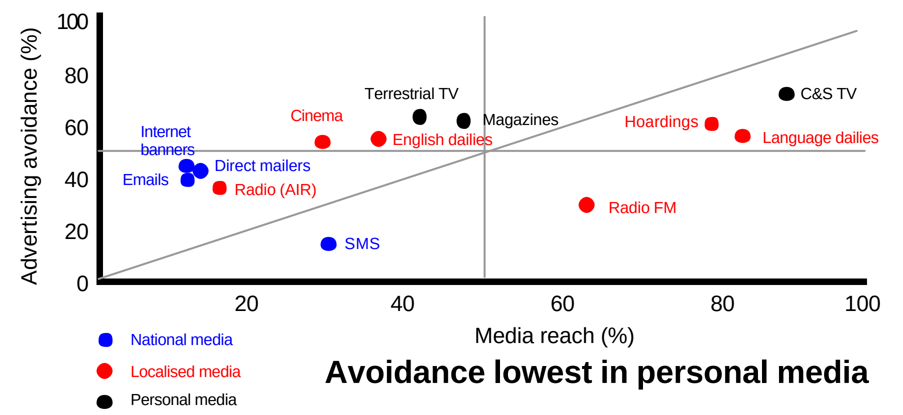
2.9. Low Ad Avoidance on Radio - This is due to the following factors:

- Radio is a passive and non intrusive medium. The consumer listens to the radio either while he is traveling or reading, cooking etc.
- There are very few FM sets which have a remote facility. So unlike TV, a consumer cannot swap channels during an ad break.

Exhibit 16



Note: The percentage of people avoiding advertisement on various media



Source: BBC World Ad watch survey for India

Exhibit 17

Company	Reach in lakhs in Delhi plus Mumbai Market
Radio Mirchi	66.7
Star Plus	47.3
Times of India	31.0

Source: Star Plus: TAM, All SEC, 15+ years, all day long, All India-29th Sept, 2006. Times of India: NRS 2006. Radio Mirchi: ILT- wave 9.

2.10 Radio has the highest reach: The above reasons lead to a larger reach for Radio as can be seen in the markets for Delhi and Mumbai. These are the only markets for which Independent research is available for Radio. They are also the largest markets.

The lower market share of ENIL will be on a much higher base and consequently ENIL will continue to see healthy growth going forward. On a blended basis therefore, ENIL's overall market share will settle at about 36%

We expect ENIL to be the No. 1 player in all the regions except South and East

3. ENIL will continue to be the market leader

3.1. **ENIL will remain the No.1 player –** ENIL's current market share is 50%. We expect ENIL to remain the no.1 player and its market share to drop to 36% by FY10 as the market matures and the new entrants get established. The point to note here is that this lower market share will be on a much higher base and consequently ENIL will continue to see healthy growth going forward. Based on the experience of the industry and similar situations, we expect that :

- In markets like Kolkata and Delhi which will have 8-9 players, the no.1 player will get a 35% market share.
- In markets which have 4 players, the no.1 player will get a 40% market share. (this is currently the case).
- In markets which have 3 players, the no.1 player will get a 50% market share (this is currently the case).
- On a blended basis therefore, ENIL's overall market share will settle at about 36%.
- The top 4 national players are expected to be ENIL, Adlabs, Sun and Radio City.

We expect ENIL to be among the top two players in most cities. We expect ENIL to be the No. 1 player in all the regions except South and East. In the South, it will face stiff competition from Sun and local players in Kerala for the no.1 position. In the East, ENIL has got just two out of fourteen markets and is therefore not expected to be the number one player. However, these two markets are the biggest in the East - Patna (where it will have a monopoly) and Kolkata.

Exhibit 18

Region	No. of Cities	No. of stations	Top Players Expected
Metros	4	32	ENIL, Adlabs, SUN (includes Red FM), Radio City
North	24	65	ENIL, Adlabs, Synergy Media (Bhaskar Group), Shri Puran (Jagran Group), Radio City
East	14	32	Adlabs, SUN, ENIL, Bag Films
South	21	66	SUN, ENIL, Adlabs,Malar Publication, Malayalam Manorama , Mathrubhumi
West	24	71	ENIL, Adlabs, SUN, Radio City

Source: Religare Research, Industry

Globally the No. 1 player gets the lion's share of the market – Globally, the no. 1 player in FM Radio garners a big share of the revenues. The data for the three mature markets for Radio is as shown below:

Exhibit 19

Country	No. 1 FM player	% Share of no. 1 player
UK	BBC	50
USA	Clear channel	18
Australia	Austereo	15

Source: Religare Research

Regional players will have little access to corporate advertisers. National players on the other hand can garner both national and regional revenues

The reasons why we believe that ENIL will remain the market leader are given below.

3.1.1. ENIL is a national Player. There are two types of players: National and Regional. This distinction is important because the share of the regional players in the ad pie will be much lower because a bulk of the money is currently being spent by national advertisers. Regional players will have little access to these revenues. National players on the other hand can garner both national and regional revenues. Therefore, even if the listenership of a strong regional player is similar to that of a national player like ENIL, its revenues will be much lower as shown below:

For e.g. in a market like Jaipur where there are strong regional players like Bhaskar and Rajasthan Patrika, their listenership numbers are similar to ENIL's. However, ENIL's share in revenues is more than 70%. Typically 80% of the revenues of a radio station come from corporate advertisers out of which the national player gets a 80% share. Out of the retail business which is 20% of a radio station, the national player gets a 40% share. Hence, on a blended basis the national player gets a 72% share.

Exhibit 20

Type	No.1 (National Player) % share	Corp-Retail % break-up	% share of no. 1 (National Player) of total FM Market
Corporate Business	80	80	64
Retail Business	40	20	8
Total	–	–	**72**

Source: Religare Research

Exhibit 21

Player	Top 13 cities (with a population above 2 mn)
ENIL	13
Radio City	11
SUN	9
Adlabs	8
Mid Day	7
HT	4
Red FM	3

Source: Religare Research

3.1.2. ENIL has the best markets-so the entry of new players in other markets will have little impact on it. On the face of it, it appears that ENIL is at a disadvantage as it will be present in only 32 of the 87 cities which have been opened up to FM radio. However, this is a deliberate move on ENIL's part. Firstly, the top 13 cities in India have a share of 70% of the advertising pie. ENIL has all these markets. Secondly, the other 19 markets have also been chosen with care. ENIL had done a lot of analysis on the advertising potential of each city before bidding for these. The short listing of the cities was done in consultation with big media buyers and planners like Carat, Madison and Starcom.

As seen in the exhibit below, ENIL has all the Metros and A Class cities. Metros have the maximum revenue potential while the D Class cities have the minimum revenue potential. ENIL has only 10% of the D class cities while its two main competitors – Adlabs and Sun have 30%. In the C class cities, ENIL has a mere 15% while Adlabs and Sun have 51% and 40% respectively. In the A class cities, ENIL has 100% of the cities while Adlabs has only 44% of the A class cities. In the Metros, ENIL has 100% of the cities while SUN has only 25% of the metros.

Exhibit 22

	% of stations in each category					
Key players	**Metros**	**A**	**B**	**C**	**D**	**Total**
Adlabs	100	44	59	51	30	52
SUN TV	25	89	76	40	30	51
ENIL	100	100	65	15	10	37
Radio City	75	89	18	13	–	23
Dainik Bhaskar Group	0	44	24	19	–	20
Mid-Day Multimedia & BBC	100	22	–	–	–	7
HT Media & Virgin Radio	75	11	–	–	–	5
Red FM	75	–	–	–	–	3

Source: Religare Research

Small cities will not be viable due to high royalty cost and low revenue potential

Revenues drop sharply for small cities and a quick calculation shows that many of the cities for which ENIL has not bid will not be viable in the initial few years. This is illustrated by the table given below.

The financials of a Radio station in a small city is given below:

Exhibit 23

All Figures in Rs mn			
Total Radio Market in a small city	**10**		
Revenues of No.1 National Player	**4**	**Revenues of No. 2 local player**	**1.5**
Cost		**Cost**	
Royalty	2.8	Royalty	2.8
Employee	1.5	Employee	1.5
Electricity	1.2	Electricity	1.2
Rent	1.2	Rent	1.2
License	0.2	License	0.1
Other	1.0	Other	1.0
Total costs	**7.9**	**Total costs**	**7.8**
EBIDTA	**(3.9)**	**EBIDTA**	**(6.8)**
Amortization	0.2	Amortization	0.2
Depreciation	1.5	Depreciation	1.5
PBT	**(5.6)**	**PBT**	**(8.0)**

Source: Religare Research, Industry

Once the royalty costs get rationalized and the Revenue potential rises, ENIL will think of expanding into these cities.

ENIL can get all the Bollywood content made in Mumbai and repackage it for each station with the local RJ's voiceover

3.1.3. ENIL has strengths in programming– As a part of a large and strong media conglomerate like the **Bennett, Coleman & Co (BCCL)**, ENIL has strong access to Bollywood stars and content. This is a key competitive advantage vis-à-vis the other players. ENIL can get all the Bollywood content made in Mumbai and repackage it for each station with the local RJ's voiceover. ENIL uses celebrities strategically and this year more than 100 celebrities came on their channel.

3.1.4. Ability to invest in brand building and programming innovation- ENIL has made continuous efforts to maintain and enhance its leadership position through continuous innovation, focused marketing, intensive brand building and exploiting the interactive nature of FM radio. Its strong financial position allows it to invest in brand building and marketing. This will be a key entry barrier in this market.

- **Marketing Spends:** ENIL will be spending close to Rs 400 mn in FY07 which is expected to increase to Rs 700 mn in FY10 on marketing. Traditionally also it has spent around 20% of its revenues on marketing.

Exhibit 24 : ENIL – Radio (Rs mn)

	FY05	FY06	FY07
Revenues	749	1,174	1,750
Marketing expenses	107	227	400
% of revenue	14	19	23

Source: Company, Religare Research

ENIL has launched Visual radio in India which is the third country in the world to have a commercial Visual Radio

- **Innovation – Visual Radio:** ENIL was the first and is the only radio player in India to launch Visual Radio. India is the third country in the world to have a commercial Visual Radio service after Singapore and Finland. Visual Radio allows listeners tune in to local FM radio (via the analog receiver on all the Nokia handsets that offer the Visual Radio feature) and simultaneously access data from the mobile operator (for their WAP enabled subscribers). It synchronizes images and texts with radio broadcasts to bring entertainment, information and interactivity directly to mobile devices. Listeners can enjoy appealing visuals, information and entertainment of what's playing over the air, purchase ring tones and other relevant mobile content, participate in promotions, polls, contests, and interact with Radio Jockeys and special guests running on the radio station thereby redefining the radio experience. The customer is charged at the regular Planet Hutch rate of 10 paise per 10 KB and regular download charges for downloading ring tones etc. The launch of Visual Radio in India demonstrates a revolution in interactive mobile communications and redefines the experience of traditional FM radio, not only for users but also for broadcasters, advertisers and mobile operators. Visual Radio creates new business models that offer access to interactive music discovery services and the ability to purchase merchandise directly from a mobile phone. More importantly, it establishes the radio station at the cutting edge of technology.

3.1.5. Manpower: Currently, manpower is a scarce commodity in Radio. This is because today's 37 stations will explode to 287 stations in the next 18 months. One of the key advantages of ENIL has been its ability to retain talent. The key reasons for this are:

- No.1 Brand Name in FM Radio.
- Comes from the largest Media House – Times Group.
- Higher compensation due to financial muscle
- Being the sole listed player in Radio space, can offer attractive ESOPs to key talent.
- Internal promotion schemes rather than recruiting from outside. A major chunk of its station directors will be from its internal pool. It has 22 more stations which can accommodate them.

3.1.6. Strong Pricing power – ENIL has used its strengths - an early mover advantage, national presence and strong content to create a premium positioning for itself. This translates into premium pricing. We believe that ENIL will be able to maintain this as seen in the Delhi market.

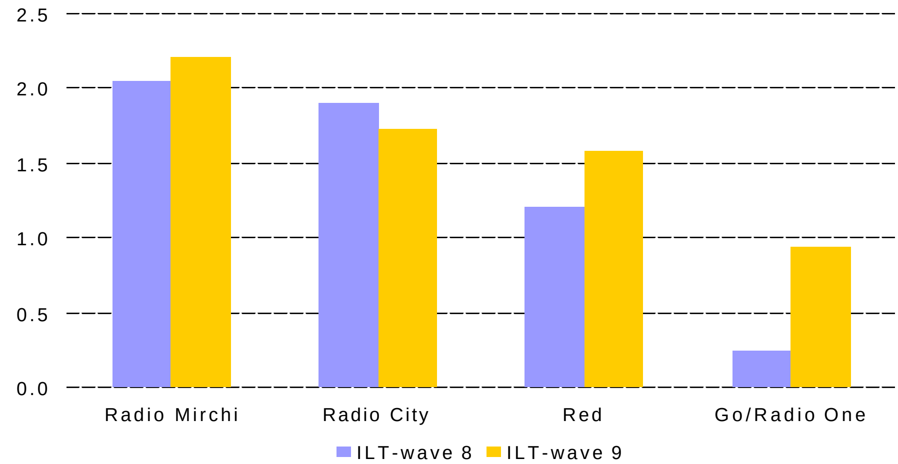
The initial indication from the launch of Adlabs in Delhi is that pricing is far more disciplined than feared earlier

The initial indication from the launch of Adlabs in Delhi is that pricing is far more disciplined than feared earlier. One reason could be that the high license and OTEF fee are acting as a deterrent. Also, it is very difficult in media to ramp up prices significantly if one has made a penetrative pricing. So, there is considerable incentive for the new entrants to price their products at a reasonable level.

In Mumbai which is the largest advertising market in the country, Radio Mirchi increased its lead over Radio City from 10% to 30% in listenership numbers

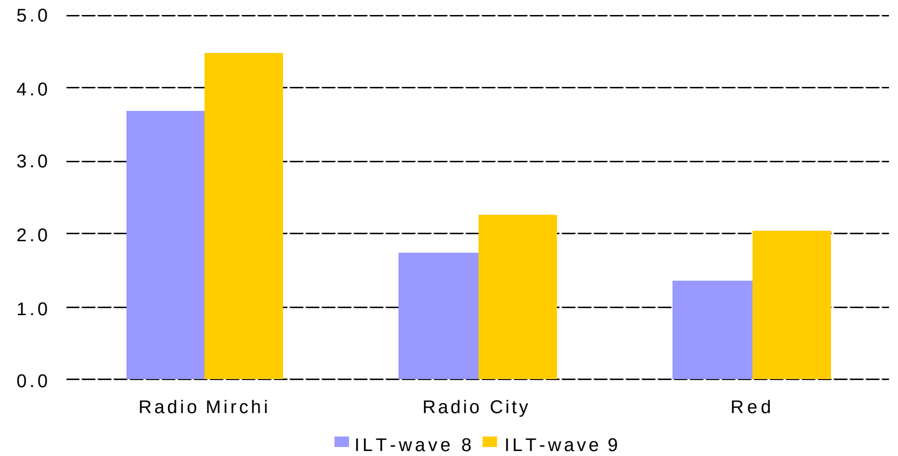
3.1.7. Listenership numbers for ENIL have been on the rise: This is reflected in the no.1 position in listenership numbers in almost all the markets. Radio Mirchi's combined daily listenership in Delhi and Mumbai increased by 16.4% to 6.67 million. In Mumbai which is the largest advertising market in the country, Radio Mirchi increased its lead over Radio City from 10% to 30%. This is all the more significant because Radio City was the no.1 player in terms of listenership in Mumbai two years back.

Exhibit 25 : Listenership numbers – Mumbai



Source: MRUC Survey, AC Nielsen

Exhibit 26 : Listenership numbers – Delhi



Source: MRUC Survey, AC Nielsen

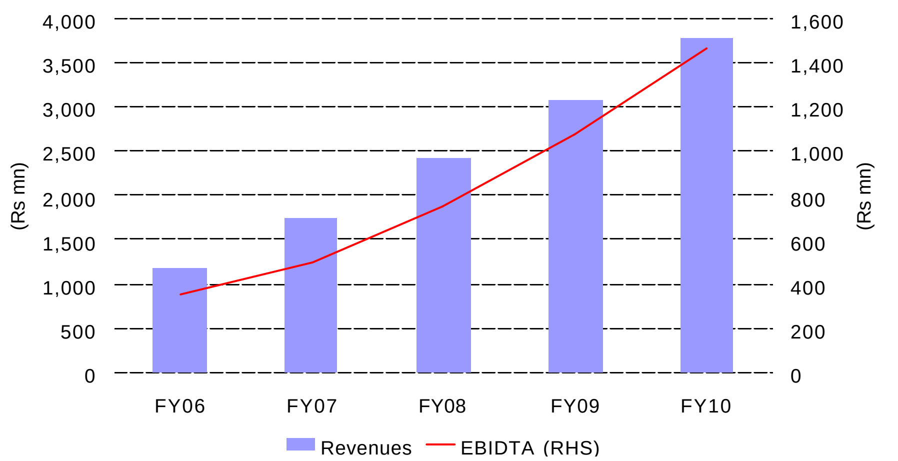
3.1.8. ENIL – Radio is expected to get Rs 1750 mn in revenues in FY07 and will have a 3 year CAGR of 29% till FY10. It will have an EBIDTA of Rs 500 mn in FY07 and will have a 3 year CAGR of 43% till FY10. It will have a PAT of Rs 283 mn in FY07 and will have a 3 year CAGR of 43% till FY10. FY08 will see increased competition from other players. In FY09 and FY10, EBIDTA margins will improve significantly as the marketing costs stabilize and come down as a % of the revenues.

Exhibit 27 : ENIL – Radio

(Rs mn)	FY06	FY07	FY08	FY09	FY10	3 Year CAGR FY07-10
Revenues	1,174	1,750	2,416	3,062	3,773	29
EBIDTA	354	500	750	1,070	1,461	43
EBIDTA margins (%)	30	29	31	35	39	–
PAT	197	283	385	525	821	43

Source: Religare Research

Exhibit 28 : ENIL Radio



Source: Religare Research

4. Strong growth of subsidiary will provide icing on the cake

ENIL has a subsidiary- which operates in the outdoor business through **Times OOH** and in live entertainment (events business) through **360 Degrees**.

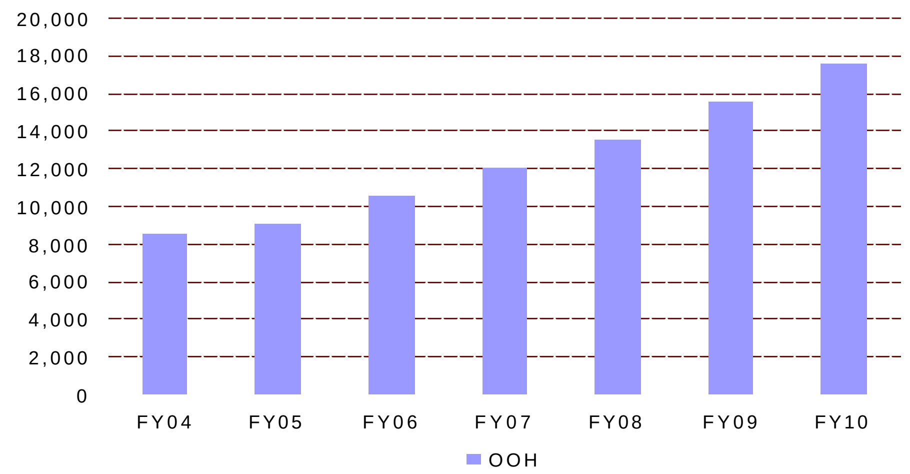
4.1.1. Out-of-Home Media Industry: Out of Home Advertising or outdoor as it is popularly called has a lot of synergy with radio as both are local mediums with the same set of advertisers. Globally, the world's top four outdoor companies – Outdoor Systems, Eller Media, Lamar Advertising/Chancellor Outdoor and TDI – are either owned by or have alliances with radio companies.

The organized players can invest in new technology like video walls, LED, moving vinyl, mobile signage and offer a much larger choice to the advertisers

Currently, the Out-of-Home market in India is estimated to be Rs 10,000 mn, and accounts for approximately 7.8% of the total Ad spend in India. We expect it to grow at the Ad industry growth rate of 15-18% over the next 4 years. The share of organized players will however increase and this will benefit ENIL. This is because organized players can invest in new technology like video walls, LED, moving vinyl, mobile signage and offer a much larger choice to the advertisers than the current localized selling of a few hoardings. Organized players also have the capacity to bid for larger sized contracts and this will slowly edge out the smaller players.

An enabling factor for the growth of this business is the planned investment in infrastructure across the country. All infrastructure development aids outdoor. The privatization of airports and infrastructure boom will add a lot of hoardings to the outdoor industry which will lead to an increase in supply. Growth in SEZ's also creates more opportunities for outdoor advertising industry.

Exhibit 29 : Outdoor Advertising Revenues (Rs mn)



Source: PWC-FICCI Report

We expect a 15-18% CAGR in the Indian OOH business. The size of this market will increase to around Rs 20bn by 2010 on the back of this growth.

4.1.2. 'Times OOH' – big plans ahead!

ENIL has been acquiring marketing contracts in Mumbai, Delhi, and Kolkata and will enter all the markets where the new Radio stations will come up. It is also focused on bringing in technology-based innovative advertising solutions like LED screens and has already installed 2 LED screens and has aggressive plans. Currently ENIL holds the rights to market advertising space for:

- 1,400 bus queue shelters in Mumbai till December 2008.
- 13 metro railway stations of Delhi – 6 stations are till April 2011, while 7 stations are till July, 2007.
- 80 sites on Kolkata Metro Rail up to April 2011.
- 197 display options at the DND Flyway in Delhi till April 2008.
- Patel Bridge at Mumbai.

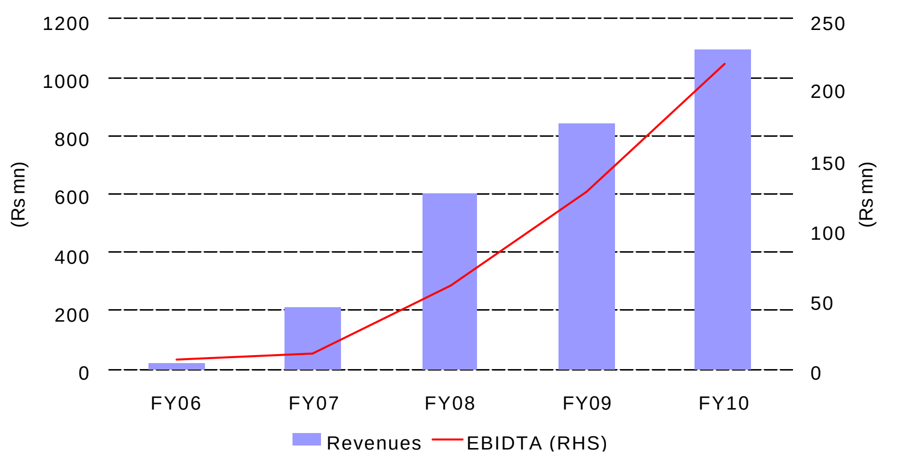
Times OOH is expected to get Rs 210 mn in revenues in FY07 and will have a 3 year CAGR of 73% till FY10. It will have an EBIDTA of Rs 11 mn in FY07 and will have a 3 year CAGR of 175% till FY10. It will have a PAT of Rs 0.3 mn in FY07 and will have a 3 year CAGR of 622% till FY10.

Exhibit 30 : ENIL – Outdoor

(Rs mn)	FY06	FY07	FY08	FY09	FY10	3 Year CAGR FY07-10
Revenues	17	210	600	840	1,092	73
EBIDTA	6	11	60	126	218	175
EBIDTA margins (%)	37	5	10	15	20	–
PAT	4	0	30	71	126	622

Source: Religare Research

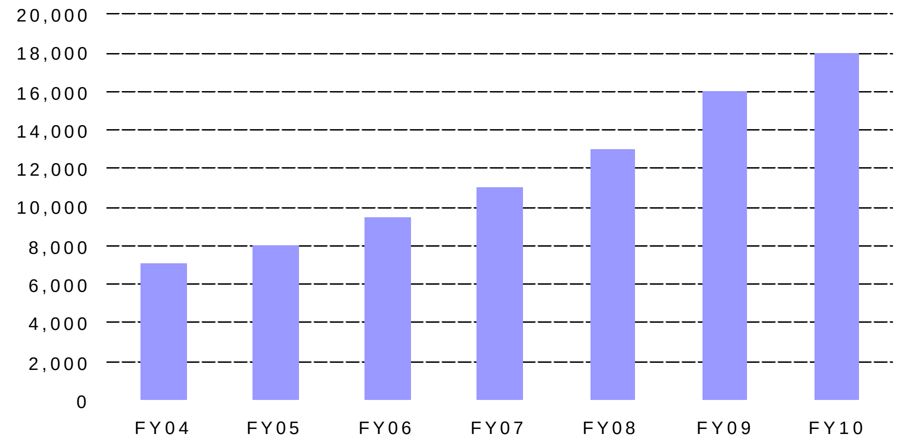
Exhibit 31 : ENIL – Outdoor



Source: Religare Research

4.2.1 Live entertainment industry: The live entertainment industry (event management) is a highly unorganized industry comprising of sporting events, property melas, corporate events, felicitations, contests, festivals and personal events. The size of the industry is estimated to be about Rs 7,000 mn and the industry is likely to grow by 15% every year on account of increased marketing budgets and an increased focus on live entertainment as part of the promotional spends by corporates.

Exhibit 32 : Live entertainment industry



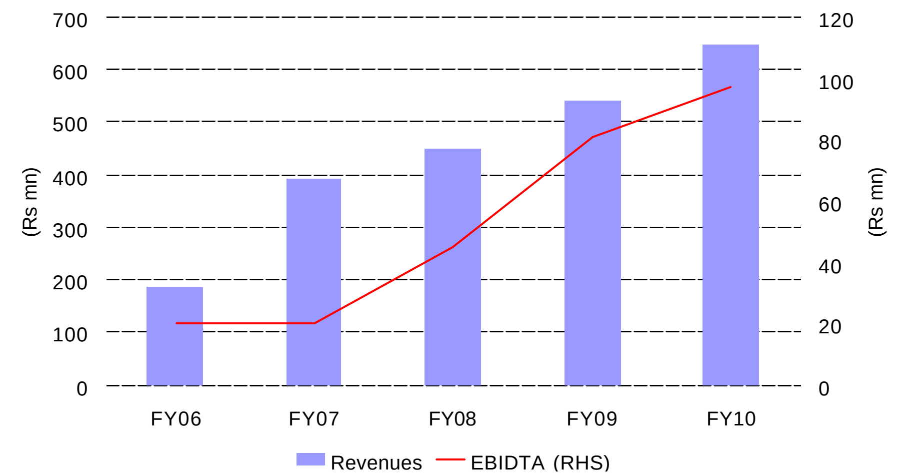
Source: PWC-FICCI Report

4.2.2. '360 Degrees' – "event management" to "Experiential Marketing"

ENIL is now focusing on larger formats like conference, Lifestyle, Fashion shows and exhibition events, which have high entry barriers and better margins

ENIL has changed its positioning in this segment from event management to "Experiential Marketing". Hence it is now focusing on larger formats like conference, Lifestyle, Fashion shows and exhibition events, which have high entry barriers and better margins. It has organized around 600 events including the Femina Miss India Contest, Filmfare Awards and Pravasi Bharti Awards. It has decided to focus on big-ticket events involving conceptualizing, marketing and execution. It has developed strong relationships with artists, vendors and several film industry celebrities. This success is a result of its ability to understand target brands and provide customized solutions through integrated media platforms and raise sponsorships for its clients.

Exhibit 34 : ENIL – Events



Source: Religare Research

'360 Degrees' is expected to get Rs 390 mn in revenues in FY07 and will have a 3 year CAGR of 18% till FY10. It will have an EBIDTA of Rs 20 mn in FY07 and will have a 3 year CAGR of 71% till FY10. It will have a PAT of Rs 13 mn in FY07 and will have a 3 year CAGR of 71% till FY10.

Exhibit 33

(Rs mn)	FY06	FY07	FY08	FY09	FY10	3 Year CAGR FY07-10
Revenues	186	390	449	538	646	18
EBIDTA	20	20	45	81	97	71
EBIDTA margins (%)	11	5	10	15	15	–
PAT	13	13	30	54	65	71

Source: Religare Research

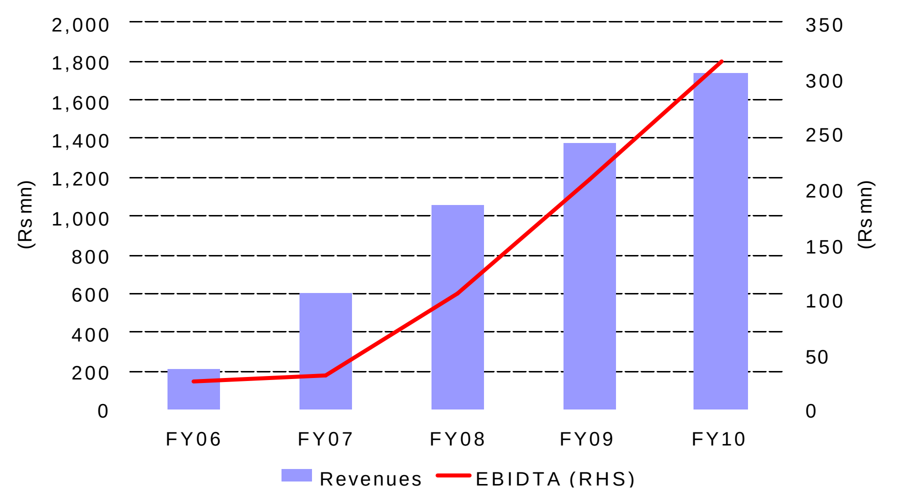
4.2.3. Subsidiary as a whole – The subsidiary as a whole is expected to get Rs 600 mn in revenues in FY07 and will have a 3 year CAGR of 43% till FY10. It will have an EBIDTA of Rs 30 mn in FY07 and will have a 3 year CAGR of 119% till FY10. It will have a PAT of Rs 13.3 mn in FY07 and will have a 3 year CAGR of 143% till FY10.

Exhibit 35

(Rs mn)	FY06	FY07	FY08	FY09	FY10	3 Year CAGR FY07-10
Revenues	203	600	1,049	1,378	1,738	43
EBIDTA	26	30	105	207	315	119
EBIDTA margins (%)	13	5	10	15	18	–
PAT	17	13	60	125	191	143

Source: Religare Research

Exhibit 36 : Subsidiary



Source: Religare Research

Revenue mix: ENIL's dependence on radio will come down from 85% in FY06 to 68% in FY10. This is a positive strategy for ENIL as it will derisk itself by having a diversified business model in different media segments which have lot of synergies.

Exhibit 37: Revenue mix (%)

	FY06	FY07	FY08	FY09	FY10
Radio	85	74	70	69	68
Outdoor	1	9	17	19	20
Events	14	17	13	12	12
Total	**100**	**100**	**100**	**100**	**100**

Source: Religare Research

Earnings mix: ENIL's dependence on radio will come down from 92% in FY06 to 81% in FY10. This will be due to the contribution of the outdoor segment increasing from 2% in FY06 to 12% in FY10.

Exhibit 38: Earnings mix (%)

	FY06	FY07	FY08	FY09	FY10
Radio	92	95	86	81	81
Outdoor	2	0	7	11	12
Events	6	4	7	8	6
Total	**100**	**100**	**100**	**100**	**100**

Source: Religare Research

5. Strong financials – low debt, high free cash flows

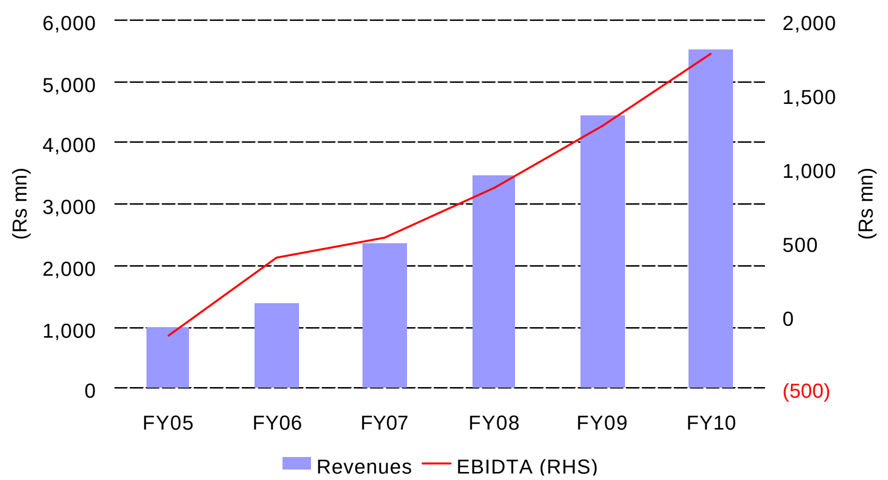
5.1. **ENIL on a consolidated basis** is expected to get Rs 2350 mn in revenues in FY07 and will have a 3 year CAGR of 33% till FY10. It will have an EBIDTA of Rs 530 mn in FY07 and will have a 3 year CAGR of 50% till FY10. It will have a PAT of Rs 297 mn in FY07 and will have a 3 year CAGR of 51% till FY10.

Exhibit 39

(Rs mn)	FY05	FY06	FY07	FY08	FY09	FY10	3 Year CAGR FY07-10
Revenues	1,001	1,377	2,350	3,464	4,440	5,511	33
EBIDTA	(142)	380	530	855	1,277	1,776	50
EBIDTA margins (%)	(14)	28	23	25	29	32	–
PAT	(165)	218	297	445	650	1,012	51

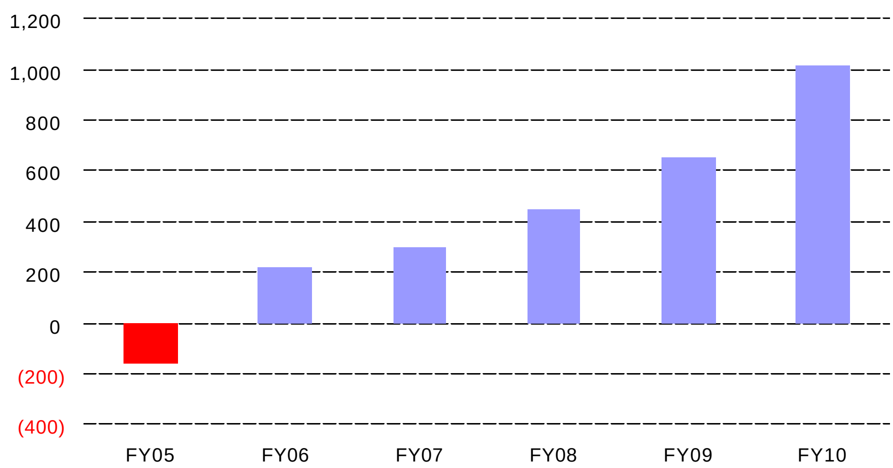
Source: Religare Research

Exhibit 40 : ENIL – Consolidated



Source: Religare Research

Exhibit 41 : PAT



Source: Religare Research

5.2. Increasing and strong free cash flows: ENIL on a consolidated basis is expected to have increasing and strong free cash flows FY08 onwards. The strong free cash flows is a big plus for ENIL as it can be invested in other new high growth media segments.

Exhibit 42

ENIL – Consolidated (Rs mn)	FY05	FY06	FY07	FY08	FY09	FY10
Free cash flow	41	40	(319)	246	452	592

Source: Religare Research

5.2. Low Debt: ENIL will have very low debt and is expected to become debt free in FY10.

Exhibit 43

ENIL – Consolidated	FY05	FY06	FY07	FY08	FY09	FY10
Debt/Equity (x)	0.00	0.13	0.20	0.09	0.07	0.00

Source: Religare Research

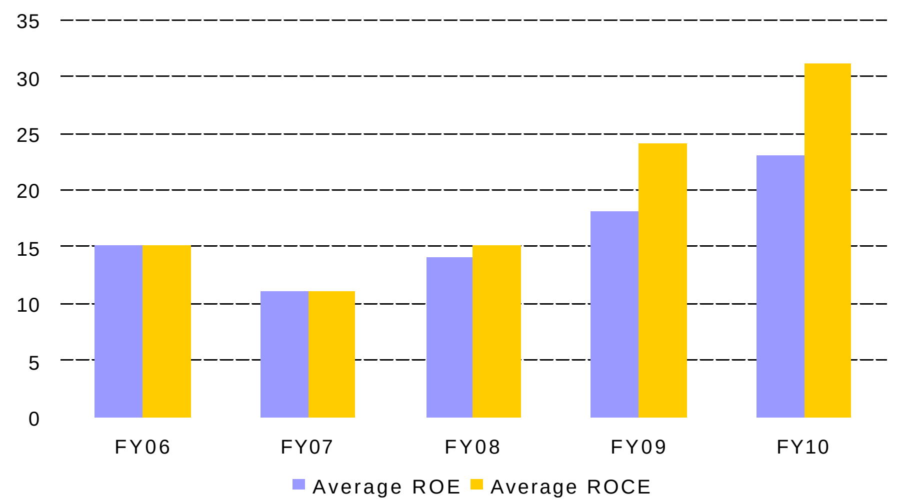
5.3. High and increasing RoE, RoCE: ENIL on a consolidated basis will see a sharp rise in the average ROE from 12% in FY07 to 23% in FY10. Similarly RoCE will see rise from 12% in FY07 to 31% in FY10.

Exhibit 44

ENIL – Consolidated	FY06	FY07	FY08	FY09	FY10
Average RoE (%)	15	11	14	18	23
Average RoCE (%)	15	11	15	24	31

Source: Religare Research

Exhibit 45 : Profitability Ratios – ENIL consolidated



Source: Religare Research

5.4 H1FY07 results review and Outlook for H2FY07: ENIL (radio only)

In H1FY07, ENIL's total sales from Radio increased by 56% YoY to Rs 752mn. This was due to higher revenues from the existing seven stations and contribution from the three new radio stations which were launched in Q1FY07. These new stations are Bangalore, Hyderabad and Jaipur.

EBITDA margins decreased to 18% in H1FY07 from 28% in H1FY06. This was due to the following reasons:

- Increase in marketing expenditure. This expenditure was incurred partly due to the switch over of six stations to a common frequency of 98.3 FM and partly due to higher marketing expense as a response to increase in competition.
- The 3 new radio stations were in a development phase and had a negative EBIDTA.

PAT decreased by 11% YoY to Rs 62mn. Depreciation has gone up due to the capital expenditure for the new stations in Bangalore, Hyderabad and Jaipur.

Exhibit 46

ENIL – Radio (Rs mn)	H1FY07	H1FY06	% YoY	FY07E	FY06A	% change
Total sales	752	484	56	1,750	1,174	49
Expenditure	620	351	77	1,250	821	52
EBIDTA	132	133	(1)	500	354	42
EBIDTA margin (%)	18	28	(36)	29	30	(5)
Depreciation & amortization	86	61	41	175	123	42
EBIT	46	72	(36)	325	230	41
Interest	6	0	–	45	26	74
Other income	27	11	144	52	28	88
PBT	67	83	(20)	332	232	43
Tax	5	13	(63)	51	36	44
PAT	62	70	(11)	281	197	43

Source: Religare Research

Future outlook

We expect the H2FY07 results to be much better for the following reasons:

Last year, ENIL clocked 57% of revenues in H2

i) Historically, H2 is a better period for all media companies, due to the heavy increase in ad spends because of the festive season. Last year, ENIL clocked 57% of revenues in H2. Hence we expect the revenues of ENIL from Radio alone to touch Rs 1,750 mn in FY07.

   a. The advertising rates were increased by 25% for the existing 7 stations and 10% for the 3 new stations in September this year. The positive impact on revenues will be seen in coming quarters.

   b. Radio Mirchi's combined daily listenership in Delhi and Mumbai increased by 16.4% to 6.67 million. In Mumbai which is the largest advertising market in the country, Radio Mirchi increased its lead over Radio City from 10% to 30%. This will lead to positive impact on the revenues in the coming half.

ii) The marketing costs will come down as spends on the switch over of six stations to a new frequency will not be required.

Consequently, all the revenue will flow to the bottom line.

Exhibit 47

ENIL – Radio (Rs mn)	H1FY07	H2FY07E	FY07E
Total Sales	752	998	1,750
Expenditure	620	629	1,250
EBIDTA	132	369	500
EBIDTA Margin	18	37	29
Depreciation & Amortization	86	89	175
EBIT	46	279	325
Interest	6	39	45
Other Income	27	25	52
PBT	67	266	332
Tax	5	46	51
PAT	62	219	281

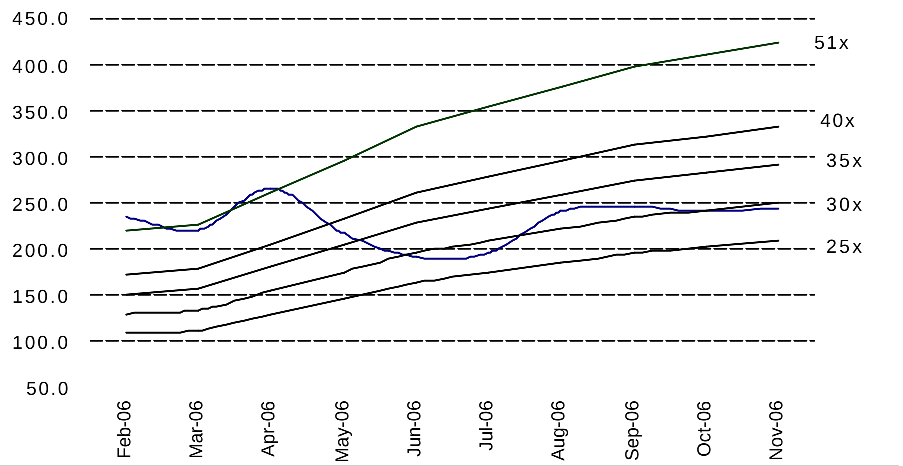
Source: Religare Research

6. Valuations and triggers

6.1. Valuations

ENIL is currently trading at the lower end of one its 1-year forward P/E band at a stage when it is set to see fast growth in its revenues and earnings.

Exhibit 48: ENIL 1-year forward P/E band



Source: Religare Research

We have valued ENIL using EV/EBITDA and P/E multiples.

6.1.1. Valuation method 1 – EV/EBVITDA based

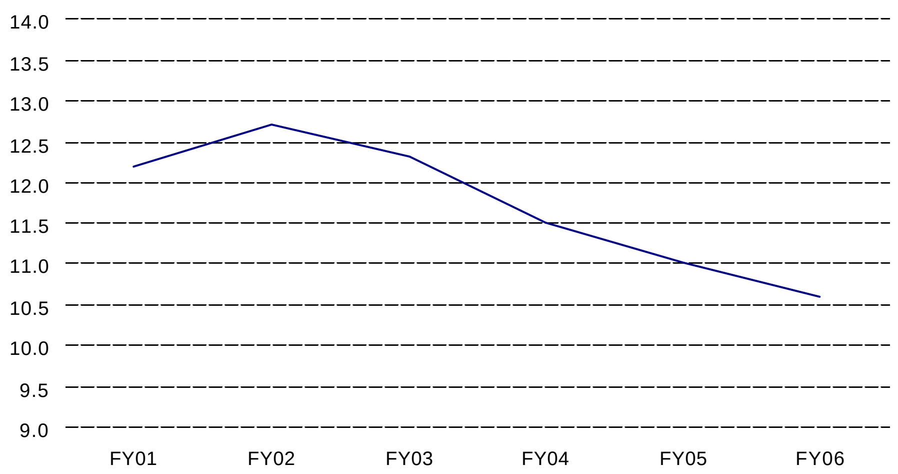
Global players are currently trading at an average EV/EBITDA multiple of 12.1x CY07E. ENIL is currently trading at EV/EBITDA multiple of 20x FY07 and 12.9x FY08. This means that ENIL's valuation is in line with those of global players which are in a more mature market

Exhibit 49 : Valuation of global companies

Company	EV/EBIDTA CY07E
Lamar	14.4
GCAP	13.8
Regent	13.8
Cumulus	13.7
Citadel	13.0
Radio One	12.2
Salem	12.2
Austereo	11.8
Cox Radio	11.2
Emmis	11.2
Clear channel	11.0
Entercom	11.0
JCDecaux	10.8
Saga	8.8
Average	12.1

Source: Religare Research

Exhibit 50 : Radio share of advertising in US



Source: Religare Research

The P/E multiple of 25 for ENIL is lower than that of Zee and is higher than that of print media

We believe ENIL should get a higher EV/EBIDTA multiple of 13 as it is in a sunrise sector in India with a fast growth while the Global companies are in a mature market with slow growth. Based on an EV/EBIDTA multiple of 13, we get the target price of ENIL as Rs311.

Exhibit 51 : Valuation Method 1

EBIDTA	FY07	FY08	FY09
Radio	535	750	1,070
Subsidiary	30	105	207
Total	**565**	**855**	**1,277**

Source: Religare Research

Discounted EBIDTA one year forward	1,136
Target EV/EBIDTA	13
EV	14,774
Number of shares	48
Target Price	311

Source: Religare Research

6.1.2. Valuation method 2 – P/E Comparison with peers

We have also valued ENIL using a P/E multiple of 25, based on a comparison with other companies in the media sector. This P/E multiple is lower than that of Zee (which is also in the electronic media segment like ENIL) and is higher than that of print media. A multiple higher than the print media is justified as the electronic media is not exposed to the cyclicality of the cost of raw materials as the print media is. Based on an P/E multiple of 25, we get the target price of ENIL as Rs306.

Exhibit 52 : Valuation Method 2

	FY07	FY08	FY09
EPS (Rs)	6.2	9.3	13.7
% Growth	36.2	49.9	46.1

Source: Religare Research

EPS one year forward (Rs)	12.2
Target P/E	25.0
Target Price (Rs)	306

Source: Religare Research

Exhibit 53

Company		P/E		EV/Sales		EV/EBIDTA		EBIDTA margin (%)
Company	CMP	FY07	FY08	FY07	FY08	FY07	FY08	FY07
ENIL	**243**	**39.0**	**26.0**	**5.1**	**3.3**	**22.8**	**13.2**	**23**
Zee	364	35.7	30.3	2.7	2.3	12.8	9.2	21
Deccan Chronicle	679	28.3	24.3	5.2	4.2	15.7	11.5	38
HT Media	660	20.6	17.4	3.5	2.8	13.3	8.9	20
Jagran Prakashan	290	20.5	17.5	2.6	2.2	12.7	9.1	22

Note: FY07 and FY08 figures for other companies are based on Bloomberg estimates.

Based on the above methods we have arrived at a target price of Rs310 for ENIL.

6.2. Triggers for ENIL

6.2.1. Relaxation on foreign investments to be a big trigger - Print medium has a FDI/FII cap of 26 per cent, where as radio has a cap of only 20 per cent. Any release in this ceiling will act as a big trigger to the company's valuations.

6.2.2. News and Current Affairs: Currently news and current affairs are not allowed on Private FM Radio. We expect these will be allowed in the next one year. This will lead to increase of stickiness of the listeners. ENIL due to its group companies like Times of India, Economic Times and 'Times Now' will be well equipped to tap it better than the competition.

7. Risks to our recommendation

7.1. Slow GDP growth could put pressure on overall Ad revenue growth - Advertising Revenues are a leveraged play on GDP growth. In an economic downturn, revenues could fall sharply as this is one of the first and easiest expense items for managements to cut back on.

7.2. Price war due to higher Competitive Intensity - Entry of new players into markets could lead to price wars, losses, etc especially in A-class towns. However, as seen in the Mumbai Print market and Delhi Radio market, the widely expected rate war never happened.

7.3. Growth of other media segments - There is challenge from other media segments like television channels, magazines, newspapers, outdoor media and internet. These compete for advertisements and listeners' time and attention. Competition is also emerging from Satellite radio and in the future, there can be threat from digital audio broadcasting, community radio stations and Internet radio.

7.4. People-centric - The entertainment and media industry is very much people-centric. Attrition rate will increase with the entry of many players and launch of new stations.

7.5. Litigations - ENIL is involved in some litigations as given in annexure - 4 relating to the sources of its contents. Any ruling against the company can have material financial implications.

8. Annexure 1 – ENIL – Five Forces Analysis

9. Annexure 2 – Competitive analysis of the private FM players

The share of ENIL is expected to come down from the current 50% to 36% due to entry of new players. The analysis of the players is given below:

Exhibit 54

Region	No. of Cities	No. of stations	Top Players Expected
Metros	4	32	ENIL, Adlabs, SUN (including Red FM), Radio City
North	24	65	ENIL, Adlabs, Synergy Media (Bhaskar Group), Shri Puran (Jagran Group)
East	14	32	Adlabs, SUN, Bag Films
South	21	66	SUN, ENIL, Adlabs,Malar Publication, Malayalam Manorama , Mathrubhumi
West	24	71	ENIL, Adlabs, SUN, Radio City

Source: Religare Research

There are 2 types of players: national and regional.

9.1. National players - The key national competitors for ENIL will be:

9.1.1. Big FM (Adlabs) – 92.7 FM

- **High marketing spends -** Radio is a key segment in its media plans. It has the financial muscle for huge marketing spends (has earmarked Rs450 mn for the first year) and to bear losses in initial years. The station has signed up Abhishek Bachchan as its brand ambassador for the North and West India markets. For Tamil Nadu, it has chosen film actor Asin. These are new and untested marketing strategies in the FM space.
- **Use of celebrity RJs -** Big FM has announced that it will use several celebrity RJs (Key shows will be hosted by personalities such as Mona Singh, Gaurav Gera, Sunil Pal, Shweta Tiwari, Kaushik, Sheilajit (in Kolkata), Uma Riaz Khan (in Chennai) and Jhansi (in Hyderabad). This may not work in the long run as celebrity RJs are very expensive and may not stick to the channel for a long time. The listenership might go up in the short term, but will dwindle when the RJ leaves.
- **Retro positioning -** Its positioning till now has been more of a Retro channel with older songs compared to **Contemporary Hits Format (CHR)** of all the existing players. This may not attract large audiences like youth; hence listenership numbers could be small.
- **Key Markets –** Though, it has a reach of 45 stations compared to 32 for ENIL, it has only the 8 key markets compared to 13 for ENIL. The profitability of the incremental 13 stations is debatable.
- **Partnership with Century Communications**: It has entered into a partnership with Century Communications which has 9 stations and does not compete with Adlabs in any of the markets. Interestingly, the radio stations of Century Communications will be broadcast on the same frequency of 92.7 FM as the Big FM. Under the agreement with Century Communications, the partnership has been chalked out for content syndication and ad sales. Adlabs is likely to enter into further alliances.

Exhibit 55

State	Big FM (Adlabs) - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Rajasthan	Jaipur, Ajmer, Bikaner, Jodhpur, Kota, Udaipur	6	Jaipur	Strong
Punjab/Chandigarh	Amritsar, Jalandhar, Chandigarh, Patiala	4	Jalandhar	Strong
Andhra Pradesh	Hyderabad, Tirupati, Vishakhapatnam	3	Hyderabad, Vijayawada, Vishakhapatnam	Strong
Karnataka	Bangalore, Mangalore, Mysore	3	Bangalore, Mangalore	Strong
UP	Allahabad, Kanpur, Aligarh, Bareilly, Jhansi	5	Lucknow, Kanpur, Varanasi	Strong
MP	Bhopal, Indore, Gwalior	3	Bhopal, Indore, Jabalpur	Strong
Kerala	Thiruvananthapuram	1	Thiruvananthapuram	Strong
Delhi	Delhi	1	Delhi	Strong
Gujarat	Surat, Rajkot, Baroda	3	Ahmedabad, Surat, Rajkot, Baroda	Medium
Tamil Nadu	Pondicherry, Chennai, Pondicherry	2	Madurai, Chennai, Coimbatore	Medium
Maharashtra	Mumbai, Sholapur	2	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur	Low

Source: Religare Research, Industry

Exhibit 56

State	Century comm. - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Karnataka	Mangalore, Gulbarga	2	Bangalore, Mangalore	Low
Andhra Pradesh	Rajahmundry, Warangal	2	Hyderabad, Vijayawada, Vishakhapatnam	None
Tamil Nadu	Tirunelveli, Tuticorin	2	Madurai, Chennai, Coimbatore	None
Maharashtra	Ahmednagar	1	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur	None
Chhattisgarh	Bilaspur	1	Raipur	None
Daman & Diu	Daman	1	None	None

Source: Religare Research, Industry

This alliance will pose an indirect threat to ENIL in Tamil Nadu, Karnataka and Andhra Pradesh as the alliance will have a bigger footprint.

9.1.2. SFM & Kal Radio (Sun TV) – 93.5 FM

- **Experienced player -** Experienced player in FM radio and has been no.1 player in Chennai, This has been helped by its preeminent position as a leading media conglomerate in South India. It has the advantage of TV and Cable which ENIL lacks in South India. Radio is a key segment in its media plans and it has financial muscle and a reach of 44 stations.

- **Partnership with Red FM - Sun TV Group which had made an aggressive nationwide bid in the second phase of FM radio expansion, had excluded Delhi, Mumbai and Kolkata, the cities where Red FM operates.** Though Red and SFM have a common partner - Astro, till now there has been no joint packaging of Red with SFM. Sun is expected to enter into a consortium with Red FM. The alliance will offer a joint platform to advertisers.

- **Historically in Media alliances have rarely worked -** For e.g., in the print media, the three media groups Indian Express, Hindustan Times and Mid-Day had announced a strategic alliance to woo advertisers and benefit readers. The alliance between the three publications was meant to leverage on Hindustan Times' overwhelming presence in the north, Indian Express and Loksatta's reach in Mumbai and Pune, and Mid-Day's leadership in the day-time market in Mumbai and Pune. But the alliance did not work as the revenue share was not properly defined and was dynamic in nature. Besides there is a lack of transparency in the division of national revenues into different regions as the revenues can be spliced whichever way the media owner wants to do. Also, it will be a logistical challenge to air the ad for different partners of the alliance. Still, the presence of a common equity partner (Astro) does suggest that there would be an informal partnership going forward.

- **Reach -** It has a reach of 44 stations compared to 32 for ENIL, and has 12 key markets (along with Red FM). But Red FM has been a marginal player compared to ENIL in the key markets of Delhi and Mumbai.

Exhibit 57

State	SUN – Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Andhra Pradesh	Hyderabad, Rajahmundry, Tirupati, Vijayawada, Warangal, Vishakhapatnam	6	Hyderabad, Vijayawada, Vishakhapatnam	Very strong
Kerala	Cochin, Kannur, Kozhikode, Thiruvananthapuram, Trissur	5	Thiruvananthapuram	Very strong
T.N, Pondicherry	Pondicherry, Madurai, Tiruchy, Tuticorin, Chennai, Coimbatore	6	Madurai, Chennai, Coimbatore	Very strong
Karnataka	Bangalore, Gulbarga, Mangalore, Mysore	4	Bangalore, Mangalore	Strong
UP	Allahabad, Lucknow, Kanpur, Varanasi	3	Lucknow, Kanpur, Varanasi	Medium
Gujarat	Ahmedabad,Rajkot, Baroda	3	Ahmedabad, Surat, Rajkot, Baroda	Medium
MP	Bhopal, Indore, Jabalpur	3	Bhopal, Indore, Jabalpur	Medium
Maharashtra	Pune, Aurangabad, Nasik, Nagpur	4	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur	Low

Source: Religare Research, Industry

Exhibit 58

Red FM – (Value Labs, Astro & NDTV) - Presence	ENIL Presence	Threat Potential to ENIL
Mumbai	Mumbai	Strong
Delhi	Delhi	Strong
Kolkata	Kolkata	Strong

Source: Religare Research, Industry

Thus, this alliance adds to the direct threat in the 3 metros.

9.1.3. Radio City - GW capital (Ambit group) – 91.1 FM

- **Experienced player** - Experienced player in FM radio and currently number two player nationally. It had done some very good programming innovations like ‘Musical-e-Azam’ which had 21 singers live on air, ‘Babbar Sher’ and ‘Meri Kahani’.
- **Key markets** – It has 9 of the 13 key markets.
- **Marketing budgets** - Though it is likely to come out with an IPO, at present it is not having big marketing budgets. This has lead to ENIL increasing its lead over Radio City to 30% in listenership numbers in Mumbai which was 10 % earlier. Also Radio City does not have the advertising back up of any other group company.

Exhibit 59

State	Radio City Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Delhi	Delhi	1	Delhi	Strong
Rajasthan	Jaipur	1	Jaipur	Strong
Gujarat	Ahmedabad, Surat, Baroda	3	Ahmedabad, Surat, Rajkot, Baroda	Medium
Andhra Pradesh	Hyderabad, Vishakhapatnam	2	Hyderabad, Vijayawada, Vishakhapatnam	Medium
T.N	Chennai, Coimbatore	2	Madurai, Chennai, Coimbatore	Medium
Karnataka	Bangalore	1	Bangalore, Mangalore	Medium
UP	Lucknow	1	Lucknow, Kanpur, Varanasi	Medium
Maharashtra	Mumbai, Jalgaon, Nanded, Sangli, Sholapur, Akola, Ahmednagar, Pune, Nagpur	9	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur	Medium

Source: Religare Research, Industry

9.1.4. Radio One (Mid-Day Multimedia & BBC) – 94.3 FM

- **Experienced player** - Experienced player in FM radio and currently no.4 in Mumbai. It has the back-up of advertising muscle of Mid Day – Print edition in some of the markets (Mumbai and Bangalore). **Mid Day plans to launch its print edition in almost all the 7 markets in which its Radio station will operate.**
- **Key markets** – It has only 7 of the 13 key markets.
- **Programming:** It has now become very similar to the other players in terms of its programming content. Mid Day's Radio Go 92.5, the only predominantly English station in Mumbai, morphed overnight into Radio One, playing Hindi songs like the other radio stations. College kids and retro music fans were left lamenting. Hence it has moved from a strong no 1 in a niche genre to a number 4 player in the mass segment. Thus though the listenership has gone up but still revenues have not.

Exhibit 60

Radio One (Mid-Day) – Presence	ENIL Presence	Threat Potential to ENIL
Delhi	Delhi	Medium
Mumbai	Mumbai	Medium
Bangalore	Bangalore	Medium
Chennai	Chennai	Medium
Kolkata	Kolkata	Medium
Ahmedabad	Ahmedabad	Medium
Pune	Pune	Medium

Source: Religare Research, Industry

9.1.5. HT Music - HT Media & Virgin Radio - 104FM

- **Back up of Print –** It is backed by the advertising muscle of Hindustan Times in the key markets of Delhi and Mumbai.
- **Tie up with Virgin Radio –** It is backed by a technical collaboration with the Richard Branson-backed Virgin Radio International. Virgin is assisting HT in operations by providing radio management expertise, with a focus on programming.
- **Key markets –** It has only 4 of the 13 key markets.
- **Programming –** Its target group is SEC A and B+. With a music line-up that is a mix of popular English and Hindi music of various genres, it will follow a niche positioning similar to what was followed by Mid Day in Mumbai earlier (mix of English and Hindi songs).

Exhibit 61

HT - Presence	ENIL Presence	Threat Potential to ENIL
Delhi	Delhi	Medium
Mumbai	Mumbai	Medium
Bangalore	Bangalore	Medium
Kolkata	Kolkata	Medium

Source: Religare Research, Industry

9.1.6. Synergy Media - Dainik Bhaskar Group - MYFM

- **Back up of Print -** It is the number two player in the Hindi Print segment. It has entered those markets in which it is strong in Print.
- **Key markets** – It has some of the key markets like Ahmedabad, Indore, Jaipur, and Nagpur. ENIL will face strong competition in M.P, Rajasthan, Chhattisgarh and Punjab from Bhaskar. Bhaskar can complement its Radio business with Print strongly in these states. Thus it is expected that it will garner a larger share of the retail business. However, it is more of a regional than a national player.

Exhibit 62

State	Dainik Bhaskar Group – Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
MP	Bhopal, Indore, Gwalior, Jabalpur	4	Bhopal, Indore, Jabalpur	Very Strong
Rajasthan	Jaipur, Ajmer, Udaipur, Jodhpur, Kota	5	Jaipur	Very Strong
Punjab/ Chandigarh	Amritsar, Jalandhar, Chandigarh	3	Jalandhar	Very Strong
Chhattisgarh	Raipur, Bilaspur	2	Raipur	Strong
Gujarat	Ahmedabad, Surat	2	Ahmedabad, Surat, Rajkot, Baroda	Strong
Maharashtra	Nagpur	1	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur,	Low

Source: Religare Research, Industry

9.1.7. Zee TV (Pan India Network)

- **Back up of TV** – It has the back up of Zee's bouquet of channels. (particularly of Zee TV which is currently the number two player in General Entertainment Category).
- **Key markets** – It has none of the 13 key markets. The cities won by the Zee group have low advertising potential and are in just 3 states. Thus it is unlikely to pose a threat to the national players on a stand alone basis.

Exhibit 63

State	Pan India (Zee) - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
UP	Agra, Allahabad, Varanasi	3	Lucknow, Kanpur, Varanasi	Low
Maharashtra	Akola, Jalgaon, Nanded	3	Mumbai, Pune, Aurangabad, Kolhapur, Nasik, Nagpur,	Low
Punjab	Amritsar, Patiala	2	Jalandhar	None

Source: Religare Research, Industry

9.1.8. Shri Puran Multimedia (Jagran Group)

- **Back up of Print** – It is the number one player in the Hindi Print segment. It has entered those markets in which it is strong in Print.
- **Key markets** – It has none of the 13 key markets. The cities won by the group have low advertising potential and are in just 4 states. Thus it is unlikely to pose a threat to the national players on a stand alone basis. ENIL will face strong competition from it in Jalandhar and Varanasi wherein Jagran has its print media for support.

Exhibit 64

State	Puran (Jagran) - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Punjab	Jalandhar	1	Jalandhar	Very Strong
UP	Agra, Bareilly, Gorakhpur, Varanasi	4	Lucknow, Kanpur, Varanasi	Medium
Jharkhand	Ranchi	1	None	None
Haryana	Hissar, Karnal	2	None	None

Source: Religare Research, Industry

9.2. Local players

ENIL will have local competitors in almost all states. In many of these states, there are strong local print and outdoor players who can provide the advertising support to their radio channels.

9.2.1. Hello FM

- **Back up of Print** – It has the back up of **'Daily Thanthi'** which is one of the largest circulated Tamil newspapers in the country.
- **Key markets** – It has the key markets of Tamil Nadu. ENIL will face very strong competition from it in Tamil Nadu.

Exhibit 65

State	Hello FM (Malar Publ.) - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Tamil Nadu	Chennai, Coimbatore, Madurai, Tiruchy, Tirunelveli, Tuticorin, Pondicherry	7	Madurai, Chennai, Coimbatore	Very Strong

Source: Religare Research, Industry

9.2. 2. Malayalam Manorama Publications

- **Back up of Print** – It has the back up of **Malayalam Manorama**
- **Key markets** – It has the key markets of Kerala. ENIL will face very strong competition from it in Kerala.

Exhibit 66

State	Malayalam Manorama - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Kerala	Cochin, Kannur, Kozhikode, Trissur	4	Thiruvananthapuram	Strong

Source: Religare Research, Industry

9.2.3. Mathrubhumi Printing and Publishing Co

- **Back up of Print** – It has the back up of publishers of **'Mathrubhumi'** – a Malayalam daily.
- **Key markets** – It has the 4 key markets of Kerala. ENIL will face very strong competition from it in Kerala.

Exhibit 67

State	Mathrubhumi - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Kerala	Cochin, Kannur, Thiruvananthapuram, Trissur	4	Thiruvananthapuram	Strong

Source: Religare Research, Industry

9.2.4. Rajasthan Patrika

- **Back up of Print** – It has the back up of **Rajasthan Patrika** which is strong in Rajasthan.
- **Key markets** – It has the 3 key markets of Rajasthan and a market in Chhattisgarh. ENIL will face strong competition from it in Rajasthan.

Exhibit 68

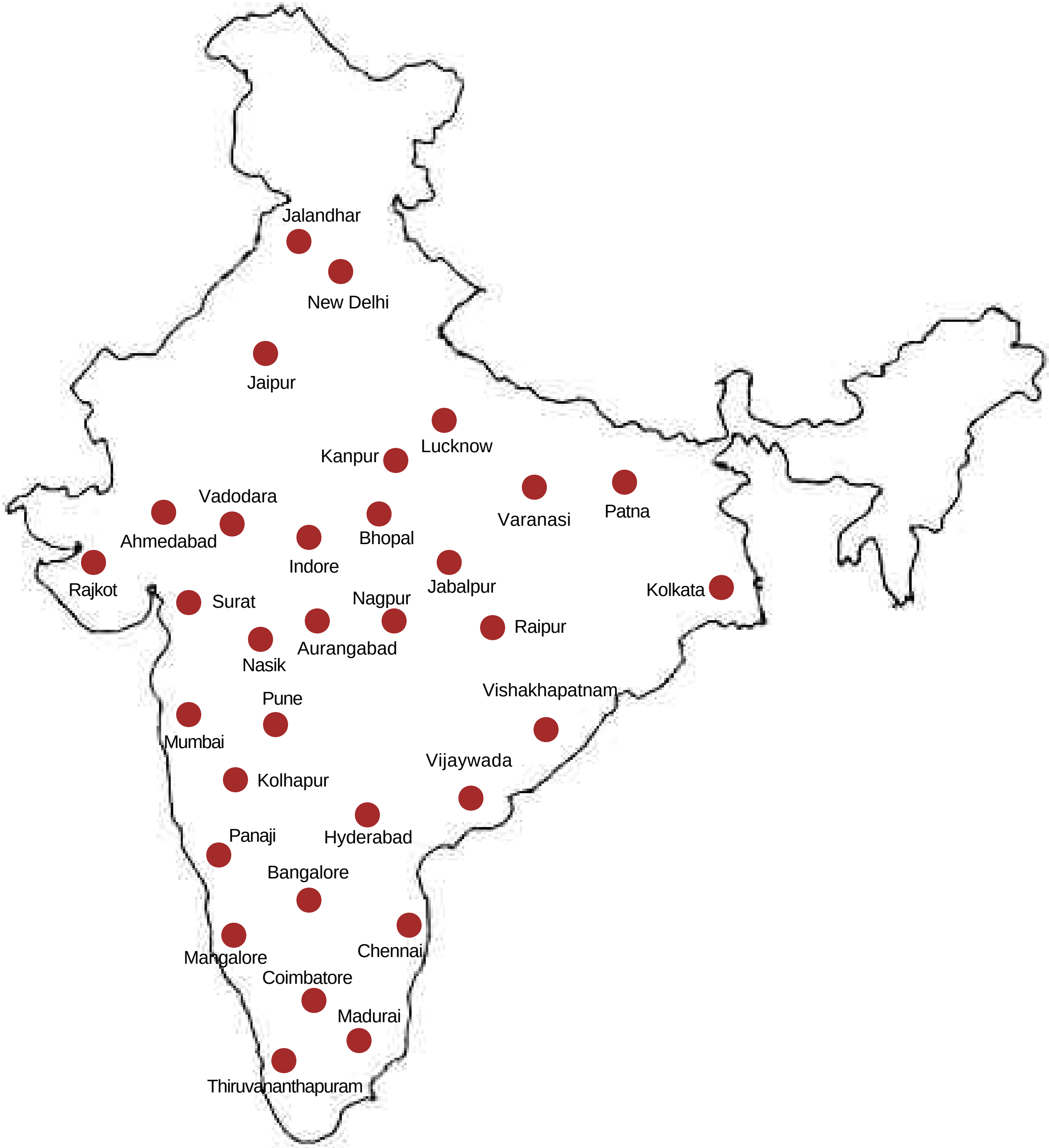
State	Rajasthan Patrika - Presence	No. of cities	ENIL Presence	Threat Potential to ENIL
Rajasthan	Jaipur, Kota, Udaipur	3	Jaipur	Very Strong
Chhattisgarh	Raipur	1	Raipur	Medium

Source: Religare Research, Industry

Summary

Thus, nationally ENIL will face competition from Adlabs, Sun and Radio City. On a regional level, ENIL will face competition from Sun and Thanthi in Tamil Nadu. In Kerala, ENIL will face competition from Malayalam Manorama and Mathrubhumi. In Andhra, ENIL will face competition from Sun. It will be a marginal player in Punjab as it has only one city and does not have the key market of Chandigarh. ENIL will face competition from Rajasthan Patrika and Dainik Bhaskar in Jaipur. However, in all other markets, we expect it to be a dominant player.

“Mirchi Republic” – ENIL has most of the key markets



10. Annexure 3 – Radio - Sunrise Sector!!!

FM Radio's reach would extend from 12 to 87 cities, and the revenues are likely to reach Rs10,600 mn by 2010. The share of Private FM will rise from the current share of 2.3% to 5.5% by FY10. In the Bull scenario, we expect the overall advertising pie in India to grow at 18% till FY09 and at 15% in FY10. In the Bear scenario, we expect the overall advertising pie in India to grow at 15% till FY10.

Exhibit 69

Year (Rs mn)	Gross Indian Ad Industry	Net Indian	Growth Rate %	Radio - Total	All India Radio	Radio - Private FM	% share of private FM of Ad Industry
Bull case							
2004	105,398	89,588	8	2,920	1,700	1,220	1.4
2005	113,621	96,578	8	3,220	1,600	1,620	1.7
2006	128,811	109,489	13	4,120	1,600	2,520	2.3
2007	151,997	129,197	18	5,534	1,400	4,134	3.2
2008	179,356	152,453	18	8,260	1,400	6,860	4.5
2009	211,641	179,895	18	10,575	1,400	9,175	5.1
2010	243,387	206,879	15	12,778	1,400	11,378	5.5
Bear case							
2004	105,398	89,588	8	2,920	1,700	1,220	1.4
2005	113,621	96,578	8	3,220	1,600	1,620	1.7
2006	128,811	109,489	13	4,120	1,600	2,520	2.3
2007	148,133	125,913	15	5,370	1,400	3,970	3.2
2008	170,353	144,800	15	7,935	1,400	6,535	4.5
2009	195,905	166,520	15	9,895	1,400	8,495	5.1
2010	225,291	191,498	15	12,000	1,400	10,600	5.5

Source: Zenith Optimedia 2005, Industry, Religare Research

We have taken the bear case as the likely scenario in order to project on the conservative side. Based on this, the Private FM ad industry is poised to reach Rs 8,495 mn in FY09 and Rs 10,600 mn in FY10.

The breakup of revenue and market share for the different markets for ENIL is as given below:

Exhibit 70

	2004	2005	2006	2007	2008	2009	2010	CAGR
ENIL-Radio (Rs mn)								
Existing 10 stations	543	748	1,173	1,750	2,223	2,734	3,280	23
22 New stations	–	–	–	–	193	329	493	37
Total ENIL	**543**	**748**	**1,173**	**1,750**	**2,416**	**3,062**	**3,773**	**29**
Radio Market Size (Rs mn)								
Existing 10 cities- Private FM	1,220	1,620	2,520	3,970	5,360	7,000	8,575	
22 cities - Private FM	–	–	–	–	710	940	1,275	
48 Non-ENIL - Private FM	–	–	–	–	465	555	750	
Total Private FM	**1,220**	**1,620**	**2,520**	**3,970**	**6,535**	**8,495**	**10,600**	
All India Radio	1,700	1,600	1,600	1,400	1,400	1,400	1,400	
Total Radio	**2,920**	**3,220**	**4,120**	**5,370**	**7,935**	**9,895**	**12,000**	
ENIL Market share of Private FM (%)								
Existing 10 cities	45	46	47	44	41	39	38	
22 new cities	–	–	–	–	27	35	39	
Total Private FM	**45**	**46**	**47**	**44**	**37**	**36**	**36**	

Source: Religare Research, Industry, PWC – FICCI Report

11. Annexure 4 – Litigation

The major litigation is given below:

ENIL vs Phonographic Performance Limited (PPL).

BCCL was allotted time slots on All India Radio in Mumbai and Delhi in 1993 for broadcasting its sound recordings. In July 1993, PPL communicated to BCCL that their tariff was Rs. 1,500 per time slot per hour. PPL filed Suit against BCCL and other broadcasters in the High Court of Calcutta with the intention of restraining them from allegedly infringing the copyrights of PPL. However, PPL and the broadcasters came to an out of court settlement pursuant to which they agreed to a rate of Rs. 160 per needle hour with 5% escalation per year. However, further disputes arose in 1999 when ENIL obtained licenses for establishing FM radio broadcasting channels and wanted to continue the arrangement of broadcasting sound recordings over which PPL had copyright at the same rate of Rs. 160 per needle hour. However, PPL did not agree to the same and demanded Rs. 1,500 per needle hour. Aggrieved by the same, ENIL filed the present suit and obtained an interim order directing payment of Rs. 400 per needle hour and to deposit an amount of Rs. 275,000 per station by way of an interim measure.

Aggrieved by the said order, PPL had filed a special leave petition before the Supreme Court, which was however, dismissed. Subsequent to the Copyright Board's order, PPL made an application to the High Court of Calcutta to get the interim order of the High Court of Calcutta vacated. Pursuant thereto, the High Court modified its order of September and fixed an interim rate of Rs. 661 per needle hour, which is based on a weighted average formula, set forth in the order by the Copyright Board. Also, PPL filed a memorandum of appeal before the High Court of Calcutta aggrieved by the order seeking a stay and ENIL has filed its reply to the same.

Exhibit 71 : Financial Impact of adverse judgment

ENIL	Cost in Rs per needle hour	Annual Cost in Rs mn
Existing Cost per station	661	4.1
New Cost if adverse judgement per station	1,500	9.4

This case has been pending for a long time and we do not expect it to be decided in the near future.

12. Financial summary

Income statement

Rs. million

Y/E, 31st March	FY06	FY07E	FY08E	FY09E
Total revenues	**1,377**	**2,350**	**3,464**	**4,440**
Production expenses	178	365	523	603
License fees	70	205	428	558
Selling & admin. exp.	472	791	968	1,144
Employee cost	278	458	690	858
Total expenditure	997	1,820	2,609	3,163
EBIDTA	**380**	**530**	**855**	**1,277**
Dep. & amortization	124	183	321	325
Interest	26	45	36	26
Other income	32	52	48	61
Exceptional item	98	–	–	–
PBT	**360**	**354**	**546**	**988**
Tax	44	58	101	338
Reported PAT	**316**	**297**	**445**	**650**
Adjusted PAT	**218**	**297**	**445**	**650**

Cashflow

Rs. million

Y/E, 31st March	FY06	FY07E	FY08E	FY09E
Pre tax profit	258	354	546	988
Dep. & amortization	124	183	321	325
Change in working cap.	(268)	(159)	(370)	(402)
Total tax paid	(44)	(58)	(101)	(338)
Extra ordinary item	98	–	–	–
Operating cash flow	**168**	**321**	**396**	**572**
Capital expenditure	(128)	(640)	(150)	(120)
Free cash flow	40	(319)	246	452
Change in investment	(239)	140	(59)	(529)
Debt raised/repaid	350	260	(310)	–
Capital raised/(repaid)	986	–	–	–
Dividend (incl. tax)	–	–	–	(53)
Misc	(1,188)	10	13	15
Net chg in cash	**(51)**	**91**	**(110)**	**(115)**

Ratios

Y/E, 31st March	FY06	FY07E	FY08E	FY09E
Growth (%)				
Net sales	37.5	70.6	47.4	28.2
EBIDTA	368.4	39.6	61.2	49.4
Net profit	231.8	36.2	49.9	46.1
EPS	424.1	36.2	49.9	46.1
Per share data (Rs)				
EPS	4.6	6.2	9.3	13.7
CEPS	7.2	10.1	16.1	20.5
DPS	–	–	–	1.0
Book Value	55.8	62.1	71.4	84.0
Performance (%)				
EBIDTA	27.6	22.6	24.7	28.8
NPM	15.8	12.6	12.8	14.6
Average RoE	14.6	10.6	14.0	17.6
Average RoCE	15.3	10.6	14.7	23.8
Valuation (x)				
Debt/Equity	0.1	0.2	0.1	0.1
P/E	53.1	39.0	26.0	17.8
P/BV	4.4	3.9	3.4	2.9
EV/EBIDTA	30.4	22.8	13.2	8.3
EV/Sales	8.4	5.1	3.3	2.4

Balance sheet

Rs. million

Y/E, 31st March	FY06	FY07E	FY08E	FY09E
Paid up capital	476	476	476	476
Reserves and surplus	2,180	2,476	2,921	3,518
Total shareholder's equity	2,655	2,952	3,397	3,994
Total current liabilities	547	718	1,030	1,164
Total debt	350	610	300	300
Total liabilities	897	1,328	1,330	1,464
Total equities & liabilities	**3,552**	**4,280**	**4,727**	**5,458**
Net fixed assets	2,400	2,938	2,643	2,308
Investments	304	164	223	752
Total current assets	847	1,176	1,859	2,395
Deferred tax assets	2	2	2	2
Working capital	300	458	829	1,231
Total assets	**3,552**	**4,280**	**4,727**	**5,458**

Source: Company, Religare Research

13. Technical view

The weekly candle stick chart of ENT Networks shows that it is oscillating within a "rectangle" pattern as depicted by the trendlines in blue. The support line is pegged around Rs.212, while the resistance line is pegged at Rs.264. Resistance is also pegged from the trendline in pink, which is pegged at Rs.252 at this moment.

The volumes in this stock have been more or less flat have just picked up, as can be seen in the chart above. If it is able to cross the immediate resistances of Rs.252 and Rs.264 on very high volumes, then the target as per the pattern is Rs.316. However, there are hurdles in the Rs.284-287 range too. One can however buy this stock at current levels as well as in declines with a strict stop loss below Rs.212 in close for a medium term target of Rs.316.

NOTES

For inquiries contact – institutionalsales@religare.in

Phone : 6655 0000

Religare Securities Ltd. – Taj Building, 210, D.N. Road, Mumbai - 400001 – Tel: 6655 0000