

Midcaps

Value buys

Entertainment Network India – steady revenue growth

Entertainment Network India has continued on its robust growth path despite a weak ad market through innovation and improved offerings. We expect the company to report 11% revenue growth, driven by higher volume. EBITDA margin is expected at a healthy 35%, about 50bp higher YoY, on account of operating leverage. With limited free capacity, we expect it to drop low-yield clients and improve ad rates. TRAI's upcoming recommendation on license renewal and phase III hold key to growth opportunity.

Navneet Publication – shift of gov orders to Q4 to impact sales

Navneet Publication should face pressure on top line in Q3FY14, due to the absence of INR 20mn in government orders awarded in Q2FY14. However, the company has received clearance from the government, and orders should be received in Q4FY14, thus compensating for flat growth expected in Q3FY14. If we were to exclude government orders, revenue would grow at 15%. Increased competition in the stationery segment should lower revenue and impact EBITDA significantly, leading to a sharp fall in EBITDA of 62% YoY. However, this should be offset in Q4FY14. Management is confident of 15% growth over the next 2-3 years, owing to the syllabus change schedule until FY16. We believe the stock is valued attractively based on 9.7x FY15E earnings, given its asset-light balance sheet, consistent FCF, robust 25%-plus return ratios and no macro risk.

TTK Prestige – macro concerns, given lack of growth drivers

TTK is battling several issues like power shortages in Tamil Nadu, geopolitical concerns in Andhra Pradesh, and the government's policy to increase cap of subsidized LPG cylinders to 9 from 6, affecting revenue. We expect top line to decline by 6.5%, with about 100bp margin contraction, leading to a 22% YoY drop in PAT. With limited signs of new product categories launches, the company should face growth issues over the next 2-3 years. The stock is trading at 29x FY15E earnings despite deteriorating financials.

Price performance (%)*	3M	6M	12M
Sensex	7.0	7.3	6.0
ENIL	18.0	52.8	32.9
Navneet	9.0	(3.2)	(12.7)
Tree House	(1.8)	(7.5)	(8.9)
TTK Prestige	0.3	1.0	(0.1)

Source: Bloomberg

Company	Revenue (INR mn)			
	FY13	FY14E	FY15E	FY16E
ENIL	3,384	3,815	4,276	4,729
Navneet	7,908	8,734	10,270	12,079
Tree House	1,143	1,666	2,170	2,737
TTK Prestige	13,585	13,287	15,282	17,845

Company	Adjusted PAT (INR mn)			
	FY13	FY14E	FY15E	FY16E
ENIL	639	864	1,076	1,271
Navneet	1,111	1,131	1,454	1,749
Tree House	333	455	601	795
TTK Prestige	13,585	13,287	15,282	17,845

Note: pricing as on 2 January 2014

Source: Company, Elara Securities Estimate

Key financials

Company	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3FY14E	Q2FY14	Q3FY13	QoQ (%)	YoY (%)	Q3FY14E	Q2FY14	Q3FY13	QoQ (%)	YoY (%)	Q3FY14E	Q2FY14	Q3FY13	QoQ (%)	YoY (%)
ENIL	865	852	771	1.5	12.3	253	299	189	(15.5)	33.6	164	199	103	(17.6)	59.4
Navneet	1,267	1,440	1,250	(12.0)	1.3	86	265	228	(67.5)	(62.3)	11	135	112	(91.9)	(90.2)
Tree House	419	413	291	1.5	44.2	225	229	163	(1.7)	38.2	106	115	81	(7.2)	32.2
TTK Prestige	4,087	3,455	4,371	18.3	(6.5)	538	444	621	21.3	(13.3)	342	303	441	12.8	(22.5)

Source: Company, Elara Securities Estimate

Company	Rating	Mcap		CMP* (INR)	Target (INR)	EV/EBITDA (x)				P/E (x)				ROE (%)			
		INR bn	USD mn			FY13	FY14E	FY15E	FY16E	FY13	FY14E	FY15E	FY16E	FY13	FY14E	FY15E	FY16E
ENIL	Accumulate	16	255	332	352	15.1	11.5	9.1	7.3	24.8	18.3	14.7	12.5	12.7	14.8	15.7	15.8
Navneet	Buy	14	220	58	80	8.0	7.3	5.7	4.5	12.3	12.1	9.4	7.8	27.0	23.9	26.7	27.7
Tree House	Buy	9	140	243	370	14.4	9.9	7.3	5.3	25.4	20.1	15.2	11.5	11.1	12.1	13.9	16.2
TTK Prestige	Sell	40	642	3,427	2,900	20.1	23.2	19.0	15.8	29.1	36.1	29.0	24.0	39.1	24.9	25.4	24.7

1 US\$ = INR 62.2; Note: pricing as on 2 January 2014; Source: Company, Elara Securities Estimate

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