

BUZZING

STOCK

Entertainment Network India Ltd.

CMP – Rs.229

Analyst

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Key Stock Data

Sensex	13137
Nifty	3796
Sector	Entertainment
Bloomberg	NA
Reuters	ENIL.BO
No. of shares (m)	48
Market Cap (Rs m)	10,237
Market Cap (US\$ m)	229
52-week H/L	Rs.287/161

Shareholding Pattern (%)

Promoters	71.31
Mutual Funds	0.68
FII's	18.07
Corporate Bodies	2.00
Pubic & Others	7.93

Background: ENIL, the owner of the FM radio brand Radio Mirchi is the market leader in the FM radio segment with a pan India presence and an almost 50% market share. In addition to the radio segment it operates in the out-of-home advertising industry through its brand Times OOH and in event management business through 360-degrees both of which are part of its 100% subsidiary TIMPL. The company's business model is ideal to garner a larger share of the ad spend in the country through both the outdoor and the radio divisions.

IPO: The company came out with an IPO in early 2006 and raised Rs.1,944m with the issue of 12m shares at an issue price of Rs.162 per share. The funds were raised to be deployed in acquiring licenses for newer territories and to make further investment in its subsidiary.

Pan India presence: ENIL is the only player to have a presence in all 13 A/ A+ towns/ cities. It has 32 stations in total and has maintained its leadership position for the last 5 years. This gives it the advantage of being able to provide a wide range of regional multi-lingual content. This advantage will also work at reducing cost of procuring content, which rises to almost 50% of revenue in smaller cities and counter competition.

Scope in OOH and event management business: The OOH business accounts for 6% of the ad spend and is seeing a growth of 14%. In this segment ENIL markets the space on various out-of-home media sites like bus queue shelters, metro railway stations etc. to advertisers and advertising agencies. The market is pegged at Rs.6-7bn.

ENIL has leveraged its parent company's strong ties in movie and art circles to manage large-format' events like Filmfare Awards, Femina Miss India pageants and the International Film Festival of India - 2004. The live entertainment space is seeing a growth of 15% annually. /Current estimates peg the market size at Rs.6bn.

Growth drivers:

Rising share of radio in Ad spend: Currently radio ad spend stands at 2.9% of total ad spend and this is expected to go to 5% by 2010. This will open up a radio advertising opportunity of around Rs.14-15bn. ENIL with its market leadership will reap benefits of this growth in the market.

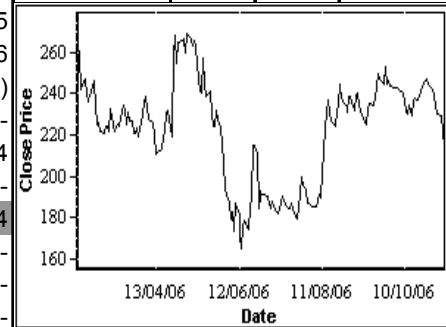
Government support: During the Ninth Five Year Plan period from 1997 to 2002, the Government allowed fully owned Indian companies to set up private FM radio stations upon payment of specified license fees. The major thrust areas of the Tenth Five Year Plan include expanding the reach of FM radio by encouraging private operators to provide FM radio services in metropolitan cities and small cities.

Change in license revenue payment: The Government in the Tenth plan replaced the existing system of bidding for licenses where the players had to pay a one time fee in the first year and a 15% hike every year thereafter with a revenue sharing mechanism. This was a big boost to the players as hitherto license revenue accounted for 50% of total costs and with the new system this has come down to close to 6%. The license fee is currently set at 4% of Gross Revenues or 10% of Reserve OTEF (One Time Entry Fee) whichever is higher.

Valuation: The company has posted revenues of Rs.752m in H1FY07 and profits of Rs.62.4m. The operating margins stand at 9%. The main cost head is selling and administration, which accounts for 55% of revenue. For the full year FY06 the revenue stood at Rs.1,174m and profits at Rs.294m. The stock is currently trading at 35x FY07E EPS of Rs.6.5.

Financial Snapshot

Entertainment Network India Ltd.							Rs.m		Ratios (%)		
	2Q FY07	1Q FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)	
Net Sales	411	342	20	1174	749	57	Debt -Equity	0.12	0.0	-	
Other Income	14	13	2	126	13	883	PBIDTM	33	(16)	(308)	
Total Income	424	355	19	1300	762	71	PBDTM	30	(17)	(277)	
Total Expenditure	357	325	10	902	885	2	RoCE	16	0.0	-	
PBIDT	67	30	124	398	(123)	424	RoNW	13	0.0	-	
Interest	4	1	231	26	3	825					
PBDT	63	29	119	372	(126)	396					
Depreciation	13	11	12	42	53	(22)					
Tax	(2)	2	(194)	28	0	-					
Reported Profit After Tax	49	13	276	295	(179)	264					
Extra -ordinary Items	0	0	-	90	0	-					
Adj. Profit After Extra-ordinary item	49	13	276	205	(179)	214					
No. of shares (m)	48	48	-	48	34	-					
EPS (annualised.) (Rs.)	4.2	1.1	-	6.2	0.0	-					
P/E	54.6	208.6	-	37.0	-	-					



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