

Music Broadcast

Performance Update

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq
Net sales	80	76	5.7	76	5.9
EBITDA	27	24	9.7	26	1.9
EBITDA margin (%)	33.1	31.9	120bp	34.4	(129bp)
Adjusted PAT	13	13	5.1	14	(0.9)

Source: Company, Angel Research

For 2QFY2019, Music Broadcast (MBL) posted muted results both on top-line and bottom-line fronts. Revenues grew by ~5% yoy to `80cr on the back of equal contribution of volume and price hike. The company's operating margins improved by robust 120bps yoy. On the bottom-line front, MBL reported lower growth of ~5% yoy to `13cr on the back of higher taxes during the quarter.

Top-line grew ~5%: MBL's top-line grew by ~5% yoy to `80cr on the back of equal contribution of volume growth and price hike. During the quarter, revenue was impacted due to delayed festive seasons. Excluding base effect of last year, the company has reported ~16% revenue growth. Despite slowdown, MBL has taken a price increase of ~8% in top 12 markets. Going forward, we expect strong growth on top-line and bottom-line fronts owing to festive season and election.

Strong operating performance aids profitability: On the operating front, the company reported better margins, up 120bps yoy at 33.1%. On the bottom-line front, MBL reported growth of ~5% yoy to `13cr on the back of lower revenue growth and higher taxes during the quarter.

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 ~18% to `72cr over the same period on the back of better margins. Moreover, 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	20.4	9.9	12.0	12.0
Adj. Net profit	36	52	61	72
% chg	30.3	45.4	18.6	16.9
EBITDA margin (%)	33.6	32.6	33.9	34.8
EPS (₹)	6.2	9.1	10.7	12.6
P/E (x)	52.8	36.3	30.6	26.2
P/BV (x)	3.4	3.1	2.9	2.7
RoE (%)	6.5	8.6	9.4	10.1
RoCE (%)	10.1	10.9	12.7	14.0
EV/EBITDA (x)	17.6	16.6	14.2	12.4

Source: Company, Angel Research Note

BUY

CMP	₹329
Target Price	₹475
Investment Period	12 months

Stock Info

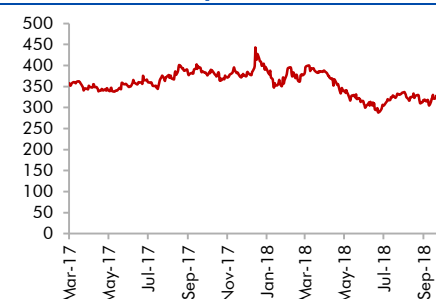
Sector	Media
Market Cap (Rs cr)	1,839
Net Debt	(182)
Beta	0.9
52 Week High / Low	458/282
Avg. Daily Volume	2,655
Face Value (Rs)	10
BSE Sensex	34,089
Nifty	10,257
Reuters Code	MUSI.NS
Bloomberg Code	RADIOCIT@IN

Shareholding Pattern (%)

Promoters	71.1
MF / Banks / Indian Fls	8.1
FII / NRIs / OCBs	3.5
Indian Public / Others	17.3

Abs. (%)	3m	1yr	3yr
Sensex	(9.8)	0.6	21.9
MBL	7.9	(13.0)	NA

Historical share price chart



Source: Company, Angel Research

Research Analyst

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Exhibit 1: 2QFY2019 Performance

Y/E March (₹ cr)	2QFY19	2QFY18	% yoy	1QFY19	% qoq	1HFY19	1HFY18	% chg
Net Sales	80	76	5.7	76	5.9	156	146	6.6
Staff Costs	18	17	4.5	18	(0.6)	36	34	4.8
(% of Sales)	22.3	22.6		23.8		23.0	23.4	
Other Expenses	36	34	3.5	32	12.9	67	65	2.8
(% of Sales)	44.5	45.5		41.8		43.2	44.8	
Total Expenditure	54	52	3.8	50	8.0	103	100	3.5
Operating Profit	27	24	9.7	26	1.9	53	46	13.4
OPM	33.1	31.9		34.4		33.8	31.7	
Interest	1	4	(64.0)	1	-	3	8	(64.1)
Depreciation	7	7	0.4	7	(0.6)	13	13	2.8
Other Income	4	5	(27.9)	2	48.8	6	10	(37.7)
PBT (excl. Ext Items)	22	19	18.0	20	8.4	42	35	20.3
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	22	19	18.0	20	8.4	42	35	20.3
(% of Sales)	27.6	24.7		26.9		27.2	24.1	
Provision for Taxation	9	6	45.5	7	26.8	16	12	32.8
(% of PBT)	39.4	32.0		33.7		36.7	33.2	
Reported PAT	13	13	5.1	14	(0.9)	27	24	14.0
PATM	16.7	16.8		17.8		17.3	16.1	
Minority Interest After NP								
Reported PAT	13	13	5.1	14	(0.9)	27	24	14.0
Equity shares (cr)	6	6		6		6	6	
FDEPS (Rs)	2.3	2.2	5.1	2.4	(0.9)	4.7	4.1	14.0

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 ~18% to `72cr over the same period on the back of better margins. Moreover, 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 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	12.3	20.4	9.9	12.0	12.0
Total Expenditure	147	180	201	221	244
License fees	17	19	21	24	27
Personnel	51	65	69	76	85
Others Expenses	79	96	111	121	133
EBITDA	78	91	97	113	130
% chg	25.4	16.8	6.4	16.6	15.0
(% of Net Sales)	34.7	33.6	32.6	33.9	34.8
Depreciation & Amortisation	17	20	26	27	28
EBIT	61	72	71	86	102
% chg	31.8	16.5	(1.1)	21.9	17.9
(% of Net Sales)	27.2	26.4	23.7	25.8	27.2
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	91	107
% chg	17.9	2.7	31.9	21.6	16.9
Tax	14	20	24	30	35
PAT (reported)	27	36	52	61	72
% chg	(42.0)	30.3	45.4	18.6	16.9
(% of Net Sales)	12.1	13.1	17.3	18.3	19.2
Basic & Fully Diluted EPS (Rs)	4.8	6.2	9.1	10.7	12.6
% chg	(42.0)	30.3	45.4	18.6	16.9

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	592	649
Shareholders Funds	210	548	600	649	706
Total Loans	236	168	54	34	24
Total Liabilities	446	717	653	682	730
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	212	286
Inventories	0	0	0	0	0
Sundry Debtors	22	33	22	27	31
Cash	16	280	76	75	133
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	161	232
Other Non-Current Asset	66	38	37	37	37
Total Assets	446	717	653	682	730

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2016	FY2017	FY2018	FY2019E	FY2020E
Profit before tax	56	57	75	91	107
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)	(30)	(35)
Others	(26)	-	-	-	-
Cash Flow from Operations	66	97	67	95	92
(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)	8	58
Opening Cash balances	43	13	280	68	75
Closing Cash balances	13	280	68	75	133

Key Ratio

Y/E March	FY2016	FY2017	FY2018	FY2019E	FY2020E
Valuation Ratio (x)					
P/E (on FDEPS)	68.8	52.8	36.3	30.6	26.2
P/CEPS	42.7	34.0	24.1	21.3	18.8
P/BV	8.9	3.4	3.1	2.9	2.7
Dividend yield (%)	0.0	0.0	0.0	0.7	0.8
EV/Sales	7.1	5.9	5.4	4.8	4.3
EV/EBITDA	20.6	17.6	16.6	14.2	12.4
EV / Total Assets	3.6	2.2	2.5	2.4	2.2
Per Share Data (Rs)					
EPS (Basic)	4.8	6.2	9.1	10.7	12.6
EPS (fully diluted)	4.8	6.2	9.1	10.7	12.6
Cash EPS	7.7	9.7	13.7	15.5	17.5
DPS	0.0	0.0	0.0	2.1	2.5
Book Value	36.8	96.1	105.1	113.7	123.8
Returns (%)					
ROCE	16.0	10.1	10.9	12.7	14.0
Angel ROIC (Pre-tax)	17.5	17.5	16.8	19.1	23.1
ROE	13.0	6.5	8.6	9.4	10.1
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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Music Broadcast

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%)