Rs 285
Target Price: Rs 346
Potential Upside: 21%
Sector avg. upside: 0% to 10%
(mkt cap wtd)

RESULTS UPDATE

Entertainment Network India Ltd

Relative to sector: **Outperformer**

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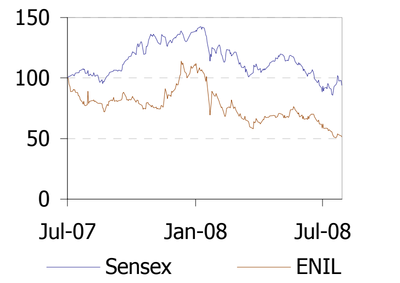
Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 48mn
Market cap	: Rs 13.6bn
52 week high/low	: Rs 700/ Rs 283
Avg. daily vol. (6mth)	: 17,600 shares
Bloomberg code	: ENIL IB
Reuters code	: ENIL.BO

Shareholding (%)		Jun-08	QoQ chg
Promoters	:	71.2	0.0
FIIs	:	19.6	0.0
MFs / UTI	:	2.9	0.0
Banks / FIs	:	0.0	0.0
Others	:	6.4	(0.0)

TUNE IN FOR GROWTH

Entertainment Network India (ENIL) declared consolidated revenues of Rs 1.07bn (↑ 55%), EBITDA of Rs 21mn (vs loss of Rs 2mn in Q1FY08) & net loss of Rs 80mn (vs loss of Rs 77mn) during Q1FY09. The radio business (standalone) reported revs of Rs 571mn (↑39% YoY), EBITDA of Rs 97mn (↑54% YoY) & adjusted PAT of Rs 0.7mn (↓82% YoY). Q1FY09 saw the full impact of all 32-radio stations (10 legacy stations from FY07+22 new stations from Q4FY08).

Key highlights: Q1FY09

- **Radio:** 10 legacy stations recorded like-to-like 5.9% YoY rev growth to Rs 420mn. However, higher operating leverage led to 24.5% YoY growth in EBITDA to Rs 109mn (margin at 26% vs. 22% in Q1FY08). The 22 new stations clocked revs of ~Rs 153mn and operating losses of Rs ~12.5mn.
- **Out-of-home (OOH):** recorded revenues of Rs 396mn (↑109% YoY; ↑105% YoY on like-to-like basis) & operating loss of Rs 53mn (Rs 46mn loss in Q1FY08). Profitability remains under pressure due to DIAL (Delhi Airport project) and incubation of newly contracted properties.
- **EBITDA:** Consolidated EBITDA turned positive and standalone EBITDA margin improved to 17% (15% in Q1FY08), primarily due to reduction in marketing expenses to Rs 70mn (↓32% YoY).

Outlook & valuation

Having completed the rollout of all 32 radio stations, ENIL will benefit from increased operating leverage and we expect EBITDA margins in the radio business to improve to ~28% (23%) in FY09. With growth in rev from airport projects hampered by delays, we expect continued pressure on EBITDA margins in the OOH business. Although we maintain our long-term positive view on the business, we revise our FY09E EBITDA for OOH downwards to Rs 57mn (Rs 131mn) and consolidated EPS to Rs 5.6 (Rs 6.8). Consequently, we reduce our **SOTP value to Rs 346** (Rs 363). We believe the stock is undervalued and hence a sector **Outperformer**.

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2007	2,351	255	-	5.3	-	9.1	7.6	-
2008	4,135	(171)	-	(3.6)	-	(4.5)	(0.2)	43.0
2009E	6,158	266	11.0	5.6	51.1	5.4	5.3	16.6
2010E	7,919	877	21.8	18.4	15.5	16.0	23.7	7.1

Source: *Consensus broker estimates, Company, ENAM estimates

Results update

	Quarter ended					12 months ended		
(Rs mn)	Jun-08	Jun-07	% Chg	Mar-08	% Chg	Mar-09E	Mar-08	% Chg
Net Revenue	**1,070**	**691**	**54.8**	**1,233**	**(13.3)**	**6,158**	**4,135**	**48.9**
EBITDA	**21**	**(2)**	**-**	**184**	**(88.6)**	**884**	**321**	**175.3**
Other income	14	1	1,913.1	28	(49.1)	28	34	(17.6)
PBIDT	**35**	**(1)**	**-**	**212**	**(83.4)**	**912**	**355**	**156.9**
Depreciation	66	24	174.9	69	(4.4)	583	363	60.6
Interest	22	21	4.1	59	(62.9)	122	174	(30.1)
PBT	**(108)**	**(81)**	**-**	**31**	**-**	**208**	**(182)**	**-**
Tax	(16)	(4)	-	0	-	(34)	(6)	-
Minority Interest	(12)	0	-	(5)	-	(24)	(5)	-
Adjusted PAT	**(80)**	**(77)**	**-**	**36**	**-**	**266**	**(171)**	**-**
No. of shares (mn)	48	48	-	48	-	48	48	-
EBITDA margin (%)	2.0	(0.3)	-	14.9	-	14.4	7.8	-
PBIDT margin (%)	3.3	(0.2)	-	17.2	-	14.8	8.6	-
EPS - annualized (Rs.)	**(6.7)**	**(6.4)**	**-**	**3.0**	**-**	**5.6**	**(3.6)**	**-**

Source: Company, ENAM Research

Other Highlights

- Event Management revenues remained flat YoY at Rs 108mn while EBITDA losses increased to Rs 20.5mn (Rs 13.4mn in Q1FY08) primarily due to a seasonally slow quarter.
- Airport contracts clocked revenues of Rs 260mn in Q1FY09. Occupancy at the airport properties is ~80%. The new terminals expected at MIAL will increase inventory by ~75%.
- The network effect of the station rollout can be seen in the 7% QoQ rise in ad rates for mature markets like Delhi & Mumbai. The blended national bouquet now commands Rs 15,000/ 10 sec (net) vs. Rs 11,500/ 10 sec earlier. Utilization in legacy stations was 56%, while that of the new stations was 40%.