18 November 2024

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

**BSE Scrip Code: 532700/ Symbol: ENIL**
**Sub: Transcript of the Investors' call Q2FY25**

Dear Sir/ Madam,

Please find enclosed herewith the transcript of the Investors' Call / Earnings Conference Call – Q2FY25, held on 13 November 2024.

The same has been uploaded at:
https://www.enil.co.in/stock-exchange-filings-fy2025.php

and

https://www.enil.co.in/financials-investorp-fy2025.php

For **Entertainment Network (India) Limited**

Mehul Rasiklal Shah
Digitally signed by Mehul Rasiklal Shah
Date: 2024.11.18 17:33:06 +05'30'

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

Encl: a/a

# "Entertainment Network (India) Limited

# Q2 and H1 FY25 Earnings Conference Call"

**November 13, 2024**

| | |
|---|---|
| **MANAGEMENT:** | **MR. YATISH MEHRISHI – CHIEF EXECUTIVE OFFICER – ENTERTAINMENT NETWORK (INDIA) LIMITED**<br>**MR. SANJAY BALLABH – CHIEF FINANCIAL OFFICER – ENTERTAINMENT NETWORK (INDIA) LIMITED** |
| **MODERATOR:** | **MS. RUNJHUN JAIN – E&Y, INVESTOR RELATIONS** |

**Moderator:** Ladies and gentlemen, good day, and welcome to Entertainment Network (India) Limited Q2 and H1 FY25 Earnings Conference 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 star then zero on your touchtone phone. Please note that this conference call is being recorded.

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

**Runjhun Jain:** Thank you, Siddharth. Good afternoon, everyone. Welcome to the Q2 and H1 FY25 Earnings Call of Entertainment Network (India) Limited. To take you through the results and answer your questions today, we have the management team from the company represented by Mr. Yatish Mehrishi, Chief Executive Officer; and Mr. Sanjay Ballabh, Chief Financial Officer.

The financial results and the presentation have been uploaded on the company's website and on the exchanges. Should you need any further information, you can talk to us at EY IR. Before we begin, I would like to remind you that today's discussion might include forward-looking statements based on the current expectations and assumptions. These statements are subject to risks and uncertainties that could cause actual results to differ materially. The company undertakes no obligation to update these statements after today's call.

With that said, I will hand over to Mr. Yatish.

**Yatish Mehrishi:** Thank you, Runjhun. Good afternoon, everyone. I would like to extend a warm welcome to all of you joining us for the Entertainment Network (India) Limited Q2 FY25 Earnings Call. I hope you have had a chance to go through our financial results, and I would like to take a few moments to walk you through the highlights of our performance in this quarter.

In Q2 FY25, we recorded a domestic revenue of INR110 crores, marking a healthy 9.4% year-on-year growth. This momentum was primarily driven by our digital and non-FCT segments, which posted impressive year-on-year growth of nearly 300% and 3.1%, respectively. I will dive deeper into our digital business shortly. Our EBITDA for the quarter, excluding digital, came in at INR22.5 crores with a margin of 23.2%. Profit before tax rose to INR11.2 crores, up from INR8.5 crores in Q2 FY24.

Starting with our business segment, the radio industry faced a mild slowdown this quarter due to volume challenges that impacted our FCT revenues. Nevertheless, we retained our leadership position in FCT with revenue holding steady at INR73 crores compared to INR73.3 crores in Q2 of last year. Importantly, pricing remained stable this quarter, and we anticipate a recovery in volumes in the upcoming quarters. Our non-FCT segment showed a 3.1% year-on-year growth, generating revenue of INR24.2 crores.

Despite limited industry events, we achieved this growth through our own successful IP events such as Spell Bee and Mirchi Freshers, which received a strong response. Our focus continues to be on high-margin events rather than high volume of events.

On the digital side, we discussed in our last earnings call, Gaana's annual subscription price was revised from INR299 to INR599, effective 1st July 2024. Despite this increase, Gaana has maintained a solid traction, contributing a robust digital revenue of INR15.4 crores this quarter. This represents 21.4% of our radio revenues, a notable increase from 10.8% in Q2 of last year.

Digital spending reduced to INR12.8 crores in Q2 from INR15 crores in Q1 of this year, and we expect further efficiencies in the quarters ahead. Our international markets continue to be EBITDA positive, contributing INR1.4 crores this quarter. As of 30th September 2024, our balance sheet remains strong with a cash reserve of INR391 crores. To sum up, our focus remains, as always, on driving sustainable growth and enhancing shareholder value.

Thank you for your attention. And with that, I would be happy to take any questions you may have.

**Moderator:** Question is from the line of Deepan Sankara Narayanan from Trustline Holdings Private Limited.

**Deepan S. Narayanan:** So firstly, what is the kind of volume decline we have seen in radio business? And what is the key reason for that decline? And have we lost any market share in terms of volumes?

**Yatish Mehrishi:** On the volumes, we have not reduced any market share. The drop has been largely the industry-wide slowdown. If you look at all industries, be it FMCG, be it auto, there has been a considerable slowdown in Q2, which led to limited business coming in. But having said that, we have held our market share very strongly. So, we continue to lead our market share at 24% upwards.

**Deepan S. Narayanan:** Okay. And can you provide some breakdown on the solution's part of the business, which has now degrown 9% year-on-year, so which part of that segment has not grown well?

**Yatish Mehrishi:** So, our IP business, which is the event activation business has grown really well, even though we had some erratic flood and the Kolkata situation. The multimedia solution, which is the advertisement led, that business has shrunk a bit.

Largely, the degrowth, if you see has been led by one client, which we had last year, and it didn't come in this year. But having said that, the overall industry muted advertising growth has led to a degrowth of the multimedia solutions. Otherwise, our IP business has grown very strongly at 59%.

**Deepan S. Narayanan:** How has been the festive season so far for us in terms of radio business? Are we seeing pickup in volumes happening as compared to last year?

**Yatish Mehrishi:** So, the festive season has been quite good. With the strong 48 lakh weddings happening this year, we believe with the weddings the year-end business should do well. That's what we're hearing from guidance. If you look at other industries also, if you look at 2-wheeler sales, Bajaj Auto, they have recorded good numbers in October. So, we believe even FMCG should see uptick. We are worried with the commentary on the urban growth.

Having said that, I think the wedding season should keep us in state for a growth in the radio business. Though we need to be cautious about heavy government spend, which happened in the last quarter leading to the election, if that could be a deterrent on the growth, it could be if the government spend doesn't come in on the same levels.

**Deepan S. Narayanan:** That base was there in the previous Q3?

**Yatish Mehrishi:** Largely Q4. I'm not doing a quarter-wise guidance. I'm just telling you about how we are looking at H2. The festive was quite decent. And we remain optimistic with the view of wedding season coming in, and the year-end business, there's always an uptick but we are also cautious about the Q4 government spend, which happened quite heavy, which generally happens leading to the election.

**Deepan S. Narayanan:** Okay. A lot of radio industry players have highlighted that real estate business has degrown quite sharply. So, are we seeing some improvement in that segment happening for radio business?

**Yatish Mehrishi:** So, for us, real estate has not been very bad. Some pockets have not done well. So, I would not say real estate generally has been very bad, but some markets like Jaipur, Indore has not performed as well as it always used to perform.

**Deepan S. Narayanan:** Okay. And can you please share some highlights on Gaana revenue performance? And what is the current paying subscriber base for us?

**Yatish Mehrishi:** I'll be happy to share you the exact subscription numbers when we meet separately. But to give you a perspective, we have grown on subscription quarter-on-quarter. Our revenues are growing. We took a massive price jump from a INR299 to INR599, doubling of the price. But we have seen our upgrades and renewals happening at a constant rate, and we are very happy with the Q2 performance on Gaana. And we believe the next 3, 4 quarters, we will see much stronger growth also coming in.

**Deepan S. Narayanan:** Okay. So earlier, we were around INR9 crores to INR10 crores quarterly run rate. So, is it still at the similar level or it has increased from that?

**Yatish Mehrishi:** This year, our digital revenues are INR15.4 crores.

**Deepan S. Narayanan:** Inclusive of others as well, right, Gaana also?

**Yatish Mehrishi:** Inclusive of others.

**Moderator:** Our next question is from Aakash the line of who is an individual investor.

**Aakash:** What is the volume growth on a Y-o-Y basis?

**Yatish Mehrishi:** So, volume this quarter has declined, as I was talking about with the way the overall economy and all the industries have performed, we have seen a little bit of downward traction on the volume growth. So, it's about a mild 3.3% degrowth on the business on the volume side.

**Aakash:** Okay. And what is our inventory utilization for this quarter?

**Yatish Mehrishi:** We are at about 74% against last year of 77%.

**Aakash:** What is our effective rate of growth if we compare to the pre-COVID level and on Y-o-Y basis?

**Yatish Mehrishi:** Prices remained stable. But if you look at from a COVID perspective, it is still lower than pre-COVID levels, which remains across the media industry.

**Aakash:** Okay. If we talk about Gaana, is the margin steady if we compare to the last year?

**Yatish Mehrishi:** So, as we said, we took Gaana where the product was not very great after 2 years of the way Gaana was handled. So, the first level for us, our job was to get the product right. And I'm assuming if you are a Gaana user, you would have seen the better UI, all content coming. We didn't have all the content also 1 year back.

Now we have all content compared to competition also, available on the Gaana platform. Even the user interface has improved drastically. So, we have invested a lot in that.

Having said that, our expense quarter-on-quarter has reduced. Last year, we spent almost about INR15 crores on Gaana, but this quarter, we have spent about INR12.8 crores on our spending. So that's come down, and we are seeing sustained growth on the subscriber and our revenue numbers also in Gaana quarter-on-quarter.

**Moderator:** Our next question is from the line of Narendra from RoboCapital.

**Narendra:** Given the subscriber traction that you are seeing, would it be possible to comment on a rough ballpark on where we could end the year as for Gaana in terms of revenue?

**Yatish Mehrishi:** So, we believe the way we are trending right now on the numbers per se, it would be better if we can do a one-on-one discussion on it. But the way we are trending around, it should be around INR60-odd crores type of revenue on a yearly basis.

**Narendra:** Okay. So, we are aiming to maintain the current kind of revenue.

**Yatish Mehrishi:** On a full year, yes. We'll maintain that. See, the whole idea is, as we increase price, all subscribers don't move to INR599. Whenever they come for renewal, they will move to a higher price. So that jump also will happen over a period of time.

**Narendra:** Okay. So, has the price increase dented the subscriber growth? Have we seen any attrition or anything like that?

**Yatish Mehrishi:** Not much. In fact, if I look at the price jump what we have taken and the drop, I think the price jump has helped us a lot. So, we have almost doubled the price, but our upgrades and renewals percentage are almost static, almost stable.

**Narendra:** Okay. And do we expect to breakeven Gaana anytime soon? I think we are EBITDA positive this quarter. So, what is the trajectory there?

**Yatish Mehrishi:** We believe it will take us at least 6 quarters to breakeven on Gaana because we need to improve on the tech side, there is some investment going on and getting all the content. We have just increased price. As I said, the blended price is still lower. When everybody comes at INR599, that is when the magic number happens. So as much as we're lacking it, we also would want to break even as fast as possible, but we believe around 5 to 6 quarters more will lead to breakeven.

**Narendra:** Okay. So as per my understanding, when your whole INR299 kind of cycle gets over and all the subscribers move to the INR599 pricing, that is when we see growth?

**Yatish Mehrishi:** Yes, plus will grow the subscriber numbers also. So, both put together. So, this I'm saying on a full year basis, maybe on a ARR basis, it could be a little earlier also.

**Narendra:** Okay. And what kind of subscriber growth are we seeing Q-o-Q, Y-o-Y? Any number that you could provide that would be helpful.

**Yatish Mehrishi:** Maybe you could speak to Sanjay separately, he will share the numbers.

**Moderator:** Our next question is from the line of Harshad Gadekar from Elara Securities.

**Harshad Gadekar:** So, just wanted to know how we should think about in terms of EBITDA margin going ahead? Are we seeing any stability? Of course, that would be a function of the top line as well. But in terms of production expenses and others, how we should think?

**Yatish Mehrishi:** On the radio business or overall?

**Harshad Gadekar:** Overall.

**Yatish Mehrishi:** So, the way we look at it is, when radio business remains a muted growth, it puts pressure on the margin because radio business is much more profitable at overall level. So that margin has dented some bit of our margins. Otherwise, what we have done well is held on our cost numbers. So, our cost in terms of people cost and other operating expenses have been in much control, and we have taken due care about it also.

So, from that perspective, we believe we will remain in the same EBITDA margin numbers as last year, if not more right now. And it will depend on how radio growth pans out in the balance of the year.

**Harshad Gadekar:** Okay. And any color on how we are strategizing in terms of Gaana, given the competition in the market. So just wanted to know if you can share any strategy what exactly we are working, what steps we are taking?

**Yatish Mehrishi:** The first 6 months for us were critical to get the product at benchmark levels with competition. And you know we have global competition of Spotify, YouTube and even Indian players like Saavn. But having said that, we have done really well in the last 6 months to improve our product interface, the experience and getting all content on board. So first 6 months went in that.

The other point, which is more heartening is I don't think we could have taken over Gaana at a better time than this. If you look at the industry perspective, the entire industry is moving towards subscription. If you would speak to any music label or any anybody else, it's looking like everybody is looking at making this business purely subscription and not drive through advertisement.

Gaana went paid, we had made it paid 2 years back. Wynk has closed down, which was a free service. Resso, which was free service, went paid and then closed down. We are seeing a lot of restrictions on free model coming on Spotify, on Saavn. Even on YouTube, there are a lot of restrictions for a free product. So, it helps the entire ecosystem in working towards driving subscription. And that's where the gains are happening for us who are a pure subscription model.

So, you have seen gains happening in industry wide. Industry-wide, the subscriber numbers have gained. We have also gained on subscribers. And I think it's the best time where everybody, both on the music industry side, artists and the streaming players believe the only way ahead is to be on a subscription economy.

And if you look at Spotify global results today, it shows very clearly there is a way to make money through subscription. They have also grown globally, and that's the way the business will go ahead.

So, our strategy is going to be very clear. We will play on an India-wide strategy, cognizant of the fact that our radio strength lies in knowing the Indian market across all languages. We are present in 63 markets. understanding the nuances of music, choices, consumer behavior puts us in a good state.

We have priced ourselves very competitively against all other players, which also helps us. And we are seeing the price elasticity has not been so much in the case as we increased price from INR299 to INR599. And we still remain competitive on pricing with all other players.

So having said that, with our media being radio, our radio jocks being influencers, our relationship with the artist community puts us in a really good state in a business which is subscription led. And we believe this business has to be subscription-led only. And with all players also believing in it, it helps us a lot.

**Harshad Gadekar:** Got it. And is it possible to share any ballpark range in terms of market share of Gaana respect to overall music streaming industry?

**Yatish Mehrishi:** Because we are paid and others are not paid, so it will not be a right number to look at it. Just to give you a ballpark on paid subscriber numbers, we will be around a market share of about 15% to 20% on the paid subscription basis.

**Moderator:** Our next question is from the line of Rahul Goenka, who is an individual investor.

**Rahul Goenka:** Just wanted to recall that Airtel subscription-based service, Wynk, they said that they will close down. And I believe they have a turnover of approximately INR100 crores to INR200 crores with them. So, with them closing down, do you think there will be traction in terms of Gaana gaining a little bit more market share and their revenues increasing.

**Yatish Mehrishi:** Yes, it helps. But to just give you some perspective, Wynk was more a free service, and it was more a bundle to their subscribers, and their revenue were largely led by advertisement rather than subscribers. But a free service getting closed down always helps a service which is going to be paid. So definitely, Wynk closing down helps us a lot. But just to clarify that the entire revenue was not from subscription, there was some bit of advertising revenue also into it.

**Moderator:** Our next question is from the line of Deepan Sankara Narayanan from Trust Line Holdings Private Limited.

**Deepan S. Narayanan:** So, any update on government approval on this TRAI recommendation on radio industry. So how has it been progressing?

**Yatish Mehrishi:** So, if you have recently seen the announcement by government on new auctions coming up in 234 cities, where they have considered one of the TRAI recommendations of decoupling the license fee from the onetime license fee to just 0.4% of revenue. So, they have considered in the new auction, but they are yet to take for the existing radio stations.

So, we are hopeful from that perspective that the TRAI recommendation should get or may get in consideration in the coming quarters. And one of the state ministers also spoke about the new segment coming up in one of the forums he was speaking. So, we remain optimistic on that, that the TRAI recommendations could come in, in the coming quarters, having in the new auction, they have looked at it. So, we believe for the existing radio station also, they might consider.

**Deepan S. Narayanan:** Okay. And what about this news as a service and also this mandatory inclusion of radio in smartphones?

**Yatish Mehrishi:** So, two things, on the news, as I said, the state minister did speak about it in one of their forums recently that they might allow news as per TRAI recommendation, but it was one of the forums, so I can't comment on that, but we are hopeful that it might get cleared.

On the smartphones, we're still working, and we are hopeful with the same minister handling both the telecommunication and MIT, we could have some headway on that. We have put our representation on it. TRAI has recommended it. So, we believe that could happen.

**Deepan S. Narayanan:** Okay. And some of the players have taken yield increase during the Q2. So, are we also seeing such possibilities during festival season of yield increase for us?

**Yatish Mehrishi:** I would be very surprised if anybody has taken a price hike in Q2 we have remained stable, and we are the most premium player. I would be really surprised if anybody has taken a price hike, might be going down only on the price in the Q2.

In Q3, as I said, because of the festive shift between October and November, we might see a muted November because last year, Diwali was mid-November. So that could also put some pressure on the volumes. So, it may not be a healthy increase. There could be a slight change on price, or it might remain stable.

**Moderator:** Sir, if you would like to give your closing comments?

**Yatish Mehrishi:** Thank you, everyone, for joining the call. As we said, we remain committed to a strong profitable growth and enhancing shareholder value. Thank you once again. Have a good day. Thank you.

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

---

(This document has been edited for readability purpose)