

entertainment network (India) limited

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July 5, 2016

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,

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to state that CRISIL has reaffirmed the credit ratings of the Company's debt instruments and bank facilities as under:

Ratings reaffirmed

Total Bank Loan Facilities Rated	Rs.500 Million (Reduced from Rs.5500 Million)
Long-Term Rating	CRISIL AA+/Stable (Reaffirmed)

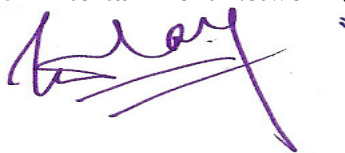
Rs.500 Million Non-Convertible Debentures (Reduced from Rs.4 Billion)	CRISIL AA+/Stable (Reaffirmed)
Rs.3 billion Commercial Paper Programme (Reduced from Rs.4 Billion)	CRISIL A1+ (Reaffirmed)

The rating rationale issued by CRISIL is attached.

Thanking you,

Yours truly,

For **Entertainment Network (India) Limited**



Prashant Panday
Managing Director & CEO
DIN: 02747925

Encl: as above

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Corporate Identity Number: L92140MH1999PLC120516

Ratings

Rating Rationale

July 04, 2016 | Mumbai

Entertainment Network (India) Limited

Rating Reaffirmed

Total Bank Loan Facilities Rated	Rs.500 Million (Reduced from Rs.5500 Million)
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)

(Refer to Annexure 1 for Facility-wise details)

Rs.500 Million Non-Convertible Debentures (Reduced from Rs.4 Billion)	CRISIL AA+/Stable (Reaffirmed)
Rs.3 Billion Commercial Paper Programme (Reduced from Rs.4 Billion)	CRISIL A1+ (Reaffirmed)

CRISIL's ratings on the bank facilities and debt programmes of Entertainment Network (India) Ltd (ENIL) 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.

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 percent year-on-year in 2015-16 (refers to financial year, April 1 to March 31) driven primarily by improvement in the advertisement rates and solution based sales approach.

Healthy operating efficiency is indicated by an above-average operating margin, high return on capital employed (RoCE), and a diversified customer base. For 2015-16, profitability was subdued on account of a one-time Phase III-related marketing expenses and lower treasury income. Operating margin declined to 28.4 percent in 2015-16 from 31.4 percent in 2014-15, and profit after tax (PAT) to 20.2 percent from 23.1 percent. However, profitability is expected to increase over the medium term, especially after break-even of newly acquired channels. RoCE, which declined to 15.3 percent from 21.9 percent due to Phase III capital expenditure (capex), is also expected to recover over this period. Top 10 customers account for a little over 10 percent 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.

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.2.5 billion, internal accruals, and existing liquid balances. Additional capex of around Rs.800 million is estimated for new and existing channels over the next three years.

As on March 31, 2016, gearing was 0.33 time, and cash and bank balance Rs.1.98 billion. Despite a large capex, the financial risk profile is supported by strong cash generation ability (over Rs.1 billion per annum), conservative gearing, and comfortable debt protection metrics. CRISIL believes the strong financial risk profile will be maintained over the medium term.

BCCL holds a 71 percent 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.

ENIL's topline is significantly dependent on advertisement income - over 70 percent of airtime sales in 2015-16 were due to advertisements. However, radio as a media channel accounts for only 5 percent 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) 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 40 stations under the brand, *Radio Mirchi*. It is a 71 percent subsidiary of BCCL and is listed on the National Stock Exchange and Bombay Stock Exchange.

For 2015-16, operating income and PAT were Rs.4.93 billion and Rs.1 billion, respectively, against Rs.4.33 billion and Rs.1.06 billion, respectively, for 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.

PAT was Rs.11.46 billion on operating income of Rs.63.92 billion for 2014-15, against PAT of Rs.8.21 billion on operating income of Rs.55.97 billion for 2013-14.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Proposed Rupee Term Loan	500	CRISIL AA+/Stable	Proposed Long Term Bank Loan Facility	4000	CRISIL AA+/Stable
–	0	–	Proposed Short Term Bank Loan Facility	1500	CRISIL A1+
Total	500	–	Total	5500	–

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Manufacturing Companies](#)

[CRISILs Criteria for Consolidation](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

[Criteria for rating Short-Term Debt \(including Commercial Paper\)](#)

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Last updated: April 2016

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