

entertainment network (India) limited

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January 19, 2017

BSE Limited,
Corporate Relationship Dept.,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

National Stock Exchange of India Limited,
Exchange Plaza, Bandra Kurla Complex,
Bandra- (East),
Mumbai – 400 051.

BSE Scrip Code: 532700/ Symbol: ENIL

Dear Sirs,

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

Total Bank Loan Facilities Rated	Rs. 50 Crore
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)

Rs. 50 Crore Non Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)
Rs. 400 Crore Commercial Paper (Enhanced from Rs. 300 crore)	CRISIL A1+ (Reaffirmed)

The rating rationale issued by CRISIL is attached.

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
SVP - Compliance
& Company Secretary
(FCS no- F5839)

Encl: as above

Ratings

Rating Rationale

January 18, 2017 | Mumbai

Entertainment Network (India) Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)
Rs.50 Crore Non Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)
Rs.400 Crore Commercial Paper (Enhanced from Rs.300 crore)	CRISIL A1+ (Reaffirmed)

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed the rating on Entertainment Network (India) Ltd's (ENIL's) bank facilities and debt programmes at 'CRISIL AA+/Stable/CRISIL A1+'.

The ratings continue to reflect ENIL's market leadership in the FM radio broadcasting industry, healthy operating efficiency, and a strong financial risk profile. The rating also factors in a strong parent, Bennett Coleman and Company Limited (BCCL; rated 'CRISIL AAA/Stable'). These rating strengths are partially offset by the company's significant dependence on advertisement revenue and its exposure to competition in the radio industry.

Key Rating Drivers & Detailed Description

Strengths

* Healthy business risk profile marked by market leadership position and healthy operating efficiencies

ENIL is the market leader, in terms of revenue as well as inventory sold, in the Indian FM radio broadcasting industry. ENIL's flagship channel *Radio Mirchi* has strong brand equity, which is reflected in the premium the company charges on average advertisement rates over other FM radio players. Topline growth was healthy at 14% year-on-year in fiscal 2016 driven primarily by improvement in the advertisement rates and solution based sales approach. In the first six months of fiscal 2017, topline increased by 10 per cent over the corresponding period in the previous year.

Healthy operating efficiency is indicated by an above-average operating margin, high return on capital employed (RoCE), and a diversified customer base. For fiscal 2016, profitability was subdued on account of a one-time Phase III-related marketing expenses and lower treasury income. Operating margin declined to 29.2% in fiscal 2016 from 31.4% in fiscal 2015, and profit after tax (PAT) to 20.3% from 23.1%. In the first six months of fiscal 2017, operating margin and PAT margin were 21.7% and 10.4%, respectively.

New channels are expected to achieve break-even over the next 12-18 months after which profitability is expected to improve in line with historical levels. RoCE, which declined to 15.8% in fiscal 2016 from 21.9% in fiscal 2015 due to Phase III capital expenditure (capex), is also expected to improve post break-even.

Top 10 customers account for a little over 10% of total revenue, reflecting a diversified customer base. CRISIL believes ENIL will maintain a strong business risk profile over the medium term, driven by a robust market position and healthy operating efficiency.

* Strong financial risk profile

The financial risk profile is strong because of a large net worth, comfortable capital structure, and ample liquidity. In September 2015, 17 new channels were acquired in Batch 1 of Phase III auctions and the existing 32 channels were migrated to the Phase III regime, with cumulative capex of Rs.7 billion in migration fee and net one-time entry fee. The capex was funded through issuance of commercial paper worth Rs.270 crore, internal accruals, and existing liquid balances. Additional capex of around Rs 150-200 crore annually is estimated for new and existing channels over the next three years.

As on September 30, 2016, gearing was 0.31 time, and cash and equivalents of Rs 250 crore. Despite its capex plans, ENIL's financial risk profile will be supported by strong cash generation ability (over Rs 100 crore per annum), conservative gearing, and comfortable debt protection metrics. CRISIL believes the strong financial risk profile will be maintained over the medium term.

* Strong parent, BCCL, and ENIL's strategic importance to it

ENIL continues to benefit from its strong parent, Bennett Coleman and Company Ltd (BCCL; rated 'CRISIL AAA/Stable'). BCCL holds a 71% stake in ENIL. ENIL is strategically important to BCCL, giving the latter a presence across all media platforms and an offering of a bouquet of media advertising options. ENIL itself derives significant operational synergies through BCCL's dominant market position. CRISIL believes BCCL will provide timely and need-based support to ENIL over the medium

term.

Weakness

* Significant dependence on advertisement revenue and exposure to competition in radio industry

ENIL's topline is significantly dependent on advertisement income ' over 70% of airtime sales in fiscal 2016 were due to advertisements. However, radio as a media channel accounts for only 5% of total advertising spend (television, print, out-of-home [OOH] media, and digital account for the remainder); hence, the company remains exposed to significant revenue concentration risk. ENIL also operates in a competitive industry ' there are more than 35 radio operators with 240 radio stations in India presently. Government has plans to rollout 966 additional frequencies (of which 135 were auctioned in the first batch of Phase III auctions and 266 channels in the second batch) in the Phase III. However, players such as ENIL, with a dominant market position and high advertisement volumes, in terms of inventory seconds sold, can afford to be flexible about advertising rates with minimal impact on profitability.

Outlook: Stable

CRISIL believes ENIL will continue to benefit over the medium term from its market leadership and strong operating efficiency. The company is also likely to maintain a healthy financial risk profile over this period driven by prudent capital structure and strong cash accrual. The outlook may be revised to 'Positive' in case of a significant increase in scale of operations through strong and sustained growth in revenue and improvement in profitability along with diversification of the business profile. The outlook may be revised to 'Negative' in case of higher-than-expected capex or acquisition, leading to weakening of the capital structure. A downward revision in rating outlook on BCCL may also lead to a similar revision in the rating outlook on ENIL.

About the Company

ENIL, incorporated in June 1999, operates FM radio across 16 states with 43 stations under the brand, *Radio Mirchi*. It is a 71% subsidiary of BCCL and is listed on the National Stock Exchange and Bombay Stock Exchange.

For fiscal 2016, ENIL reported profit after tax (PAT) of Rs 100 crore on operating income of Rs 493 crore as against PAT of Rs 106 crore on operating income of Rs 433 crore for the previous year. For the first six months of fiscal 2017, the company reported PAT of Rs 25 crore on operating income of Rs 240 crore and Rs 25 crore as against PAT of Rs 56 crore on operating income of Rs 218 crore for the same period in the previous year.

About BCCL

BCCL, the flagship company of the largest media conglomerate in India, the Times group, is a family-owned business, with the majority equity stake held by the Jain family (Mrs. Indu Jain, her sons Mr. Samir Jain and Mr. Vineet Jain, and their families). BCCL, incorporated in 1913, 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.

On a standalone basis, PAT was Rs 1,110 crore on operating income of Rs 6,370 crore in fiscal 2016, against PAT of Rs 1,186 billion on operating income of Rs 6,354 crore in fiscal 2015.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Non-Convertible Debentures	Not yet placed	NA	NA	50	CRISIL AA+/Stable
NA	Commercial Paper	NA	NA	7 - 365 days	400	CRISIL A1+
NA	Proposed Rupee Term Loan	NA	NA	NA	50	CRISIL AA+/Stable

1 crore = 10 million

Annexure - Rating History for last 3 Years

Instrument	Current			2017 (History)		2016		2015		2014		Beginning
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Commercial Paper	ST	400	CRISIL A1+		No Rating Change		No Rating Change	16-06-15	CRISIL A1+		-	-
Fund-based Bank Facilities	LT/ST	50	CRISIL AA+/Stable		No Rating Change	04-07-16	CRISIL AA+/Stable	16-06-15	CRISIL AA+/Stable/ CRISIL A1+		-	-
Non Convertible Debentures	LT	50	CRISIL AA+/Stable		No Rating Change		No Rating Change	16-06-15	CRISIL AA+/Stable		-	-

Annexure - Details of various bank facilities

Current facilities	Previous facilities

Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Proposed Rupee Term Loan	50	CRISIL AA+/Stable	Proposed Rupee Term Loan	50	CRISIL AA+/Stable
Total	50	–	Total	50	–

1 crore = 10 million

Links to related criteria[CRISILs Approach to Financial Ratios](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)[Rating criteria for manufacturing and service sector companies](#)[CRISILs Criteria for Consolidation](#)[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)**For further information contact:**

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Last updated: April 2016

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