entertainment network (India) limited

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August 9, 2024

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Rotunda Building, P. J. Towers,	Limited,
Dalal Street, Fort, Mumbai- 400001	Exchange Plaza, Bandra Kurla Complex,
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BSE Scrip Code: 532700/ Symbol: ENIL Sub: Transcript of the Investors' call Q1FY25

Dear Sir/ Madam,

Please find enclosed herewith the transcript of the Investors' Call / Earnings Conference Call - Q1FY25, held on August 5, 2024.

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

and

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

For Entertainment Network (India) Limited

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

Encl: a/a



"Entertainment Network (India) Limited Q1 FY '25 Earnings Conference Call" August 05, 2024







MANAGEMENT: MR. YATISH MEHRISHI – CHIEF EXECUTIVE OFFICER – ENTERTAINMENT NETWORK (INDIA) LIMITED 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 the Entertainment Network (India) Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listenonly 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 is being recorded.

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

Runjhun Jain: Thank you, Neha. Good evening, everyone. Welcome to the Q1 FY '25 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 please talk to us at EY IR.

> Before we begin, I would like to remind you that today's discussion might include forwardlooking 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 evening, ladies and gentlemen. On behalf of ENIL, I extend a warm
welcome to all of you for joining our Q1 FY '25 earnings call. I trust you had the opportunity to
review our financial results. Please allow me to provide a brief overview of the same.

I'm pleased to share that we continued the momentum and began this year on a strong positive note. During the quarter, we clocked the domestic revenue of INR109.4 crores, representing a robust growth of 19.3% year-on-year. This broad-based growth was driven by both our radio and digital segments, which grew by 10.8% and 4x year-on-year, respectively.

EBITDA for the year, excluding digital, stood at INR20.5 crores as compared to INR19.2 crores in Q1 FY '24. EBITDA margins were at 21.8%. Our PAT rose to INR5.8 crores as compared to INR4.4 crores in the same period last year.

Coming to our business segments. We continue to maintain our leadership position in FCT. We have grown ahead of industry, both in volume and value. Our FCT revenue for the quarter was at INR75.2 crores as compared to INR67.8 crores, a growth of 10.8% year-on-year. We have a volume market share of 24.3%. Non-FCT segments, including digital, witnessed a growth of 43.6% year-on-year on the back of subscription revenue from Gaana.

Moving on to the digital front. As we had a promising improvement post integration of Gaana. During the quarter, we launched the improved version of the previous app, which was well



received. This led to a strong digital revenue of INR17.8 crores, contributing almost 25% of our radio revenues as compared to 11.8% in Q1 FY '24.

You would recall that we had guided earlier that our aspiration and ambition is to get 25% of revenues from the digital segment. We have made investments on this new platform, which is close to INR15 crores this quarter. However, the key takeaway is that this is expected to come down in the subsequent quarters. Our international market continues to be EBITDA positive at INR1.5 crores for Q1 FY '25. Our balance sheet remains robust with a cash balance of INR355 crores as of June 30, 2024. In conclusion, our primary objective has always remained to maximize shareholder value on the back of sustainable growth and profitability.

With that, I would like to invite any questions you may have. Thank you very much.

Moderator:Thank you very much. We will now begin the question-and-answer session. The first questionis from the line of Akash Sharma, an individual investor. Please go ahead.

Akash Sharma: What is the Gaana revenue and profitability for the Q1 FY '25?

 Yatish Mehrishi:
 We don't give any forward-looking statements. But as I said, we're looking at investment and our aim is to make Gaana business profitable as soon as possible. –This is what I would be able to answer right now but any further questions, we can write to Yogesh separately.

Akash Sharma: Okay. Can you tell me about the inventory utilization for this quarter?

Yatish Mehrishi: The inventory utilization for this quarter is about 72%.

- Moderator:Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Ltd.Please go ahead.
- Shikhar Mundra: Sir, I want to understand the economics of Gaana business like what are the revenues right now? And what are the expenses and how much are we investing? And at what level will be the breakeven?

Yatish Mehrishi: To give you a certain perspective, the way we envisage Gaana, which we took over on 1st December, we have gone ahead and done a pure subscription business. So, it's not a free music business, unlike what Gaana erstwhile used to do or what Spotify does right now or what JioSaavn does. Our business is a pure subscription model. It's more of a revenue share with the label business. And you have to pay to listen to music on Gaana. So, it's a pure subscription model business what we look at.

Our pricing earlier used to be INR299, which was not feasible. But recently, you would have seen from 1st July, we have increased the price to INR599. As you look at any business, any new digital investment requires certain bit of incubation period, so we'll be investing for another couple of years into the business, into the product, into the product experience or recommendation engine, acquiring more and more subscribers.



	Right now, it's a very healthy number what we have. So, we have a very good base and a good market share in the subscription business, if I look at only the subscription business, I'm not looking at the free music subscription. Only the paid subscription business if I look at it, we have a healthy share of the market. And the way we look at is, with our experience in the radio business and our presence, we believe we'll be able to drive this business profitable as soon as possible.
Shikhar Mundra:	Okay. And what are the total number of subscribers right now?
Yatish Mehrishi:	I would not be able to address that on this call. If you have anything, you can separately write to us on that part. But it's a very healthy number what we have, and its increasing day in day out and on month-on-month basis.
Shikhar Mundra:	Okay. Can you give me an idea about the CAGR growth rate you are seeing there and the subscribers, if not the volume of subscribers?
Yatish Mehrishi:	See, the way we look at it is, the market itself, if we will look at in India, the last FICCI report had about 200 million free music subscribers. So, it's about behavioural change of the subscribers to pay for music. Earlier, you and I have paid for a CD or a cassette and also for one album. So, what we're looking at INR599 per annum is not a major amount of money you would ask from the consumer.
	So, the way I look at it, it's not about the CAGR growth, it's about the potential you have. Right now, we are in a very initial stage of 6 months. As I said, we have a very healthy base. And I believe getting the right product, getting the content right, getting the experience right will help us drive the numbers.
	And overall, also, if you look at in the competition side, everybody is looking towards subscription. So, nobody is looking at acquiring consumers. Everybody is talking about getting more paid subscriber, be it Spotify, be it JioSaavn. So, everybody is talking the same thing. So, the entire ecosystem is working towards building the paid subscription business. So, from that perspective, I believe we are in a very good shape. It's about execution in the next couple of years to make the business really robust.
Shikhar Mundra:	Okay. And is the subscription the only revenue we get? Or is there some advertisement component also?
Yatish Mehrishi:	No. So, for our Gaana business, it's pure subscription. We do our digital advertising business separately. But for Gaana, it is a pure paid model. And that's the way we have our relationship with the labels also.
Shikhar Mundra:	Right. And for the traditional business, we experienced a 20% growth. Is that right in revenues?
Yatish Mehrishi:	So, on FCT pure, it was about 10%. Including everything, it is a 19% growth.
Shikhar Mundra:	Okay. So, when you say pure FCT, that's only the radio business, pure radio?



Yatish Mehrishi:	Pure radio business grew at 10.8%. But there were activation events and other businesses along
	with digital, which grew at 43%. So, on a total level, the domestic business has grown by 19.3%.

- Shikhar Mundra:Right. And for the traditional radio business, I mean in that 10.8% growth, what was the split
between like volume or pricing increase?
- Yatish Mehrishi: So, this time, there was a political business and as you know political business comes at a premium. There was some bit of price increase, about 5.8% of price increase. But I would not read much, it's one time because of the political event. Good part to say on the pricing, it has stabilized, and we don't see any further drop. Maybe in the festival season, we'll see some bit of price increase. Quarter 1 generally is a weak quarter in media, you would know that. But because of the political business, the increase in the ER has happened.
- Shikhar Mundra: Right. And so, in spite of the elections not being there, you don't see a drop in prices or a drop in volumes going ahead?

Yatish Mehrishi:So, if I remove elections also this quarter, our price has remained stable. So, I don't see any
further drop in pricing happening.

- Shikhar Mundra: Right. And now let's say hypothetically, we would have not made this investment in digital and Gaana, what would have been our EBITDA gain? Like as an investor, how should we look at that?
- Yatish Mehrishi: So, the way we look at it, it's an overall business, we look at –it as being future ready. So, it's an investment in digital we made. And this year, as I spoke in my opening remarks also, we've done about INR15 crores of investment in the Gaana platform for the quarter. So, you could count instead of INR20.5 crores, which was our excluding digital business EBITDA, another INR15 crores, it would have been about INR35 crores to INR36 crores.
- Shikhar Mundra:But those INR15 crores must have been used for building up a library, so technically, you're
building up your assets, right?
- Yatish Mehrishi:So, we don't buy content. It is all licensed content. So, we talked about building library. It's more
on the tech investment, a little bit of marketing, getting the product stable. There were people on
the HR side that were required because as I said, we just acquired in December. So, the first 6
months, we wanted certain costs to come in. But as we believe this cost over the next few quarters
will go down.
- Moderator: Thank you. The next question is from the line of Meghna, an individual Investor. Please go ahead.
- Meghna: What has been the volume growth for radio this quarter?
- Yatish Mehrishi: About 3%.
- Meghna: Y-o-Y increase, right?



Yatish Mehrishi:	Yes. So, that is something, we've got a political business where we have seen a price growth, and which has led to a higher value growth.
Meghna:	Okay. And how have been the effective rates this quarter, the growth Y-o-Y? And how does it compare to pre-COVID levels?
Yatish Mehrishi:	So pre-COVID level, we are still down. We don't see that coming up very fast. But over year- on-year, it's about a 6% increase in price.
Meghna:	Okay. And can you shed some light on Gaana revenue? How is it performing this quarter? And how has the profitability been like?
Yatish Mehrishi:	So, I've already mentioned in my earlier discussion, we believe over a period of few quarters, it will become much more robust. It's still initial days. It's been just 6 months; we have got into the business. We have stabilized the business with a robust paid subscription business. There have been certain investments, which are a bit frontloaded in the first and the second quarter. But we believe as we progress ahead, the business will become much more robust and stable.
Meghna:	Thank you. That answers my question.
Moderator:	Thank you. The next question is from the line of Deepan Narayanan from Trust Line PMS. Please go ahead.
Deepan Narayanan:	Sir, can you give a breakdown of the solutions part of the business, which has degrown by around 1%. So, what is the reason for it? And which part of that segment has not grown well?
Yatish Mehrishi:	So, if you look at our multimedia solutions, business has grown well, except for one business, which is the digital content, Kareena Kapoor Khan show, the original content, which we have pushed into this quarter because as I said earlier also, our principal remains profitable growth. So, we were not looking at a very good margin in this quarter. So, we have pushed that business, that event, I would say, 2 activities into this quarter.
	So, the original content business, which we had done last year, almost about INR1.5 crores has been pushed to this quarter, and that's the reason you have seen a marginal drop in that business. But otherwise, other business of multimedia solutions has grown 10%, activation has grown by about 42%.
	Just as I said, this is the one business where we believe we wanted to have a much better margin because that remains our guiding principle across the company, and that's the reason we have pushed that business to this quarter. So, it's a pushback rather than anything to worry about. We remain very optimistic about our entire non-FCT portfolio.
Deepan Narayanan:	Okay. Sir, you told that excluding Gaana, the EBITDA would have been INR35 crores, and we have invested something like around INR15 crores during this quarter. So, was this kind of investment there in the Q4 FY '24 quarter or H1, or we have started investing now only?

Yatish Mehrishi:	So Q4, if you look at it, we had just taken over in December. By the time you stabilize the business, you realize certain things which we want to invest in, on data sciences, on recommendation engine, on getting the product experience better. So, there were certain people required, certain bit of marketing to be done.
	So, it's a planned expense. I would say for the first quarter, it's a little on the higher side. But as we see for the next quarter, this cost will come down. So, it's not that it'll come as a surprise to us. We have planned a certain bit of investment in Gaana for this year. And we are on track of it. It's just that certain costs come upfront to you when you start a new business.
	And as we make it more and more efficient, the cost will go down. So, we believe this INR15 crores is onetime in this quarter but subsequent quarters, it be a little lower than this. But it's been a planned expense.
Deepan Narayanan:	Okay. And during last quarter call, you said that Gaana was contributing around INR9 to 9.5 crores kind of revenue run rate. So, have you seen any increase in terms of revenue run rate because we have done a lot of investments, or it is yet to be receivable in the coming quarters?
Yatish Mehrishi:	So, you'll see much more robust in the subsequent quarters. As I said, this is the second quarter only, after we took over. But as I said, we see a healthy growth coming in plus we have changed the price from July 1. Our price was INR299, now we increased the price to INR599. So that impact would also happen over subsequent quarters.
	It may not happen in the immediate quarter because there are people who continue at INR299 only, they change only when the renewal comes in. But whatever we had planned in terms of the price increase, in terms of the cost efficiency, we are on track on it. We're seeing revenue growth. We are seeing subscription growth also.
Deepan Narayanan:	Okay. So, as we have now doubled our subscription rate, even if we able to double our subscribers, that's when you are closer to breakeven in terms of Gaana business. Is that assumption, right?
Yatish Mehrishi:	The way it works is, the change in price is only for the new customers. The old customer is already on that price. So, the blended price will take a while to become double. So only the new customers are coming at higher price. The old customer continues at the same price. We have sold the product at old price. We'll continue that. When he comes for a renewal that is the time he will change. So, the blended price will take a while to become double.
Deepan Narayanan:	Okay. Got it, sir. Thanks a lot.
Moderator:	Thank you. The next question is from the line of Vedant from Minerva Asset Advisors.
Vedant:	My first question was on the volumes of the traditional radio business. Can you give me some sort of split between how much government or political versus non-political?
Yatish Mehrishi:	Yes. So, if you look at overall volume growth, it has been about 3% for us. The political and government business contribution in this quarter is almost about 10% to 11%. So, what happens



is when the political business happens, the government business stops. So, it's never been together because of the Code of Conduct coming in, you don't get government advertising happening.

So, it actually replaces. It's just that you get a better pricing from political business. But if you want to look at non-political, non-government business, 90% will be non-political nongovernment, 10% was the contribution from government and political put together, about 11%, I would say.

 Vedant:
 Is there any update on the M-Ping business part of it? Are we planning on investing more over there? Just what's the quarter been like on M-Ping?

Yatish Mehrishi:So, it's very robust. We have done some learnings. We are looking at newer and newer tie-ups.Maybe offline, we can have a chat more on this, but what we look at is, this first year has been
a great learning process. We're now looking at more and more accretion in our inventory.

Audio inventory, we have almost everything. We are now looking at video inventory also. So, we have done that. And we believe it's a very robust business to continue in the next 2, 3 years. And this year is going to be another pivotal year as we move from not just doing audio inventory, but video inventory also.

Vedant: Would you have any guidance for growth in pricing and volumes for the next few quarters?

Yatish Mehrishi: Generally, media, not just radio, any media, the price is based on supply demand in the H2, we believe, starting September could have a chance where we could look at certain price increases as the business comes back and the media is always skewed towards H2. So, there could be some bit of price increase. We are optimistic and hopeful on that. But I don't see the price going down anymore.

 Vedant:
 On this 90% parts of the non-government non-political, in this quarter, the price you're seeing remains sort of stable only?

Yatish Mehrishi:Yes. They increased marginally. But as I always said, 1% or 2% price increase, up to 5%, I never
look at a price increase or price drop because there are a lot of factors involved. It could be a
station mix change; it could be a client mix change. It's not a uniform pricing. So, if you've been
following us, it's been stable, and I don't see any drop coming in, in that pricing.

Moderator:Thank you. We have one more question from the participants, we will take that. Our question is
from the line of Rahul Shah from Alpha Capital. Please go ahead.

Rahul Shah: Sir, I just missed your initial statement, just wanted to know the cash balance.

Yatish Mehrishi: Rahul, our cash balance is INR355 crores as on 30th June.

Rahul Shah: Okay. Thank you so much.



Moderator:	Thank you. As there are no further questions from the participants, I now hand the conference
	over to the management for closing comments.
Yatish Mehrishi:	Thank you, Neha. I would like to express my sincere gratitude to each one of you for the unwavering support you have been giving to the company. We continue to prioritize profitability and maximizing shareholders' wealth. The cornerstone of our journey is profitable growth, serving as our guiding principle for all our actions. Thank you very much for joining the call. Have a nice day. Thank you.
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.

(This document has been edited for readability purpose)