February 8, 2023

BSE Limited, Rotunda Building, P. J. Towers, Dalal Street, Fort, Mumbai- 400001	**National Stock Exchange of India Limited,** Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400051

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– Q3FY2023, held on February 2, 2023.

The 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 Q3 FY '23 Earnings Conference Call"

February 02, 2023

MANAGEMENT: **MR. NANDAN SRINATH – EXECUTIVE PRESIDENT – ENTERTAINMENT NETWORK INDIA LIMITED**
MR. SANJAY BALLABH – EXECUTIVE VICE PRESIDENT, FINANCE –ENTERTAINMENT NETWORK INDIA LIMITED
MR. YATISH MEHRISHI – CHIEF EXECUTIVE OFFICER – ENTERTAINMENT NETWORK INDIA LIMITED

MODERATOR: **MS. RUNJHUN JAIN – EY INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day, and welcome to Entertainment Network (India) Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participants' 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 star and zero, on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Runjhun Jain from EY Investor Relations. Thank you, and over to you, Runjhun.

Runjhun Jain Thank you, Tanvi. Good evening, everyone. Welcome to the Q3 and 9M FY '23 Earnings Call of Entertainment Network (India) Limited. To take you through the results and answer your questions today we have management team from the company, represented by Mr. Nandan Srinath, Executive President; Mr. Sanjay Ballabh, EVP, Finance. Mr. Yatish Mehrishi, CEO, is unable to join the call as he had a last-minute family emergency.

The financial presentation has already been uploaded on the company's website. 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 construed as a certain forward-looking statement, must be viewed in conjunction with the risk that the company faces and may not be updated from time to time.

Having said that, I will now hand over the call to Mr. Nandan. Over to you, sir.

Nandan Srinath: Good evening, everybody. On behalf of Entertainment Network (India) Limited, I welcome you all to our Q3 and 9M FY '23 earnings call, and a Happy New Year to each one of you.

Today on this call, like it was explained just now by Runjhun, I'm representing Yatish Mehrishi, the incoming CEO of ENIL, who had to depart suddenly to attend to a family emergency. Yatish will introduce himself to you on the next quarterly earnings call. This is also an opportune time on behalf of the Chairman and Board of Directors of ENIL to acknowledge the contribution of Mr. Prashant Panday. Many of you are familiar with him. He is the former MD and CEO, and his contribution to Mirchi and to the company over the last two decades is appreciated and on record. Prashant stepped down from his position at the end of January 2023, two days ago.

Moving on to the quarter gone by. The first narrative is that the entire media industry has faced very strong headwind during Q3, which is normally the festive quarter and that has impacted overall ad spends in the Indian economy. The global fear of recession and instances of high inflation facing the consumer have affected the mood of the advertisers and made the market slightly cautious. This has resulted in subdued advertising spends and a slowdown across all mediums, be it television, print or even digital.

Digital continues to grow. However, the growth in this quarter has been extremely muted relative to the previous quarter and to the quarter one year ago. Inside the radio industry, ad volumes have remained very muted, but our business has proved to be resilient once again and has not only shown decent growth but supported the overall radio industry.

To give you that in perspective, the ad volumes of the radio industry grew by 0.5% in this quarter over the previous year. But if you exclude ENIL's performance, then the industry would have declined by 3.7% on volumes instead. So, we are the difference between -3.7% and +0.5% on ad volumes.

If you see ENIL's numbers, we demonstrated a steady performance with standalone revenues growing by 17.6% to INR 116.3 crores. Moreover, radio volumes grew by 15.7%, and this is one of the highest volume growth reported in the radio industry. Being the market leader, we continue to grow higher than the industry, and our performance in volumes speaks about our leadership in this business. Due to this healthy volume growth, our capacity utilization also improved dramatically to 76.4% from 66.0% of the corresponding quarter last year. There has been an improvement across all verticals of our business.

As you know, we look at our business in three vectors, which is radio, solutions and digital. So talking about the solutions business, we continue to grow at healthy levels. During this quarter, solutions grew at 44% to INR 31 crores, led by higher on-ground activities.

On-ground activities, as you know, come at a cost, despite the higher salience of on-ground activities. We continue to deliver strong EBITDA margin of 41%, which is in line with our earlier commitments of maintaining strong margins in this segment. We believe these margins will stay sustainable in the future as well.

Turning your attention to the digital segment of our business. Revenue for the quarter was INR 7.9 crores, almost 10% of our radio revenues. We continue to focus on growing this and invested INR 6.1 crores during the quarter. These investments are strategic in nature, and we believe they are essential for the next leg of your company's growth. The digital piece is expected to grow faster than the company's average growth and our aspiration is that it will form a quarter of the company's revenues in a few years' time.

EBITDA without digital for the quarter is at INR 32.5 crores translating to 28.4% EBITDA margin despite higher expenses in solutions business segment and the continued investments in the digital space. Being an upfront capex-heavy business, ENIL has strong leverage benefits in the due course, and this is what ultimately help us improve and maintain our EBITDA margins. Our standalone PAT, excluding the effect of digital investments, is now at par with pre-COVID levels.

Coming to our international business. We have been rationalizing our operations and have been focusing on driving overall profitability. While we have closed our station in San Francisco, we are in talks with relevant authorities in Bahrain to re-negotiate our contract terms to make our operations more viable. Besides these two markets, we remain very confident of all our other international businesses in New Jersey, Dallas, the UAE and Qatar, which are currently in the paths to growth and are independently profitable. Overall, we are encouraged by the fact that our international business reached breakeven during this quarter.

Our balance sheet too remains strong. Our cash reserves were at INR 227 crores as of 31st of December 2022.

In summary, ENIL has delivered well ahead of its peers across the radio, print and TV industry, in the third quarter. We are satisfied with the improved volume traction in our radio business and our solutions and digital businesses are tracking as per plan. And the company continues to invest in the digital arena to strengthen its future.

With this, we conclude our commentary on the performance. And I thank you for joining in and listening to me patiently. We can now request the moderator to move towards the Q&A.

Moderator: The first question is from the line of Utkarsh Maheshwari from Reliance General Insurance.

Utkarsh Maheshwari: Could you just highlight about the operating expenditure, I mean, the kind of rise what we have seen, how much it could be like sustainable portion? And how do we see it plateauing from current levels? Because I believe, as you have seen that the utilization levels have moved up. But despite that, the operating leverage has not kicked in. So what is our time frame? When do we believe that this operating expenditures should come down as a percentage of revenue?

Nandan Srinath: Actually, on operating expenditure, I just want to bring your perspective back a few years. In the same quarter in FY '20, which was the pre-COVID period, our expenditure was INR 81.9 crores, so let's say, INR 82 crores. That dropped to INR 60.9 crores in FY '22 in the same quarter. And at that time, we had explained to you that while we made dramatic cuts. Over a period of time, half of the cuts that we've made will come back into the ecosystem. So our operating expenditure at this time is INR 70 crores, right? So from INR 82 crores in the corresponding period pre-COVID, we are down to INR 70 crores, roughly. So there is a very strong continued focus on reducing expenditure, in our business.

The results that you're seeing currently and what you're referring to, is slight weakness in the radio volumes and marketplace itself. So we have, of course, performed very well on volumes. But our price traction is yet to emerge back. As we start to do well on both pricing and volumes, you will find that the float improves significantly.

Utkarsh Maheshwari: So I mean what could be our realization if you want to help out with the number? I mean, you used to say that per 10 second as a number, where are we standing right now? .

Nandan Srinath: On a per 10 second basis on 35 stations, we are at about INR 6,300 on per 10 stations on our premium stations, which are a 35-station network. And overall, for all frequencies, that number stands at INR 9,700. There has been a decline of 7% on that over the last year and that is partly the reason that you are seeing the float, the margin between cost and revenue being narrower. So we need to certainly grow our radio revenues far higher than where we are right now.

Utkarsh Maheshwari: Yes. Because I think as a proportion, if we are not growing faster then, probably it may not shoot up because the solution business is relatively on a, I think it's a decent margin, right? The solution business?

Nandan Srinath: Yes. I told you that the solutions business we delivered at 40.2%.

Utkarsh Maheshwari: So I mean, do we anticipate sort of a price hike and all? I mean, how is the environment looking, going forward? And probably what could be our aim to take a price hike as such in the near future?

Nandan Srinath: No. See, in the near future, we don't expect anything much to change on the pricing aspect. Like I told you, the industry is very muted. And the fact that ENIL has gone out and taken a lion's share of the volume growth in the industry, means that there are certain compromises drawn on price. That situation we expect, and we are effectively being extremely nimble in terms of pricing. When the volume comes back to the industry, we will be able to grow prices back to this level.

But till industry volumes stay under pressure, it is prudent to drop your prices to make sure at least you are picking up all of the volume that is available in the industry. I'm not saying that is going to be the case this year as well. But traditionally, it is when the season is on to us in the media industry then pricing tends to firm up a bit, which will typically happen in the August to October period of 2023, prior to the Diwali season setting in.

This year, as you know, there is a lot of pressure expected in the media industry as a result of the Cricket World Cup also, simultaneously, happening at the same period. Two countervailing things will happen. One, a lot of the advertising revenue will move towards cricket, but that will also mean that there will be a lot of advertisers not able to afford cricket, and that spillover will fall into the radio industry quite significantly. So we do expect an opportunity to correct prices in the period leading up to Diwali of 2023.

Utkarsh Maheshwari: And just last question. If you can just give out some color towards how different sectors are performing for us in terms of advertising revenues?

Nandan Srinath: You mean in terms of the verticals?

Utkarsh Maheshwari: Yes, verticals. Different categories of -- I mean, when you say how the real estate is doing, how the other categories and all that way.

Nandan Srinath: See, it's a long list, but let me give you what's really significant...

Utkarsh Maheshwari: What is working and what is not working, I think that should be better off.

Nandan Srinath: Yes. The three sectors that account for almost 30%-31%, almost the third of the radio industry are automobile, FMCG and media and entertainment. All of these three sectors have grown fairly handsomely for the company in this quarter.

Automobile is up 43%, FMCG is up 4%, and media and entertainment is up 44%. So these are the bright spots. The places where there is a slight degree of tenderness is in the space, in the banking, financial, insurance space, which is negative by 15% and government, which is negative by 25%. And government, as you know, has been cycling negative for a while as well. Real estate is another important category, and that has also performed reasonably well for us, growing at 22%.

Moderator: The next question is from the line of with Sumit Rathi from Axis Securities.

Sumit Rathi: Thank you for a decent set of numbers. Just wanted to ask a couple of questions. First, now after a long wait, now profit is there. And you said that without digital, the profit would have been around INR 10 crores at the PAT level. But it seems that the digital revenue is not picking up so well, given your commentary on digital side.

So, are we in line with our expectations of making digital as a significant number of our overall revenue, like around 13% to 15% by FY '25? How are we doing over there? Otherwise, what is the backup plan, because it would keep hampering the profit, if it doesn't become a significant portion of our business?

Nandan Srinath: Yes. It's a good question, and I think other people will also benefit, and I'm sure there are other people asking the same question. So the first thing that I need to explain to you is how we classify digital right now.

Erstwhile, till now, the digital income of the company is built around a digital content strategy. To give you a very substantial example so that you understand. Let's say, there is a show that we did in the last quarter with Gauri Khan, who is Shahrukh Khan's wife and is a interior designer and so on. So we did a show with her, a video show with her, where she was doing home makeovers of various celebrities. This was entirely funded by ENIL. And our monetization came via advertisers' interest on this show. The show was mounted on YouTube because we are not a TV company. So we have mounted that show on YouTube and we made a reasonable profit on that show. This is typically what we classify as digital income because that show is produced entirely for digital consumption and mounted on digital platforms.

The difference between that and where we are headed is our own platform. So the investments that we are making that I was talking to you earlier about the INR 6 crores odd that we have invested in the quarter and about the INR 25 crores to INR 30 crores that we invest per year in the digital ecosystem is to build our own platform rather than continuing to be reliant on YouTube and Facebook and Instagram and so on and so forth. So most companies tend to rely on these third-party websites and platforms. We are also attempting to build our own platform, which is called Mirchi Plus.

Now as you know, in the digital ecosystem, the investments come first and there is always a lag in terms of when you find success. For us, what we are tracking right now is what is our monthly active user base, what is our daily active user base, how are we tracking on engagement, how much time are people spending on our platform, what is the cost of acquiring new customers.

These are very standard digital end metrics that you would be familiar with. We are tracking those.

And I think in the first or second quarter of the coming fiscal, we will open ourselves up to doing advertising sales directly on our platform. Today, we don't have the robustness of the numbers that allow us to make large amount of digital revenues on our platform. But that journey will start in the coming quarter. Remember, we launched our digital platform only on the 1st of July 2022. So it is not very far away ago that we launched our platform. And within three or four quarters of that, we should start seeing monetizable effect of that platform. I hope that answers your question.

Sumit Rathi: Yes, sir. So yes, that's good. So we can see the positive impact of our digital platform coming maybe probably Q2 FY '24 or quarter from afterwards from that…?

Nandan Srinath: Yes, I don't want to leave the impression that it's going to be fabulous starting the first or second quarter of next year. Digital revenues, typically, as you find success and as your numbers grow, they start to grow like a hockey stick. So this is patient capital. The difference between us and another startup is that we have the patient capital that we are deploying in building our own strength for the future as opposed to being under VC pressure and trying to pump up the numbers every quarter by spending a lot of money in marketing that gets wasted.

So we are trying to grow organically, slowly. But in that journey, we will end up being far more financially prudent than if we were spending a lot of money acquiring customers and throwing freebies at potential users.

Sumit Rathi: Makes sense, sir. And on the volume front in radio business, since we have done fantastically well as compared to the overall industry, are these volumes sustainable? How do we see for the volumes to be like in the coming few quarters?

Nandan Srinath: I think the volume story will certainly play out in this coming quarter. I think the amount of consumer confidence that we are seeing and with the budget having passed yesterday, hoping to put more disposable income in the hands of the common man. That has to translate into better end consumer economic action in the country, which bodes very well for the advertising industry per se.

So we do expect that many, many sectors, which have been slightly wary of advertising and generally expenditure in cost-cutting mode over the last quarter, things will certainly start to improve in the next two quarters' time.

Now of course, I did start by telling you that we are facing the headwinds of the global recession as well as inflationary pressures in the consumer environment. We have been seeing that, but we believe that partly what the budget has done yesterday, should be able to change the inflection of that.

As far as radio is concerned, I think there is still some headroom. We told you that our capacity utilization has gone to the mid-70% levels at this time. That still leaves a lot of headroom for us to navigate and to press the market for more volume. But we want to be careful and not let pricing slip too much in the search for volumes, but the headroom certainly exists.

Sumit Rathi: And sir, just a bookkeeping question, standalone radio revenue was -- I might have missed on that number. You had given core solutions and digital product revenue. I might have missed on standalone radio revenue number for this quarter?

Nandan Srinath: That is INR 83.6 crores.

Sumit Rathi: INR 83.6 crores.

Moderator: We have a follow-up question from Sumit Rathi from Axis Securities.

Sumit Rathi: I thought I would squeeze one more. On solution business front, sir, since Q3 and Q4, we have the highest activity. So are we seeing a radiant activity for Q4 since we have already spent like one month in this fourth quarter?

Nandan Srinath: So, see the solutions business does tend to be harder in Q4 than in Q3, partly. The one thing that we are seeing very noticeably is that sponsorship monies are very tight overall in the marketplace. Without naming names, I can tell you that the whole cricket brigade leading up to last night, which is the New Zealand series, prior to that, the Sri Lanka series and prior to that, the Bangladesh series have all attracted very poor ad volumes. And generally, cricket, as you know, is the big sellout sport in our country in terms of advertising.

Sponsorship monies on some of the biggest TV properties, I will not name the channels and the properties, but some of the biggest TV properties sponsors have backed out. So sponsorship monies are tough. We expect that toughness to impact our business as well in Q4, but we are trying to find ways to ameliorate that situation, both in terms of radio volumes as well as trying to build more alternative packages and some affordable ideas for advertisers in this quarter.

Sumit Rathi: And sir, this quarter, can this be considered as a new base since earlier last so many quarters were getting affected because of COVID or the aftermath of COVID. But we become fairly green this time. So this can be considered as a new base or something like, any commentary on that?

Nandan Srinath: Well, this quarter of the previous year was un-impacted. So to that extent, we should consider that the base as well. I mean Q3 of FY '22 was a normal festive period. So like I said, actually, the fact that, let's say, if you leave ENIL out, the rest of the radio industry and television and print volumes being muted, it's testimony to that fact that the previous year's Q3 was actually quite a normal quarter.

And recession and inflation worries have actually dampened the advertisers' enthusiasm in quarter 3 of FY '23. So I wouldn't call this the new base, I would call the previous year's Q3 as the base quarter on which ENIL has performed reasonably well.

Moderator: The next question is from the line of Harsha Vardhan from Trustline PMS.

Harsha Vardhan: And I apologize if my question is a bit repetitive, but I missed your opening comments on the revenue breakdown. I reheard that the FCT business is at about INR 83.6 crores. Could you please give me the breakdown for the other segments, please?

Nandan Srinath: Yes. Sure. One moment. So INR 83.6 crores was our FCT business for radio inventory. INR 30.6 crores was our non-FCT business, which comprises both solutions as well as digital.

Harsha Vardhan: And do you have any further breakdown on the digital platform like what's the share of revenues from that is?

Nandan Srinath: So, see the platform business right now is not monetized. Like I told you, we started the platform journey only in July. It is always a very slow pickup. It has been a cautious year for ENIL. So even though we are investing, we are being cautious in terms of burning marketing money and also reflected on that is that we are not chasing vanity metrics. And therefore, we are very cautious with our marketing money.

In light of that, our growth on our platform business is steady. It is not slow, but it is steady. We have the patience to wait for organic growth. And with that organic growth, I believe, in quarter 1 and quarter 2 of the coming fiscal, we will start to monetize the platform by serving advertising ourselves to consumers rather than relying on third-party platforms like YouTube, Facebook, Instagram and so on.

Harsha Vardhan: And also this INR 30.6 crores, can you break that down furthering into solutions and digital?

Nandan Srinath: I had said that digital is INR 7.9 crores. One moment...

Harsha Vardhan: I can get the difference on that. And could you also give me the growth numbers from the same quarter year-on-year?

Nandan Srinath: So one moment. I'm just referring back to my notes. So solutions overall, we grew by 44%.

Harsha Vardhan: This is purely solutions, without the digital, right?

Nandan Srinath: No. Total, on a consolidated basis.

Harsha Vardhan: So I would like actually the breakdown between like purely solutions and just the digital?

Nandan Srinath: The digital business has grown by 8%, roughly, and the solutions business is up by 44% overall.

Harsha Vardhan: And okay, I have the numbers of the radio.

Moderator: As there are no further questions, I now hand the conference over to management for closing remarks.

Nandan Srinath: All right. Once again, I thank you all for attending this call. Like I told you, there are some changes on the management team side and Yatish Mehrishi, who is the CEO of the company, will be happy to address all of you in the next quarterly earnings meeting, which will be our full year closing meeting as well. Thank you for the attendance today.

Sanjay Ballabh: Thank you.

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