# entertainment network (India) limited

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April 2, 2024

BSE Limited,	National Stock Exchange of India
Rotunda Building, P. J. Towers,	Limited,
Dalal Street, Fort, Mumbai- 400001	Exchange Plaza, Bandra Kurla Complex,
	Bandra (East), Mumbai – 400 051

BSE Scrip Code: 532700/ Symbol: ENIL

Dear Sir/ Madam,

We are pleased to inform you that CRISIL has reaffirmed their credit ratings in respect of the Company's bank facilities and debt instruments. The credit ratings assigned and the amount for which ratings have been assigned are tabulated below:

Total Bank Loan Facilities Rated	Rs. 150 Crore (Enhanced from Rs. 100 Crore)
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs. 50 Crore Non-Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)
Rs. 200 Crore (Reduced from Rs. 300 Crore) Commercial Paper	CRISIL A1+ (Reaffirmed)

The rating rationale issued by CRISIL is attached herewith and can also be accessed at the link:

https://www.crisilratings.com/mnt/winshare/Ratings/RatingList/RatingDocs/EntertainmentNetworkIndiaLimited February%2028,%202024 RR 338188.html

This intimation is pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you,

For Entertainment Network (India) Limited

**Mehul Shah EVP - Compliance & Company Secretary**(FCS no- F5839)

Encl: a/a



### **Rating Rationale**

February 28, 2024 | Mumbai

# **Entertainment Network (India) Limited**

Ratings reaffirmed at 'CRISIL AA+/Stable/CRISIL A1+'; Rated amount enhanced for Bank Debt

#### **Rating Action**

Total Bank Loan Facilities Rated	Rs.150 Crore (Enhanced from Rs.100 Crore)				
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Short Term Rating	CRISIL A1+ (Reaffirmed)				

Rs.50 Crore Non Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)
Rs.200 Crore (Reduced from Rs.300 Crore) Commercial Paper	CRISIL A1+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

#### **Detailed Rationale**

CRISIL Ratings has reaffirmed its 'CRISIL AA+/Stable/CRISIL A1+' ratings on the bank facilities and debt instruments of Entertainment Network (India) Ltd (ENIL, part of Times group). CRISIL Ratings has also **withdrawn** its rating on the commercial paper of Rs.100 crore at the company's request and upon receipt of required documentation. This is in line with CRISIL Ratings' policy on withdrawal of ratings

The ratings continue to reflect the market leadership of ENIL in the FM radio broadcasting industry, its comfortable financial risk profile backed by robust liquidity and nil debt, and strong parentage of Bennett Coleman and Company Ltd (BCCL; 'CRISIL AAA/Stable'). These strengths are partially offset by significant dependence on advertisement (ad) revenue, which is susceptible to economic downturns and exposure to intense competition coupled with inherent risks in the radio industry.

CRISIL Ratings takes note of the company's acquisition of Gamma Gaana Limited ('GGL'), which operates *Gaana* (a music over-the-top [OTT] platform) from a group company, Times Internet, through a business transfer agreement effective December 1, 2023. CRISIL Ratings understands that this is in line with the company's strategy to diversify its revenue base leveraging its experience a content curator.

Ads segment, the major source of revenue for the company (65-70% of consolidated revenues), is strongly correlated with the level of economic activity in the country. The radio industry usually accrues about two-thirds of revenues from advertising. The consolidated revenues (excluding adjustments for GGL acquisition) for the company improved to Rs 347 crore for the first nine months of fiscal 2024, up by 4% from Rs 335 crores in the corresponding period of the previous fiscal on account of recovery in ad volumes. The company reported earnings before interest, tax, depreciation and amortisation (Ebitda) of ~Rs 78 crore for the first nine months of fiscal 2024 up from Rs 55 crore (excluding adjustments for GGL acquisition) from the corresponding period of the previous fiscal due to subdued, albeit improving, ad yields as compared to pre-pandemic levels. Ad yields should continue to improve gradually, although recovery to pre-pandemic levels is not expected in the near term.

#### Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of ENIL and its subsidiaries, Alternate Brand Solutions (India) Ltd, Entertainment Network, Inc (EN, INC), Global Entertainment Network Ltd WLL and Mirchi Bahrain WLL, which have business and financial linkages with ENIL. The operations of ENIL in the USA are housed under EN, INC.

CRISIL Ratings has also applied its parent notch-up criteria to factor in the extent of support expected from BCCL.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

#### <u>Key Rating Drivers & Detailed Description</u> Strengths:

Healthy business risk profile backed by market leadership: ENIL is the market leader, in terms of revenue and active channels, in the Indian FM radio broadcasting industry. Business risk profile is also supported by strong presence in all major cities across states (63 cities) and a wide bouquet of channels. The flagship channel, *Radio Mirchi*, has significant brand equity, which is reflected in the highest revenue share in the industry.

Increased focus on solutions and digital products has helped to gain a larger market share and diversify the business. Presence in the solutions business helps ENIL cater to non-radio consuming advertisers and with the acquisition of *Gaana* helps it gain foothold in the OTT segment. Business risk profile is likely to remain healthy over the medium term, driven by a diverse customer base, established market position, and expected recovery in operating margin.

- **Strong financial risk profile:** The financial risk profile is supported by healthy networth, nil debt and strong liquidity. Debt protections metrics continue to be robust in the absence of any external borrowing, and cash and equivalents were healthy at Rs 262 crore as on December 31, 2023. The financial risk profile is expected to continue to be strong over the medium term in the absence of any significant capital expenditure (capex) and moderate accrual.
- Strategic importance to the parent: The company is strategically important to BCCL given the presence of the latter across all media platforms. ENIL derives high operational synergies through the dominant market position of the parent. BCCL will continue to provide timely and need-based support to the subsidiary.

#### Weaknesses:

- Significant dependence on ad revenue and exposure to competition in the radio industry: ENIL competes with Radio City, Fever and Red FM, leading to pricing pressure. However, the company does have high flexibility to price its offerings and maintain healthy operating profitability. Furthermore, the solutions and digital businesses provide diversification benefits and partially reduce dependence on radio revenue.
- **Exposure to risks inherent in the radio business:** The radio business requires significant capex, primarily to acquire FM stations. Radio operators also need to undertake significant content and production costs to maintain their market share. Therefore, any impact on the operating performance, constraining the cash flow, may have a direct bearing on the market position because of reduced capex intensity.

Furthermore, radio operators face risks arising from technological advancements and changing consumer consumption patterns. For instance, the growing popularity of OTT music platforms supported by low data costs, could be a threat in the medium to long run. With limited product differentiation, the radio industry is exposed to intense competition among a few radio operators, OTT music platforms and other music streaming applications.

#### Liquidity: Strong

Cash and equivalents stood at Rs 262 crore as on December 31, 2023. The company remains debt-free. Moderate capex and incremental marketing spend to promote *Gaana* should be funded through accrual and existing cash and equivalents.

#### Outlook: Stable

The company will continue to benefit from its market leadership and healthy operating efficiency. Financial risk profile should remain comfortable, backed by a prudent capital structure and improving cash accrual.

# Rating Sensitivity factors

#### Upward factors

- Sturdy growth in turnover and profitability along with diversification in revenue from other segments.
- Sustained improvement in return on capital employed to over 20%.

#### **Downward factors**

- Sustained decline in operating revenues leading to operating margins below 16%.
- Any downward revision in the credit rating of BCCL by 1 or more notches.

#### About the Company

#### About ENIL

ENIL, incorporated in June 1999, has acquired FM radio licences across 63 cities. It is a 71% subsidiary of BCCL and listed on the National Stock Exchange and the Bombay Stock Exchange. The company has 73 frequencies located in 63 cities in India. After 19 years, the Radio Mirchi brand has been changed to just Mirchi.

The company is also present in international markets like the USA, Qatar, Bahrain and UAE.

ENIL launched Mirchi Digital App in the international markets and India.

#### About BCCL

BCCL, incorporated in 1913, is the flagship company of the largest media conglomerate in India, the Times group, which is a family-owned business operated by the sons of the late Ms Indu Jain, Mr Samir Jain and Mr Vineet Jain, and their families. BCCL, along with its group companies, has diversified into various media and entertainment businesses (print, television, radio, music, OOH advertising, and the Internet). Newspaper publishing is its largest business segment.

**Key Financial Indicators** 

Particulars	Unit	2023	2022
Operating income	Rs.Crore	440	319
Profit after tax (PAT)	Rs.Crore	-11	-36
PAT margin	%	-2.4	-11.3
Adjusted debt^/adjusted networth	Times	-	
Interest coverage	Times	NM	NM

^company does not have any debt

NM- Not meaningful

Any other information: Not Applicable

# Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure

- Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit <a href="www.crisilratings.com">www.crisilratings.com</a>. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Level	Rating Assigned with Outlook
NA	Non-convertible debentures*	NA	NA	NA	50	Simple	CRISIL AA+/Stable
NA	Commercial paper*	NA	NA	7-365 days	200	Simple	CRISIL A1+
NA	Cash credit/Overdraft facility	NA	NA	NA	10	NA	CRISIL AA+/Stable
NA	Short-Term Bank Facility	NA	NA	NA	20	NA	CRISIL A1+
NA	Bank Guarantee	NA	NA	NA	100	NA	CRISIL AA+/Stable
NA	Proposed long term bank loan facility	NA	NA	NA	20	NA	CRISIL AA+/Stable

<sup>\*</sup>Yet to be issued

**Annexure - Details of Rating Withdrawn** 

IS	INName of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
Ν	A Commercial Paper	NA	NA	7 to 365 Days	100	Simple	Withdrawn

Annexure - List of Entities Consolidated

Entity consolidated	Extent of consolidation	Rationale for consolidation
Alternate Brand Solutions (India) Ltd	Full	Business and financial linkages
Entertainment Network, Inc	Full	Business and financial linkages
Global Entertainment Network Ltd	Full	Business and financial linkages
Mirchi Bahrain WLL	Full	Business and financial linkages

Annexure - Rating History for last 3 Years

	Current		2024 (History)		2023		2022		2021		Start of 2021	
Instrument	Туре	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund Based Facilities	LT/ST	50.0	CRISIL AA+/Stable / CRISIL A1+		28-02-23	CRISIL AA+/Stable / CRISIL A1+	28-02-22	CRISIL AA+/Stable / CRISIL A1+	31-03-21	CRISIL AA+/Stable / CRISIL A1+	CRISIL AA+/Stable / CRISIL A1+
Non-Fund Based Facilities	LT	100.0	CRISIL AA+/Stable		28-02-23	CRISIL AA+/Stable	28-02-22	CRISIL AA+/Stable	31-03-21	CRISIL AA+/Stable	CRISIL AA+/Stable
Commercial Paper	ST	200.0	CRISIL A1+		28-02-23	CRISIL A1+	28-02-22	CRISIL A1+	31-03-21	CRISIL A1+	Withdrawn
Non Convertible Debentures	LT	50.0	CRISIL AA+/Stable		28-02-23	CRISIL AA+/Stable	28-02-22	CRISIL AA+/Stable	31-03-21	CRISIL AA+/Stable	CRISIL AA+/Stable

All amounts are in Rs.Cr.

# **Annexure - Details of Bank Lenders & Facilities**

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	50	Kotak Mahindra Bank Limited	CRISIL AA+/Stable
Bank Guarantee	20	Kotak Mahindra Bank Limited	CRISIL AA+/Stable
Bank Guarantee	30	The Hongkong and Shanghai Banking Corporation Limited	CRISIL AA+/Stable
Cash Credit/ Overdraft facility	10	HDFC Bank Limited	CRISIL AA+/Stable
Proposed Long Term Bank Loan Facility	20	Not Applicable	CRISIL AA+/Stable
Short Term Bank Facility	20	Kotak Mahindra Bank Limited	CRISIL A1+

# **Criteria Details**

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Rating criteria for manufaturing and service sector companies

**CRISILs Approach to Financial Ratios** 

<u>CRISILs Bank Loan Ratings - process, scale and default recognition</u>

**CRISILs Criteria for rating short term debt** 

<u>Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support</u>

**CRISILs Criteria for Consolidation** 

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