

Music Broadcast

Performance Update

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq
Net sales	76	70	7.6	76	(0.3)
EBITDA	26	22	17.5	27	(4.8)
EBITDA margin (%)	34.4	31.5	290bp	36.0	(160bp)
Adjusted PAT	14	11	24.5	16	(17.0)

Source: Company, Angel Research

For 1QFY2019, Music Broadcast (MBL) posted mixed bag results. Top-line reported modest growth, however on the bottom-line front, the company registered healthy growth. Revenues grew by ~8% yoy. The company's operating margins improved by robust 290bps yoy. On the bottom-line front, MBL reported growth of ~25% yoy to ₹14cr on the back of strong operating performance.

Top-line grew ~8%: MBL's top-line grew by ~8% yoy to ₹76cr on the back of ~4% yoy volume growth (slight improvement in utilization of new stations) and ~4% average price hike (taken price hike of ~8% in top 12 radio stations).

Strong operating performance aids profitability: On the operating front, the company reported better margins, up 290bps yoy at 34.4%. On the bottom-line front, MBL reported growth of ~25% yoy to ₹14cr on the back of strong operating performance and volume growth.

Outlook and Valuation: We expect MBL to report net revenue CAGR of ~12% to ~₹374cr over FY2018-20E mainly due to increase in advertising rates and improvement in utilization of new radio stations. Further, on the bottom-line front, we expect CAGR of ~19% to ₹73cr over the same period on the back of better margins. Considering sustainable growth opportunities over the next 5-7 years, most of the capex already through and strong parentage, we have a positive outlook on the company. Thus, we maintain our Buy recommendation on MBL with Target Price of ₹475.

Key Financials

Y/E March (₹ cr)	FY2017	FY2018	FY2019E	FY2020E
Net sales	271	298	334	374
% chg	20	10	12	12
Adj. Net profit	36	52	63	73
% chg	30	45	22	16
EBITDA margin (%)	34	33	35	35
EPS (₹)	6	9	11	13
P/E (x)	49	34	28	24
P/BV (x)	3	3	3	2
RoE (%)	6	9	10	10
RoCE (%)	10	11	13	14
EV/EBITDA (x)	16	15	13	11

Source: Company, Angel Research Note

BUY

CMP	₹307
Target Price	₹475
Investment Period	12 months

Stock Info

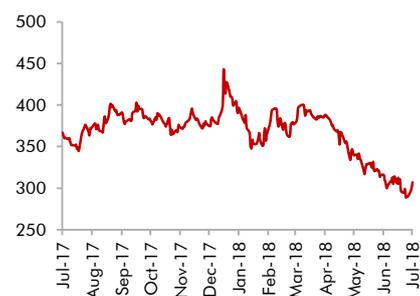
Sector	Media
Market Cap (Rs cr)	1,758
Net Debt	(182)
Beta	0.9
52 Week High / Low	458/282
Avg. Daily Volume	2,265
Face Value (Rs)	10
BSE Sensex	37,003
Nifty	11,171
Reuters Code	MUSI.NS
Bloomberg Code	RADIOCIT@IN

Shareholding Pattern (%)

Promoters	71.4
MF / Banks / Indian Fls	8.1
FII / NRIs / OCBs	4.0
Indian Public / Others	16.5

Abs. (%)	3m	1yr	3yr
Sensex	6.8	14.4	33.7
MBL	(20.9)	(16.3)	NA

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 1QFY2019 Performance

Y/E March (₹ cr)	1QFY19	1QFY18	% yoy	4QFY18	% qoq	FY2018	FY2017	% chg
Net Sales	76	70	7.6	76	(0.3)	298	271	9.9
Staff Costs	18	17	5.1	17	5.6	69	65	5.9
(% of Sales)	23.8	24.4		22.5		23.1	24.0	
Other Expenses	32	31	2.0	32	0.3	132	115	14.9
(% of Sales)	41.8	44.1		41.5		44.3	42.4	
Total Expenditure	50	48	3.1	49	2.2	201	180	11.7
Operating Profit	26	22	17.5	27	(4.8)	97	91	6.4
OPM	34.4	31.5		36.0		32.6	33.6	
Interest	1	4	(64.2)	3	(59.1)	15	19	(21.2)
Depreciation	7	6	5.3	7	1.0	26	20	33.5
Other Income	2	5	(48.2)	5	(55.2)	19	4	336.5
PBT (excl. Ext Items)	20	17	22.8	22.7	(10.4)	75	57	32.0
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	20	17	22.8	23	(10.4)	75	57	32.0
(% of Sales)	26.9	23.6		29.9		25.2	21.0	
Provision for Taxation	7	6	19.5	6	6.2	24	20	15.5
(% of PBT)	33.7	34.6		28.4		31.2	35.7	
Reported PAT	14	11	24.5	16	(17.0)	52	37	41.1
PATM	17.8	15.4		21.4		17.3	13.5	
Minority Interest After NP								
Reported PAT	14	11	24.5	16	(17.0)	52	37	41.1
Equity shares (cr)	6	6		6		6	6	
FDEPS (Rs)	2.4	1.9	24.5	2.9	(17.0)	9.1	6.4	41.1

Source: Company, Angel Research

Outlook and Valuation

We expect MBL to report net revenue CAGR of ~12% to ~₹374cr over FY2018-20E mainly due to increase in advertising rates and improvement in utilization of new radio stations. Further, on the bottom-line front, we expect CAGR of ~19% to ₹73cr over the same period on the back of better margins. Considering sustainable growth opportunities over the next 5-7 years, most of the capex already through and strong parentage, we have a positive outlook on the company. Thus, we maintain our Buy recommendation on MBL with Target Price of ₹475.

Downside risks to our estimates

Slowdown in Indian economy would impact overall ad spends: A slowdown in the economy could affect the spending from the clients, which in turn would affect the company's overall earnings.

Increase in content price: Inability to effectively source music content from third party music production entities/associations can increase the input costs for the company, and hence, may result in the dip in margins.

Reduction in listenership numbers: Rising acceptance of data and continuous reduction in the cost of data could lead to shift of listenership to digital platform/mobile applications (Hungama, Saavn, Gaana) and options to download could risk the listenership in Metros and key towns initially.

Company Background

Music Broadcast Limited (MBL) owns and operates FM radio stations under the brand names Radio City and Radio Mantra. The company has 39 radio stations and operates its radio stations in 37 Indian cities. Radio City is present in 12 out of the top 15 cities in India by population. Radio City has been ranked Number One in Mumbai, Bengaluru and Delhi in terms of number of listeners and has a total number of 49.60mn listeners across all 23 cities (according to AZ Research). Music Broadcast Limited operates as a subsidiary of Jagran Prakashan Limited. It also operates 40 Web radio stations that offer Internet radio with live RJ hosted shows through Planet Radio City in 8 languages. In addition, Music Broadcast Limited operates 'Planet Radio City' mobile app that plays various stations such as 'Radio City Freedom', 'Radio City Electronica', 'Radio City Metal', and 'Radio City Smaran' in various languages on mobile and other smart devices.

Profit & Loss Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Total operating income	225	271	298	334	374
% chg	12	20	10	12	12
Total Expenditure	147	180	201	218	242
License fees	17	19	21	24	27
Personnel	51	65	69	76	85
Others Expenses	79	96	111	119	131
EBITDA	78	91	97	116	132
% chg	25	17	6	19	14
(% of Net Sales)	35	34	33	35	35
Depreciation & Amortisation	17	20	26	27	28
EBIT	61	72	71	89	104
% chg	32	17	(1)	25	17
(% of Net Sales)	27	26	24	27	28
Interest & other Charges	21	19	15	5	5
Other Income	15	4	19	10	10
(% of PBT)	27	8	26	11	9
Extraordinary Items	0	1	-	-	-
Share in profit of Associates					
Recurring PBT	56	57	75	94	109
% chg	18	3	32	25	16
Tax	14	20	24	31	36
PAT (reported)	27	36	52	63	73
% chg	(42)	30	45	22	16
(% of Net Sales)	12	13	17	19	19
Basic & Fully Diluted EPS (Rs)	4.8	6.2	9.1	11.0	12.8
% chg	(42)	30	45	22	16

Balance Sheet

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
SOURCES OF FUNDS					
Equity Share Capital	42	57	57	57	57
Reserves & Surplus	168	491	543	593	651
Shareholders Funds	210	548	600	650	708
Total Loans	236	168	54	34	24
Total Liabilities	446	717	653	684	732
APPLICATION OF FUNDS					
Net Block	230	312	297	328	305
Capital Work-in-Progress	66	0	0	0	0
Investments	15	27	156	156	156
Current Assets	113	385	208	213	288
Inventories	0	0	0	0	0
Sundry Debtors	22	33	22	27	31
Cash	16	280	76	77	135
Loans & Advances	0	0	0	0	0
Other Assets	21	23	22	27	30
Current liabilities	44	45	45	51	54
Net Current Assets	69	340	163	162	234
Other Non-Current Asset	66	38	37	37	37
Total Assets	446	717	653	684	732

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	56	57	75	94	109
Depreciation	17	20	26	27	28
Change in Working Capital	11	21	(26)	2	(13)
Interest / Dividend (Net)	19	19	15	5	5
Direct taxes paid	(11)	(20)	(24)	(31)	(36)
Others	(26)	-	-	-	-
Cash Flow from Operations	66	97	67	96	93
(Inc.)/ Dec. in Fixed Assets	(286)	(35)	(20)	(50)	(5)
(Inc.)/ Dec. in Investments	217	(12)	(129)	-	-
Cash Flow from Investing	(69)	(47)	(149)	(50)	(5)
Issue of Equity	-	303	(2)	-	-
Inc./(Dec.) in loans	83	(123)	-	(20)	(10)
Others	(111)	38	(128)	(17)	(19)
Cash Flow from Financing	(28)	218	(130)	(37)	(29)
Inc./(Dec.) in Cash	(31)	268	(212)	9	59
Opening Cash balances	43	13	280	68	77
Closing Cash balances	13	280	68	77	135

Key Ratio

Y/E March	FY2016	FY2017	FY2018E	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	64.2	49.3	33.9	27.9	24.0
P/CEPS	39.8	31.7	22.5	19.5	17.3
P/BV	8.3	3.2	2.9	2.7	2.5
Dividend yield (%)	0.0	0.0	0.0	0.7	0.8
EV/Sales	6.6	5.5	5.0	4.4	4.0
EV/EBITDA	18.9	16.2	15.2	12.8	11.2
EV / Total Assets	3.3	2.1	2.3	2.2	2.0
Per Share Data (Rs)					
EPS (Basic)	4.8	6.2	9.1	11.0	12.8
EPS (fully diluted)	4.8	6.2	9.1	11.0	12.8
Cash EPS	7.7	9.7	13.7	15.7	17.8
DPS	0.0	0.0	0.0	2.2	2.6
Book Value	36.8	96.1	105.1	113.9	124.2
Returns (%)					
ROCE	16.0	10.1	10.9	13.0	14.2
Angel ROIC (Pre-tax)	17.5	17.5	16.8	19.7	23.5
ROE	13.0	6.5	8.6	9.7	10.3
Turnover ratios (x)					
Inventory / Sales (days)	-	-	-	-	-
Receivables (days)	123	110	135	120	120
Payables (days)	36	44	27	30	30
Working capital cycle (ex-cash) (days)	87	66	108	90	90

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Returns):

Buy (> 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)