

Media

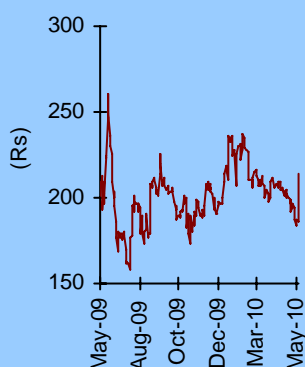
Target price Rs184

Shareholding pattern

	Sep '09	Dec '09	Mar '10
Promoters	71.2	71.2	71.2
Institutional investors	10.8	11.0	11.7
MFs and UTI	2.4	2.6	1.9
Insurance Cos.	-	-	-
FII	8.4	8.4	9.8
Others	18.0	17.8	17.2

Source: NSE

Price chart



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INDIA

Entertainment Network India

HOLD
Maintained

Cost control pays off

Rs213

Reason for report: Q4FY10 results review

Entertainment Network India's (ENIL) Q4FY10 results were in line with our expectations after adjusting for one-off items, which led to significantly lower license fee in the out-of-home (OOH) business driven by adjustments for the full year. While radio business witnessed some improvement owing to cost control, FY10 revenues continued to be pressured, declining 5.5% YoY after adjusting for revenues from private treaties. On the OOH front, while we see high probability of renewal of the Delhi Airport contract, uncertainty remains over the contract terms. Also, non-airport properties continue to bleed, which is surprising, given current costs at 1.5x FY10 revenues. We maintain HOLD on ENIL, with target price of Rs184/share and await news about developments on: i) the Delhi Airport contract and ii) phase III of Radio licensing before taking a directional call.

- ▶ **Radio business.** Radio revenues grew 21.6% YoY to Rs612mn (I-Sec: Rs629mn) while EBITDA fell 29.2% QoQ to Rs148mn (I-Sec: Rs192mn) due to higher employee cost on account of one-off incentive payout. EBITDA margin stood at 24.2%. Radio PAT at Rs47.6mn was in line with our estimate (Rs49.8mn), after providing Rs32.2mn for provisions for private treaties. Having paid-off its debt, ENIL is now a zero-debt company.
- ▶ **OOH revenues show significant improvement.** OOH revenues increased 7.4% QoQ and 50.9% YoY to Rs460mn, led by recovery in the airports segment. OOH EBITDA also rose significantly, from Rs32mn loss in Q3FY10 to Rs165mn in Q4FY10, due to one-off item of Rs94.2mn on account of license fees, and better cost management. However, traditional business, which accounts for one-third of the segment revenues, continues to be loss-making, posting EBITDA loss of Rs250mn in FY10.
- ▶ **Future developments to be triggers.** Continuity of the airports business, which accounts for two-third of OOH revenues, is dependent on new tenders that are due in June-July '10. Also, phase III of Radio spectrum auctions are expected soon and would be largely for tier II & III towns that continue to be troubled, given higher music royalty costs and are, hence, less lucrative.
- ▶ **Maintain HOLD** on ENIL with price target of Rs184/share based on 2.3x FY11E EV/Sales, after valuing radio business at 3x Sales or Rs7bn.

Market Cap	Rs10.1bn/US\$217mn
Reuters/Bloomberg	ENIL.BO/ENIL IN
Shares Outstanding (mn)	47.6
52-week Range (Rs)	274/153
Free Float (%)	28.8
FII (%)	9.8
Daily Volume (US\$'000)	612
Absolute Return 3m (%)	1.3
Absolute Return 12m (%)	1.6
Sensex Return 3m (%)	1.4
Sensex Return 12m (%)	20.3

Year to March	2009	2010	2011E	2012E
Revenue (Rs mn)	4,262	4,226	4,164	4,535
Net Income (Rs mn)	(602.8)	(153)	62.4	299.4
EPS (Rs)	(12.7)	(3.21)	1.3	6.3
% Chg YoY	252.8	(32.2)	(115.3)	379.6
P/E (x)	(15.8)	(23.3)	152.4	31.8
CEPS (Rs)	(1.6)	0.6	10.8	15.0
EV/E (x)	(112.4)	61.5	16.4	11.6
Dividend Yield	-	-	0.1	4.1
RoCE (%)	(7.7)	(3.6)	1.6	8.7
RoE (%)	(14.7)	(11.3)	1.8	8.3

Please refer to important disclosures at the end of this report

Table 1: Q4FY10 results review (Consolidated)*(Rs mn, year ending March 31)*

	I-Sec estimates	Q4FY10	Q4FY09	% chg YoY	% chg QoQ	FY10	FY09	% chg	Q3FY10
Total revenue *	1,249	1,203	998	20.6	3.0	4,226	4,270	(1.0)	1,167.7
<i>Radio</i>	629	612	503	21.6	(3.4)	2,304	2,289	0.7	633
<i>Out-Of-Home</i>	479	460	305	50.9	7.4	1,562	1,485	5.1	428
<i>Events</i>	140	174	225	(22.7)	60.8	415	568	(26.9)	108
Total Expenditure	1,042	861	1,110	(22.4)	(13.2)	3,783	4,354	(13.1)	992
Total EBITDA *	207.2	341.6	(113)	NM	94.3	443	(85)	(623.5)	176
Other income	1	4	5	(32.7)	161.8	9	23	(60.3)	1
Depreciation & Amortization	138	118	133	(10.6)	(14.1)	526	526	(0.0)	138
Finance Expenses	30	28	35	(19.8)	(5.5)	121	144	(16.1)	30
PBT	151	160	106	50.2	5.9	573	521	10.0	151
Exceptional item	-	-	-	-	-	-	-	-	-
Less: Provision for Tax	40	28	15	87.6	NM	23	(3)	NM	(0)
Minority Interest	(16)	17	(56)	NM	NM	(65)	(126)	NM	(16)
Adjusted PAT	17	154	(234)	NM	515.4	(153)	(603)	NM	25
Operating margin (%)	16.6	28.4	(11.3)			10.5	(2.0)		15.1
Effective tax rate (%)	26.3	17.3	13.8			4.0	(0.5)		(0.1)
NPM (%)	1.3	12.8	(23.5)			(3.6)	(14.1)		2.1

* Adjusted for inter segment eliminations

Source: Company data, I-Sec Research

Table 2: Segment-wise performance*(Rs mn)*

	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10	Q4FY10
Radio							
Revenues	613	597	502	500	558	633	612
Cost	531	416	369	410	415	424	464
EBITDA	82	181	133	90	144	209	148
OOH							
Revenues	387	398	304	309	365	428	460
Cost	519	525	590	448	506	460	295
EBITDA	(132)	(126)	(286)	(140)	(141)	(32)	165*
Events							
Revenues	107	129	225	67	66	108	174
Cost	119	127	187	85	78	112	145
EBITDA	(12)	2	38	(17)	(12)	(3)	28

* includes Rs94.4mn of one off item on account of license fees

Source: Company data, I-Sec Research

Financial Summary

Table 3: Profit and Loss Statement
(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Operating Income (Sales)	4,262	4,226	4,164	4,535
of which Radio	2,279	2,346	2,698	3,049
of which Out Of Home	1,482	1,430	984	956
of which Events	502	401	481	530
Operating Expenses	4,354	3,783	3,534	3,645
EBITDA	(92)	443	630	889
% margins	(2)	10.5	15	20
Depreciation & Amortisation	526	526	453	413
Gross Interest	144.4	121	76.1	78.6
Other Income	30	9	28	31
Recurring PBT	(731)	573	129	428
Add: Extraordinaries	-	-	-	-
Less: Taxes	(3)	23	118	165
- Current tax	1	23	118	165
- Deferred tax	(31)	-	-	-
- Others	28	-	-	-
Less: Minority Interest	(125.9)	(65)	(51.8)	(36.7)
Net Income (Reported)	(603)	(153)	62	299
Recurring Net Income	(603)	(153)	62	299

Source: Company data, I-Sec Research

Table 4: Balance Sheet
(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Assets				
Total Current Assets	3,204	2,695	2,434	2,863
of which cash & cash eqv.	162	679	675	696
Total Current Liabilities & Provisions	994	1,170	1,367	1,605
Net Current Assets	2,210	1,525	1,067	1,258
Investments	-	-	-	-
Net Fixed Assets	3,182	3,259	2,880	2,788
of which intangibles	1558	1343	1128	912
Capital Work-in-Progress	137	296	262	253
Total Assets	5,392	4,785	3,947	4,047
Liabilities				
Borrowings	1,481	1,481	581	381
Deferred Tax Liability	(92)	(92)	(92)	(92)
Equity Share Capital	477	477	477	477
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	3,328	2,919	2,982	3,281
Net Worth	3,805	3,396	3,459	3,758
Total Liabilities	5,392	4,785	3,947	4,047

Source: Company data, I-Sec Research

Table 7: Quarterly trends
(Rs mn, year ending March 31)

	Jun-09	Sep-09	Dec-09	Mar-10
Net sales	871	984	1,168	1,203
% growth (YoY)	(18.6)	(10.4)	6.3	20.6
EBITDA	(66)	(8)	176	342
Margin (%)	(7.6)	(0.8)	15.1	28.4
Other income	3	2	1	4
Add: Extraordinaries	0	0	0	0
Net profit	(194)	(138)	25	154

Source: Company data

Table 5: Cash Flow Statement
(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Operating Cash flow	(270)	(203)	445	449
Working Capital Changes	1,191	1,183	445	(182)
Capital Commitments	(515)	(370)	(73)	(114)
Free Cash Flow	406	610	816	153
Cash flow from Investing Activities	60	25	28	31
Issue of Share Capital	0	-	-	-
Share Premium	1	(118)	62	480
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	(452)	-	(900)	(200)
Dividend paid	-	-	(11)	(444)
Extraordinary Items	0	0	0	0
Chg. in Cash & Bank balance	16	517	(4)	21

Source: Company data, I-Sec Research

Table 6: Key Ratios
(Year ending March 31)

	FY09	FY10	FY11E	FY12E
Per Share Data (Rs)				
Diluted Recurring EPS	(12.7)	(3.2)	1.3	6.3
Diluted Reported EPS	(12.7)	(3.2)	1.3	6.3
Recurring Cash EPS	(1.6)	0.6	10.8	15.0
Dividend per share (DPS)	-	-	0.2	8.2
Book Value per share (BV)	80.0	71.4	72.7	79.0
Growth Ratios (%)				
Operating Income	3.1	(2.0)	(0.3)	8.9
EBITDA	(128.6)	(282.8)	275.3	41.2
Recurring Net Income	NM	(32.2)	(115.3)	379.6
Diluted Recurring EPS	NM	(32.2)	(115.3)	379.6
Diluted Recurring CEPS	(140.3)	(135.9)	1,754.7	38.3
Valuation Ratios (x)				
P/E	(15.8)	(23.3)	152.4	31.8
P/CEPS	(123.1)	342.7	18.5	13.4
P/BV	2.5	2.8	2.8	2.5
EV / EBITDA	(112.4)	61.5	16.4	11.6
EV / Operating Income	2.4	2.5	2.5	2.3
EV / Operating FCF	11.2	10.5	11.6	38.7
Operating Ratio				
Production expenses / Revenues	15.2	15.5	16.4	16.4
License Fees / Revenues	39.6	35.8	21.9	17.1
Other Income / PBT (%)	(4.2)	(5.6)	21.7	7.2
Effective Tax Rate (%)	4.2	(8.4)	91.7	38.6
NWC / Total Assets (%)	38.0	17.7	9.9	13.9
Receivables (days)	115.3	65.0	65.0	81.0
Payables (days)	441.8	441.8	441.8	441.8
D/E Ratio (x)	0.4	0.4	0.1	0.1
Return/Profitability Ratio (%)				
Recurring Net Income Margins	(14.1)	(9.8)	1.5	6.6
RoCE	(7.7)	(3.6)	1.6	8.7
RoNW	(14.7)	(11.3)	1.8	8.3
Dividend Payout Ratio	-	-	15.0	130.0
Dividend Yield	-	-	0.1	4.1
EBITDA Margins	(2.2)	4.0	15.1	19.6

NM – Not meaningful

Source: Company data, I-Sec Research

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)

BUY: +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

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