November 16, 2022

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BSE Scrip Code: 532700/ Symbol: ENIL
Sub: Transcript of the investors' call

Dear Sir/ Madam,

Please find enclosed herewith the transcript of the Investors' Call / Earnings Conference Call– Q2FY2023, held on November 10, 2022.

Same has been uploaded at: https://www.enil.co.in/financials-investorp-fy2023.php

For **Entertainment Network (India) Limited**

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

Encl: a/a

"Entertainment Network India Limited Q2 FY23 and H1 FY22 Earnings Call"

November 10, 2022

MANAGEMENT: **MR. PRASHANT PANDAY – MANAGING DIRECTOR, ENTERTAINMENT NETWORK INDIA LIMITED**
MR. YATISH MEHRISHI – CHIEF EXECUTIVE OFFICER, ENTERTAINMENT NETWORK INDIA LIMITED
MR. NARAYANAN SUBRAMANIAN – EXECUTIVE DIRECTOR & GROUP CHIEF FINANCIAL OFFICER, ENTERTAINMENT NETWORK INDIA LIMITED
MR. SANJAY KUMAR BALLABH – HEAD (FINANCE), ENTERTAINMENT NETWORK INDIA LIMITED

Moderator: Ladies and gentlemen, Good day and welcome to Entertainment Network India Limited Q2 FY23 and H1 FY22 Earnings Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Runjhun Jain from EY IR. Thank you and over to you go ahead please.

Runjhun Jain: Thank you. Good evening everyone. Welcome to the Q2 and H1 FY23 Earnings Call of Entertainment Network India Limited. To take you through the results and answer your questions today we have this top management team from the company here represented by Mr. Prashant Panday – Managing Director, Mr. Yatish Mehrishi – CEO, Mr. Narayanan Subramanian is the Executive Director & Group CFO and Mr. Sanjay Kumar Ballabh – Head of Finance. The financial and presentation has already been uploaded on the website today. Should you need any further information you can reach out to us at EY IR team and we would be happy to send it over to you.

Before we proceed with the call a disclaimer please do note that anything said on this call during the course of introduction and in the documents which reflects the outlook towards the future or which should be constructed as a certain forward-looking statement. It must be view in conjunction with the risk that the company faces and may not be updated from time-to-time.

With that said, I will now hand over the call to Mr. Prashant Panday. Over to you, Sir.

Prashant Panday: Thank you Runjhun and welcome dear investors to this conference call.

First and foremost, let me introduce Yatish Mehrishi to you. He is our new Chief Executive Officer as recently stepped down to make way for Yatish to take over as the Chief Executive Officer. I will continue to remain the MD of the company for a certain period of time. This is a normal succession planning exercise that all listed companies go through, and this is part of that. That said, let me now share with you certain highlights of the results of the company.

First and foremost, I would like to make the point that we have had a very good quarter after two consecutive years of COVID infected quarters.

This is the first time that we are having a second quarter of the year which is without any impact of COVID and the results are there to see. We did revenues of Rs. 103 crore in the ENIL domestic business. This is 90% of our pre-pandemic levels, which shows how quickly the business is getting back to the pre-pandemic levels and from there on it should assume the trend line of the past again. If I were to do a like-to-like comparison from the pre-pandemic period of time because remember three years ago we also used to do the business of Ishq FM which is a television radio business. If I have to remove that because we surrendered that in that period of time, then we have actually hit 92% of our pre-pandemic revenues. So, I think this is a very strong recovery that we are seeing and remember this is just the first time that we have had a great quarter without the impact of COVID. Rs 103 crores also represents the 50% growth over the last year, but again because last year base was a low base. We are just getting out of the very dangerous delta variant of the COVID so therefore 50% growth over last year is to be seen in that perspective.

Now, talking about EBITDA. Now I am going to split up EBITDA into two parts which is the EBITDA without our digital platform, and I will then give you numbers of EBITDA with digital platform. I will of course talk about digital platform in a few minutes. Our EBITDA without digital platform impact was Rs. 25.5 crore. Now, this is remarkable thing that this is 93% of our pre-pandemic quarter which shows that not only have revenues recovered, but EBITDA has recovered as strongly or slightly more strongly as well and because we are a high operating leverage business you will recognize that our revenues rise, our EBITDA rises faster. So, on growth over last year basis this EBITDA of Rs 25.5 crore represents the 186% growth over last year. So, the very strong EBITDA level performance. Now, let me give you the EBITDA with our digital platform. So, as you know that in the digital platform, we are making investments on a quarterly basis. This quarter also we made an investment of Rs 5.8 crore being incurred a loss of Rs 5.8 crore on our digital platform. If I take the effect of this loss then my EBITDA overall with platform investment included is Rs. 19.8 crore. This is 72% of the pre-pandemic number and this represents the 122% growth over last year. The investments in digital platform are strategic in nature and they are meant to build the business of the company in the coming years as well as build the wealth for shareholders in the coming years. So, that is the reason why we continue to invest in our platforms.

Now, talking about the PBT levels the PBT without platform was Rs 6.2 crores and this represents the growth of 316% of the pre-pandemic number which is a strong number compared to the pre-pandemic numbers and if I have to look at last year the PBT was a loss of Rs 11.1 crores. Now, these numbers that I just gave you are without exceptional items, and I will talk about exceptional items a few minutes later so please bear with me.

Now, as you know one of the strong pillars of our strategy has been the solution business and the solution business continues to grow very handsomely. The revenues reported in this quarter were Rs. 27.1 crore which is flat versus the pre-pandemic quarter which means that I can see that as compared to the overall business the solution business is recovering faster in terms of revenue because it has achieved the same level as it was in the pre-pandemic quarter. This number of Rs 27.1 crore also represents a 64% growth over last year. Now, the good news about the solution business and we have been repeating it every quarter for the last few years is that the margins have been consistently improving. This quarter was no different. The EBITDA in this quarter was Rs. 10.9 crores represents the 40% EBITDA margin which is a very strong number as you will agree with you and this is 31% higher than the EBITDA in the pre-pandemic quarter when it was Rs. 8.3 crore. This EBITDA also represents the growth of 52% compared to last year.

So, again you will realize from the numbers I gave you about the core revenue business, the EBITDA margins, the PBT margins etcetera it has been a very strong quarter and it is my belief that going forward with COVID now well and truly behind us, the radio business is bound to grow very rapidly. One of the factors which is boosting the growth of the radio industry is the fact that the consumption of radio is becoming stronger and ever stronger inside cars because our research shows 85% of people who are driving cars listen to FM radio inside their cars. Now you know that these people are wealthy people, these people live in big cities and these people are actually the people who have monies and advertisers target these people. So, these are all very strong factors. Also, with offices reopening and with schools reopening you know that the traffic on the roads has gone up dramatically high. So, the time spent on FM radio is also increasing. Advertisers know this fact and that is why we see that advertisers are putting more money on radio and the results of this quarter bear that out.

Let me come to the digital side of the business now. Overall digital revenues that the company made either through directly digital inventory sale or through selling digital inventory selling as part of our solution business. We sold Rs. 7 crore worth of digital business which represents a growth over last year of 11% and a growth of 79% compared to the pre-pandemic period. Now, clearly the digital business is on an upswing and a 79% growth over pre-pandemic gives us confidence that this number will rise further. However, in terms of the total revenues of the quarter this was approximately 7% and this number is what we keep telling you is slated to grow to 25%. However, as I have mentioned in the annual report, we do not believe that this has risen to 25% only on the back of our current fleet of products and therefore we are adding new products in our digital portfolio every quarter.

This quarter we have added a very exciting product which we call M-Ping. M-Ping is basically an audio ad network. Now, what that means is that if there is an advertiser who wants to put audio ads out on any audio platform - be it a story platform, be it a music OTT or be it even news television website which accept audio feeds, the M-Ping audio network is the programmatic solution to audio advertising. So, basically this is a strong effort we have made at building the entire audio advertising space as far as digital publishers are concerned and this is a first-time serious effort being made in this country. We believe that in a Rs. 75,000 crore advertising industry in this country there is room for the audio advertising to grow and become several thousands of Rs. crore and the M-Ping platform is meant to capture a lot of that revenues. When the M-Ping revenue start coming in, is when our business will be pushed, our digital business will start going towards a 25% share of our total revenues. Please remember also that our digital platform, which is Mirchi Plus was launched on 1st July and it is doing exceptionally well in terms of the consumer acceptance, in terms of the monthly active users, in terms of the engagement time on the platform. We have not opened it up for advertising yet because we are concentrating on the user experience at this point in time, but at some point in time that also will start contributing to our revenue generation. So, all in all a very serious effort has been made on the digital side of the business.

One last point before I open up the call is on our international business. Now, the international business as we know is a business that we operate in 6 cities. These cities are basically New Jersey, Dallas and San Francisco in the US and Bahrain, Qatar and the UAE in the Middle East. Now we have had certain problems in our operations in San Francisco, we have also had a unprofitable run in Bahrain and while these businesses run out of our subsidiaries and the losses that have been incurred by these subsidiaries over the last few years has been captured in the accounts of the subsidiaries and therefore has been captured in the consolidated accounts of ENIL, we had not taken any impairment in the main ENIL books which is the ENIL books of India itself. This quarter in line with accounting prudence we have decided to take an impairment on account of our San Francisco and on account of our Bahrain business in our India books. Please remember on a consolidated business it makes no difference because these losses were already captured in the subsidiaries there is nothing new that we are reporting under this head, but also there is a certain amount of money that we are reporting under the owners contract principle because there is a contract in some international markets which we believe could result in losses coming our way and we have made a provision for that under exceptional item. At the right point of time, we will give details of this owner's contract. At this point in time because of the sensitivity of the nature of the matter we are not giving the details of that particular thing.

So, overall to summarize a great quarter, great solution business results strong product addition and traction in the digital business and then the international business where we have taken the impairment that the books are cleaned up. We have also changed our strategy and we are chasing only brand and content licensing strategies so that they cut all the risks of operations from the foreign operations of ours. So, in FY24 onwards we should see profitable international operations. That is the summary of the quarters numbers and I would like to open up the call to our investors.

Moderator: Thank you sir. We will now begin the question-and-answer session. We have a first question from the line of Sumit Rathi from Axis Securities. Please go ahead.

Sumit Rathi: I had two questions sir one on quarter-on-quarter basis our digital products revenue it seems we did a bit that lower, so what could be the trajectory on quarter-on-quarter basis from the revenue from digital products, if you can give us some highlights and second is on the overall market at the Quarter 3 and the Quarter 4 if you can give some commentary on like how are we seeing because for Quarter 3 October month has already been gone, so how are you seeing the business activity on the ground and especially in the solution business are we seeing any encouraging size?

Prashant Panday: Let me take your second part of the question like I mentioned the second quarter results were strong because there was no impact of COVID and you will agree with me in the second half of the year, I think we can safely assume that now the impact of COVID has gone if this continues then I think you can see in the markets there is heavy shopping happening, there is a lot of consumer demand for all kinds of consumer products. We are also seeing the impact of that on our business, the positive impact of that on our business. So, I would like to believe that the second half of the year will be far stronger than the first half of the year has been and traditionally also the second half of the year is stronger because of festivals and because it is anyway in the media and entertainment business have stronger half. So, that is the part to your second question. On the digital share you are right that the number was higher in the first quarter, but this will keep happening quarter by quarter in fact media business is never evaluated on a quarter-by-quarter basis because of seasonality and other factors. So, a media business is always evaluated on a year-on-year the same quarter on a year-on-year basis that I mentioned that the growth over last year is 11% and 79% higher than the pre-pandemic quarter.

Sumit Rathi: Just a follow up on this, so with respect to year-on-year basis our perspective of achieving 25% digital product of our overall revenue by 2025 which stands by that or there is any change in the guidelines towards that?

Prashant Panday: First we do not give any guidance for the future as a company. Secondly what we have indicated as 25% is an indication and yes we are standing by that indication like I mentioned to you and like I wrote in the annual report of last year we believe that our current products would not take us to 25%. So, we launched our platform which have huge potential and now we have launched the audio ad network which is M-Ping between all of these we believe that yes we should be able to hit our 25% target.

Moderator: Thank you. We have a next question is from the line of Subrata Sarkar from Mount Intra Finance Private Limited.

Subrata Sarkar: Two questions - first one information like in our radio business when is the next renewal like what is the period for which we have these rights and then when it need to be renewed. Please let me update and explain this a little bit in detail and second question is on the capital allocation part like now we have a radio business which is now coming into profitability and we will throw a cash flow from that, so what is our strategy regarding digital expenditure like what is our strategy like we want to utilize only this cash flow to build up digital business or we want to use our cash reserve means how aggressive we are in terms of like how much we want to spent on a strategy level on the digital business on a yearly basis and third is like?

Prashant Panday: Subrata I will answer the second part of the question first and I would like to mention to all the investors who are present on the call you might have seen the stock exchange notification we sent out a few days ago. We have made our first strategic investment in a company called Spardha. Spardha is into online music education. Now, you will appreciate that this is an area which connects very strongly with Mirchi core business because it is music, it connects with youngsters who wants to learn music, it has a global scale, global footprint and it is a technology company with the consumer facing interface. So, all of this is very strong areas of interest for Mirchi, but there are certain businesses that we do not want to operate directly ourselves because really sometimes it is better to ride on the passion of external promoters and with Spardha that is exactly what we are doing. Now, we have a strategy and we have mentioned this in our earlier calls to make other similar strategic investments in the coming years and the cash reserve that we have got some of it will be deployed towards strategic investments in of this nature as we said of Spardha. Most of that plan is to invest using our internal accruals and like I mentioned a lot of the money that we have generated will be used for this investment. Now on the first question of your license period Sanjay.

Sanjay Kumar Ballabh: So, Subrata you asked about us what is the license period still pending for the stations where we operate. So, as you know we have total 73 stations and so far in the first 35 stations we are exactly at the midpoint. So, basically, we have 7.5 years still to go. For Batch 1 stations we have only elapsed approximately 6 years, so 9 years more to go and in case of the Batch 2 stations we have elapsed only 4 years so about 11 years to go. So, this is plus minus one or two months because not necessarily all the stations got operationalized in the same month.

Subrata Sarkar: So, last question again on the digital side if you would please explain a little bit like how we are trying to monitor it like getting in YouTube or in other areas getting view like obviously that is very important, but now what is our strategy on with this initial surface like how you want to monetize it basically?

Prashant Panday: Yes, I have again explained this in earlier conference call, but I will do it again. On the platform there are many ways of monetizing. For instance, one of the ways of monetizing is that you can build a subscription product and while subscription products are relatively less popular right now in India, that ecosystem is changing very rapidly. You may have heard the number that on video OTT platforms there are close to 100 million subscribers now. So, if you provide the right content then you can build the subscriber base and that will be our attempt with our Mirchi Plus platform as well, but more importantly on international markets, subscription is a proven model, it is a big mode and it is a revenue generating model. So, that is certainly one of the thing that we are considering. But there is also advertising that we will take on our podcast platform. Now, it is not easy to get advertising on podcast on audio story platforms, but our solutions business that we run in which we give solutions to our advertisers one of the pieces of the solution can well be our Mirchi plus platform and that way we can generate more revenues for Mirchi plus that is a second piece. There are many other innovative ways of which you can generate revenues on audio platform which includes things like dipping or which includes things like using IPs across media platforms and so on and so forth. So, all of those are on the table, but remember that we also have launched M-Ping now an M-Ping is a huge opportunity and we are early birds in this game and we really ourselves with audio experts having 10,000 client relationships and now with programmatic we can literally reach much more than that. So, that will be a big contributor and then of course there is revenue that comes from public platforms like YouTube and Facebook and all of the others. All of these put together is what will make up the 25% digital contribution.

Subrata Sarkar: One small clarification when say like where we can achieve this. Any strategic target not a particular timeframe I am talking about, but I think some clarification on that?

Prashant Panday: Sorry I did not hear you; you are talking about when we can hit the 25% numbers?

Subrata Sarkar: Yes.

Prashant Panday: Well, we have indicated to you approximately FY25 kind of a number, so we are holding that number. Remember it is not a guidance be very clear about it these are just indications.

Subrata Sarkar: So, as of now like indication by FY25 we can be near to that ballpark?

Prashant Panday: That is right.

Moderator: Thank you. We have the next question from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

Chetan Thacker: So, the question is largely on pricing so we have seen volume bounce back very rapidly on radio, what is your outlook on pricing next year?

Prashant Panday: Sanjay will give you the details on the pricing in a minute, but the outlook on pricing is that it will improve from the place that we are at right now. Remember compared to pre-pandemic level we are at approximately 35%, 37% down in pricing, the growth has been volume led, but going forward as the market becomes more busy there is more advertising volume. It is a natural principle of economics that the pricing will start to pick up from here. However, in previous calls I have also mentioned that it will take several years before the pricing goes back to pre-pandemic levels. In fact, it is possible that the pricing may not go to pre-pandemic levels at all or it may permanently get reset to maybe a minus 10% or minus 15% kind of a level. However, given the fact that the volumes will remain far stronger than pre-pandemic, I think it does not mean that the revenues will not be growing. In fact, we are buoyant that radio revenues will also continue to grow.

Sanjay Kumar Ballabh: Chetan if I just quote the numbers as Prashant has said the degrowth in the effective price in the current quarter we have seen compared to same period in FY20 is about 38.5% and if you ask about the absolute number we were operating something around Rs. 16,000 as effective rate in Q2 FY20 which is now approximately around Rs 9,900 in the current quarter that is what we have seen.

Chetan Thacker: So, this clearly should approximately start from next year onwards or have we taken any pricing actions so far or is there any push to gradually getting pricing higher because you have a leaders right now, so just wanted to get a sense on that?

Prashant Panday: Well, the pricing in this quarter has been flat compared to last year which is a good sign because from a place where it was dropping it has achieved stability. Now, in the next 6 months which is the busy quarter and the festival quarter we can certainly hope that the pricing will start to lift, but the pricing will lift only when the volumes have built up even more stronger and therefore I think that we will probably take another four quarters basically the next year season is when the price recovery should happen in right earnest.

Chetan Thacker: And sir in terms of impairment we have taken whatever we had to now there should not be any other impairments in any of the subsidiaries that all has happened, that will be a fair understanding?

Sanjay Kumar Ballabh: I would like to take this question and I would dissect it in two parts. As far as our domestic operations are concerned you know that in Q4 FY21 we had already taken a heat of about Rs 97 crore because of the domestic headwinds and various COVID-related complications appearing that point of time. However, I must tell you that sitting in the results on Q2 FY23 we the management team of ENIL we do not foresee at least in the near future for any kind of impairment for the domestic operations or any part of it. Coming to the international operations as Prashant has told categorically there were certain situations in US and Bahrain that we are seeing lot of different kinds of headwinds that includes I would say abnormal inflation in the country of US along with to combat that the increase of FED rate etcetera. Now, because of the combination of all those impacts, it was only prudent and on a very I would say transparent basis the management thought that we should take the impairment by complying with the relevant accounting standards already invoke. Therefore, in the current scenario looking at my overseas operations currently whatever we needed we have taken that and we have also taken a heat of by way of providing the cost of onerous contract. Currently, we do not think there is any other reason to comment anything more than that in terms of impairment or any other contract becoming onerous.

Chetan Thacker:` And last question is on capital allocation we will obviously start to incrementally generate cash flow and there is reserve on the balance sheet, so any thoughts to take it to the board as to what we intend to do in terms of extra surplus which is sitting there?

Prashant Panday: Chetan again this is a question we have answered in earlier conference calls. So, one part of the cash is going to be used for strategic investments of the type that Spardha is. Another we have to always keep a certain amount of corpus as reserve corpus in case any other COVID like situation were to come up again and third part of course which is of interest to investors is about the dividend that we pay that matter is before the board and at the right time the board will decide on how to distribute the accrued earnings. So, at this point in time we do not have anything to report on that.

Chetan Thacker: And sir last question is on Spardha if you can throw some light on what is the revenue model there, how scalable is that opportunity where you have invested?

Sanjay Kumar Ballabh: On Spardha you are saying right.

Chetan Thacker: Yes on Spardha?

Sanjay Kumar Ballabh: As Prashant has already clarified, Spardha Learning Private Limited is an online music teaching portal, but I would like to clarify one more point and I hope that will give you clarity in this regard. Spardha is not like Byju's kind of an online EdTech product rather it is a PassionTech product and the target (TG) of that company is not the school going kids only, their TG actually starts from 16 to 36. So, if you and I could not learn guitar or sitar or Karnataka or any kind of vocal or Bharatanatyam or dance or drama or anything which is our passion. We believe that is our passion and for whatever reason we could not pursue that when we are young or younger that we can do if we go into the Spardha portal. I would suggest and request you go there and you will find out that it offers you an experience of learning your passions in this fields by getting the education online on a one-on-one basis. Again, unlike Byju's these are not recorded classes this is based on your experience level whatever you want to learn they will teach you on one-on-one. Of course, the major question is whether it is scalable or not of course it is scalable. We are seeing a lot of students renewal from Indian diaspora based out of the North American geography and the number they are getting is really very encouraging and in India they have just started spreading into other states in addition to Maharashtra and Gujarat right now. Also, the future planning I can tell you they would like to spread their business in Middle East and South East Asia.

Moderator: Thank you. We have a question from the line of Sumit Rathi from Axis Securities. Please go ahead.

Sumit Rathi: What was the revenue from radio our core radio business if you can give me the figure I might have missed when you are giving the first understanding of numbers?

Sanjay Kumar Ballabh: I hope you are asking for the current quarter number?

Sumit Rathi: Yes the current quarter radio number revenue number?

Sanjay Kumar Ballabh: Rs 75.2 crore.

Moderator: Thank you. We have a question from the line of Naveen Kulkarni from Axis Securities. Please go ahead.

Naveen Kulkarni: During the pandemic period we had made certain changes in the cost structure the resulting savings that who are quite significant and post that the digital initiative was started probably the run rate was in the range of around 5 crores to 6 crores on every quarter basis, so right now what the savings that we had or the changes in the cost structure how much of that we are still able to sustain because the profit numbers somehow do not indicate any kind of savings that we are able to retain. Most of the saving seem to be again back invested in the business, is my reading correct or is it the revenue growth, what exactly is missing in the picture?

Prashant Panday: So, you are very right that in the year FY21 we took significant cost initiative and we reduced our operating cost by as much as Rs. 90 crores in the full year. Now in the second year, that is FY22 of the pandemic we were able to retain and hold on to most of the savings I think we would have probably saved about Rs 80 crore or thereabout in FY22 compared to pre-pandemic. Now, we had also mentioned that we planned even as the business grows and as we start adding back people and marketing and other such spending we will keep a tight grip on our cost structure. It is our plan that we would like to hold on to at least about Rs. 40 odd crores in savings from our pre-pandemic period of time and we are well on track of that particular thing. In this particular quarter the savings have been 7.5% compared to Quarter 2 of FY20. So, yes that is the objective and that is the idea and if we can do that it basically means that even before we hit our revenue parity with pre-pandemic we will hit our EBITDA parity with the pre-pandemic numbers.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Prashant for closing comments. Over to you, Sir.

Prashant Panday: Thank you very much and thank you dear investors for attending this call. As I mentioned at the beginning of the call you would now like to interact with Mr. Yatish Mehrishi who takes over as Chief Executive Officer from the next conference call. So, please join me in welcoming him and see you next time. Have a good day. Thank you very much.

Moderator: Thank you. On behalf of Entertainment Network India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.