

Best margins ever

ENIL posted results in line with expectations for Q3FY12 with 1% YoY de-growth in advertising revenues. Best ever margins of 41% on the back of 48% YoY decline in admin & other expenditure to Rs109mn followed by net credit of Rs33.9mn for Private Treaty provision boosted operating profit by 10% YoY to Rs310mn, while PAT grew by 46%YoY. We maintain BUY rating on the stock but lower our FY12/FY13 estimates on the back of lower ad growth.

- **Results in line with expectations:** ENIL posted 2.4%YoY de-growth in revenue to Rs756mn on the back of slowdown in advertising revenues. Operating profit for the company was higher by 10% YoY to Rs310mn on the back of 465bps margin expansion to 41%. PAT was 45.8% YoY and 9.4% above our estimates to Rs182mn.
- **Ad revenue under pressure:** Advertising revenue for the company was under pressure at 1% YoY de-growth. The revenue from the top 8 stations grew by 1% while that of remaining stations de-grew 5% YoY led by 8% drop in blended realizations on back of change in sectorial mix with FMCG and telecom showing significant slowdown. Blended utilization levels for the company grew to 69% from 64% in Q3FY11. In 9MFY12 the company posted 5.8% YoY growth in ad revenues and we expect this to grow by 2% in FY12 while we have modeled 12% growth for FY13E.

Y/E Mar (Rsmn)	Q3FY12	Q3FY11	YoY (%)	Q2FY12	QoQ (%)	Q3FY12E	Var (%)
Net Sales	756	775	(2.4)	692	9.3	744	1.6
Employee cost	174	141	23.4	161	0.0	145	19.7
Production Expenses	76	74	3.0	72	5.3	74	2.2
Admin & Other Exp	197	279	(29.5)	275	(28.5)	230	(14.6)
EBITDA	310	282	10.0	184	69.0	295	5.2
<i>EBITDA margin (%)</i>	<i>41.0</i>	<i>36.4</i>	<i>465bps</i>	<i>26.5</i>	<i>1450bps</i>	<i>39.6</i>	<i>140bps</i>
Depreciation	82	84		81		82	
Interest	(7)	(9)		(5)		(5)	
PBT	253	330	(23.3)	127	98.9	238	6.5
Adjusted PAT	182	125	45.8	90	101.7	166	9.4

Source: Company, Centrum Research

- **Other developments:** In the events business the company posted revenues of Rs12mn with PAT of Rs1.1mn. ENIL has also entered into an agreement with Abu Dhabi Media Company and is expected to launch a radio station in UAE on February 1, 2012 and believes that the UAE market ad market size is Rs5-6bn. Company expects the Phase-III auction to commence in Q1FY13.
- **Best margins ever:** Company posted its best ever operating margins of 41%, up 465bps YoY on the back of low significant decline in other expenditure. Admin & other expenditure declined by 48% YoY to Rs109mn led by net credit of Rs33.9mn for Private Treaty provision compared to Rs36.9mn in Q3FY11. Employee expense for the quarter was up 23.4% YoY due to increase in headcount, annual increments and provision for incentives. Marketing cost for the company was up 26% on the back of expenses by Mirchi properties.
- **Estimates lowered; Maintain BUY:** We have lowered our earning estimates for FY12/FY13 factoring in lower ad revenue growth while we have expanded margins for both FY12/FY13. The stock is currently trading at 21.2x FY12E and 17x FY13E standalone EPS of Rs10.8 and Rs13.5, respectively. We maintain BUY rating on the stock with a target price of Rs271 (valuing the stock at 20x FY13E EPS).

Y/E Mar (Rsmn)	Rev	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	EPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY10	2,300	0.8	588	25.6	179	513.5	3.7	5.5	5.5	61.4	18.7
FY11	2,756	19.8	866	31.4	395	121.2	8.3	11.1	9.2	27.7	12.7
FY12E	2,854	3.6	971	34.0	517	30.9	10.9	12.6	10.4	21.2	11.3
FY13E	3,223	12.9	1,150	35.7	645	24.7	13.5	13.8	11.6	17.0	9.5
FY14E	3,580	11.1	1,298	36.3	752	16.7	15.8	14.0	11.8	14.6	8.4

Source: Company, Centrum Research Estimates

Please refer to important disclosures/disclaimers inside

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Key Data

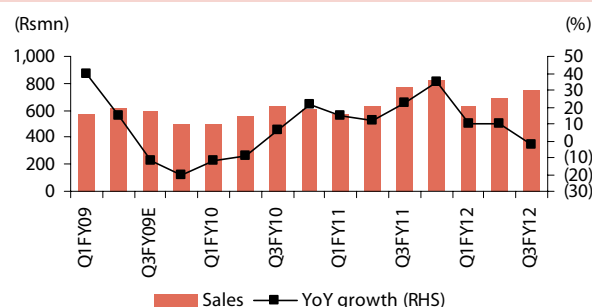
Recco (Prev)	Buy (Buy)	Bloomberg Code	ENIL IN
Target (Prev)	Rs271 (Rs288)	Reuters Code	ENIL.BO
CMP	Rs220*	Current Shares O/S (mn)	47.6
Upside (%)	18%	Diluted Shares O/S(mn)	47.6
		Mkt Cap (Rsbm/USDmn)	10.5/211.7
		52 Wk H / L (Rs)	298/194
		Daily Vol. (3M NSE Avg.)	27,828
		Face Value (Rs)	10
		USD = RS49.5	

Price Performance (%)

	1M	6M	1Yr
ENIL	(0.4)	(16.8)	0.8
NIFTY	12.4	(5.2)	(5.6)

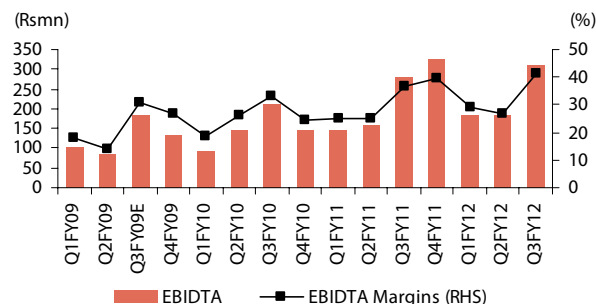
Source: Bloomberg, Centrum Research
*as on 30 January 2012

Revenue growth trend



Source: Company, Centrum Research

Best ever margins



Source: Company, Centrum Research

Earning Revision

Particulars	FY12E			FY13E		
	Current	Earlier	Chg (%)	Current	Earlier	Chg (%)
Revenue	2,854	3,083	(7.4)	3,223	3,473	(7.2)
EBITDA	971	994	(2.4)	1,150	1,199	(4.1)
<i>EBITDA margin (%)</i>	<i>34.0</i>	<i>32.2</i>	<i>177bps</i>	<i>35.7</i>	<i>34.5</i>	<i>115bps</i>
PAT	517	518	(0.1)	645	677	(4.8)
<i>PAT margin (%)</i>	<i>18.1</i>	<i>16.8</i>	<i>132bps</i>	<i>20.0</i>	<i>19.5</i>	<i>51bps</i>

Source: Company, Centrum Research

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Financials

Exhibit 1: Income Statement

Y/E March (Rsmn)	FY10	FY11	FY12 E	FY13 E	FY14 E
Income					
Net Sales	2,300	2,756	2,854	3,223	3,580
Growth (%)	0.8	19.8	3.6	12.9	11.1
Employee Cost	482	564	643	734	836
%of Sales	20.9	20.5	22.5	22.8	23.4
Admin & other expenses	1,112	1,185	1,097	1,178	1,267
% of sales	48.3	43.0	38.4	36.6	35.4
License Fees	119.0	140.2	142.7	161.1	179.0
% of sales	5.2	5.1	5.0	5.0	5.0
EBIDTA	588	866	971	1,150	1,298
EBIDTA Margins (%)	25.6	31.4	34.0	35.7	36.3
Depreciation	370	336	357	363	379
Interest expenses	72	(22)	-	-	-
PBT for operations	146	552	614	787	920
Other non operating income	37	58	115	134	155
Exceptional item	-	127	-	-	-
PBT	183	737	729	921	1,075
Provision for tax	4	214	211	276	322
Effective tax rate (%)	2.2	29.1	29.0	30.0	30.0
Reported Net Profit	179	522	517	645	752
Adj Net Profit	179	395	517	645	752

Source: Company, Centrum Research Estimates

Exhibit 2: Balance Sheet

Y/E March (Rsmn)	FY10	FY11	FY12 E	FY13 E	FY14 E
Share Capital	477	477	477	477	477
Reserves & Surplus	2,838	3,360	3,878	4,522	5,274
Total Shareholders Funds	3,315	3,837	4,354	4,999	5,751
Secured Loans	100	-	-	-	-
Unsecured Loans	234	-	-	-	-
Loan Funds	334	-	-	-	-
Deferred Tax Net	(69)	89	89	89	89
Total Capital Employed	3,580	3,926	4,443	5,088	5,840
Fixed Asset					
Gross Block	3,660	3,675	3,709	3,834	4,198
Less:- Accumulated Dep.	1,542	1,875	2,232	2,595	2,974
Net Block	2,118	1,800	1,477	1,239	1,224
Capital WIP	11	11	15	15	15
Total fixed assets	2,129	1,812	1,492	1,254	1,239
Investments	400	931	931	931	931
Debtors	682	1,038	938	1,060	1,177
Loans & advances	656	561	750	800	840
Cash & bank balances	242	232	783	1,538	2,200
Total current assets	1,581	1,831	2,471	3,398	4,217
Current liabilities and provisions	530	648	452	496	547
Net current assets	1,051	1,183	2,020	2,902	3,670
Profit & Loss (Account)	-	-	-	-	-
Total	3,580	3,926	4,443	5,088	5,840

Source: Company, Centrum Research Estimates

Exhibit 3: Cash flow

Y/E March (Rsmn)	FY10	FY11	FY12 E	FY13 E	FY14 E
CF from operations					
Profit before tax	183	737	729	921	1,075
Depreciation & amortisation	370	336	357	363	379
Others	157	(21)	(115)	(134)	(155)
CF before WC changes	710	1,052	971	1,150	1,298
Working capital changes	224	(385)	(286)	(127)	(106)
Cash inflow from operations	934	666	684	1,023	1,192
Income tax paid & Exceptional Items	(57)	(161)	(211)	(276)	(322)
Cash from Operations	877	505	473	746	870
Cash from investing					
Capex	5	(19)	(37)	(125)	(363)
Investments	(7)	(390)	-	-	-
Other Income	18	228	115	134	155
Cash from investing	16	(181)	78	9	(208)
Cash from financing					
Proceeds from Issues / Equity shares	-	-	-	-	-
Borrowings/ repayments	(766)	(334)	-	-	-
Interest paid	(72)	(11)	-	-	-
Cash from financing	(839)	(345)	-	-	-
Net change in cash	54	(21)	551	755	662

Source: Company, Centrum Research Estimates

Exhibit 4: Key Ratios

Y/E March (Rsmn)	FY10	FY11	FY12 E	FY13 E	FY14 E
Margin ratios (%)					
EBIDTA Margins	25.6	31.4	34.0	35.7	36.3
PBIT Margins	9.5	19.2	21.5	24.4	25.7
PBT Margins	7.9	26.7	25.5	28.6	30.0
PAT Margins	7.8	14.3	18.1	20.0	21.0
Growth ratios (%)					
Revenues	0.8	19.8	3.6	12.9	11.1
EBIDTA	17.8	47.3	12.1	18.5	12.9
Adj Net Profit	513.5	121.2	30.9	24.7	16.7
Return Ratios (%)					
ROCE	5.5	9.2	10.4	11.6	11.8
RoIC	6.1	18.9	19.0	24.6	27.8
RoNW	5.5	11.1	12.6	13.8	14.0
Turnover Ratios					
Avg collection period(days)	100.6	113.9	126.4	113.1	114.0
Avg payment period (days)	87.4	113.8	106.6	83.4	83.4
Working Capital Cycle (days)	13.2	0.1	19.8	29.7	30.6
Per Share (Rs)					
EPS	3.7	8.3	10.9	13.5	15.8
CEPS	11.5	18.0	18.3	21.1	23.7
Book Value	69.5	80.5	91.3	104.9	120.6
Dividend	0.0	0.0	0.0	0.0	0.0
Valuations (x)					
PER	61.4	27.7	21.2	17.0	14.6
P/BV	3.3	2.9	2.5	2.2	1.9
EV/EBIDTA	18.7	12.7	11.3	9.5	8.4
EV/Sales	4.8	4.0	3.8	3.4	3.1
M-cap/Sales	4.6	3.6	3.2	2.6	2.2

Source: Company, Centrum Research Estimates

Appendix A

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