

## Music Broadcast

### Performance Update

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq
Net sales	70	76	(7.8)	82	(14.8)
EBITDA	22	26	(14.2)	32	(30.0)
EBITDA margin (%)	32.1	34.4	(238bp)	39.0	(699bp)
Adjusted PAT	8	14	(37.6)	18	(54.1)

Source: Company, Angel Research

For 1QFY2020, Music Broadcast Limited (MBL) posted below expectation results both on top-line and bottom-line fronts. MBL's top-line registered a decline of ~8% yoy to ₹70cr on the back of volume de-growth of 14%. Moreover, the company's operating margins contracted by 238bps yoy. On the bottom-line front, MBL reported de-growth of ~38% yoy to ₹8cr on the back of lower sales and poor operating performance.

**Top-line de-grew ~8% yoy:** MBL's top-line de-grew by ~8% yoy to ₹70cr due to volume de-growth of 14%. However, during the quarter the company has taken ~4% hike in top 12 markets. New radio station's volume remained flat during the quarter. Going forward, management expects that the company would be able to recover the volume growth in upcoming festive season.

**Subdued volumes and poor operating performance mar profitability:** On the operating front, the company reported contraction in margins, down 238bps yoy at 32.1%. Operating margin was impacted mainly due to lower sales and capacity utilization (National advertiser has postponed the advertisement campaign). On the bottom-line front, MBL reported de-growth of ~38% yoy to ₹8cr.

**Outlook and Valuation:** During the quarter, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected overall ad spends. However, management expects that the company would be able to recover the volume growth in upcoming festive season. Further, 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 ₹56**

### Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020E	FY2021E
Net sales	298	325	341	373
% chg	9.9	8.9	4.9	9.5
Adj. Net profit	52	62	58	65
% chg	45.4	19.2	(5.6)	12.5
EBITDA margin (%)	32.6	34.9	34.0	34.5
EPS (₹)	1.8	2.2	2.1	2.3
P/E (x)	25.7	21.5	22.8	20.3
P/BV (x)	2.2	2.0	1.9	1.8
RoE (%)	8.6	9.5	8.4	8.7
RoCE (%)	10.9	12.9	11.8	12.4
EV/EBITDA (x)	11.0	9.4	9.2	7.7

Source: Company, Angel Research Note

## BUY

CMP	₹ 47
Target Price	₹ 56
Investment Period	12 month

### Stock Info

Sector	Media
Market Cap (₹ cr)	1279
Net Debt (₹ cr)	(235)
Beta	0.3
52 Week High / Low	68/45
Avg. Daily Volume	5,838
Face Value (₹)	10
BSE Sensex	37,767
Nifty	11,203
Reuters Code	-
Bloomberg Code	RADIOCIT.IN

### Shareholding Pattern (%)

Promoters	73.7
MF / Banks / Indian FIs	10.1
FII / NRIs / OCBs	14.7
Indian Public / Others	1.6

Abs. (%)	3m	1yr	3yr
Sensex	(3.4)	0.5	34.3
MBL	(20.9)	(22.8)	-

### Historical share price chart



Source: Company, Angel Research

**Exhibit 1: 1QFY2020 Performance**

Y/E March (cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY19	FY18	% chg
<b>Net Sales</b>	<b>70</b>	<b>76</b>	<b>(7.8)</b>	<b>82</b>	<b>(14.8)</b>	<b>325</b>	<b>298</b>	<b>8.9</b>
Staff Costs	16	18	(10.2)	16	(1.1)	69	69	0.1
(% of Sales)	23.2	23.8		20.0		21.2	23.1	
Other Expenses	31	32	(1.2)	34	(6.9)	143	132	7.8
(% of Sales)	44.8	41.8		41.0		43.9	44.3	
<b>Total Expenditure</b>	<b>47</b>	<b>50</b>	<b>(4.5)</b>	<b>50</b>	<b>(5.0)</b>	<b>212</b>	<b>201</b>	<b>5.2</b>
<b>Operating Profit</b>	<b>22</b>	<b>26</b>	<b>(14.2)</b>	<b>32</b>	<b>(30.0)</b>	<b>113</b>	<b>97</b>	<b>16.6</b>
OPM	32.1	34.4		39.0		34.9	32.6	
Interest	3	1	86.2	2	69.1	5.6	15.0	(62.3)
Depreciation	9	7	27.4	7	24.3	27	26	3.2
Other Income	3	2	36.0	5	(28.6)	15.1	19.4	(22.1)
<b>PBT (excl. Ext Items)</b>	<b>15</b>	<b>20</b>	<b>(28.8)</b>	<b>28</b>	<b>(48.5)</b>	<b>96</b>	<b>75</b>	<b>27.0</b>
Ext (Income)/Expense	-	-		-		-	-	
<b>PBT (incl. Ext Items)</b>	<b>15</b>	<b>20</b>	<b>(28.8)</b>	<b>28</b>	<b>(48.5)</b>	<b>96</b>	<b>75</b>	<b>27.0</b>
(% of Sales)	20.8	26.9		34.4		29.4	25.2	
Provision for Taxation	6	7	(11.5)	10	(38.1)	34	24	44.3
(% of PBT)	41.9	33.7		34.8		35.5	31.2	
<b>Reported PAT</b>	<b>8</b>	<b>14</b>	<b>(37.6)</b>	<b>18</b>	<b>(54.1)</b>	<b>62</b>	<b>52</b>	<b>19.1</b>
PATM	12.1	17.8		22.4		19.0	17.3	
Minority Interest After NP								
<b>Reported PAT</b>	<b>8</b>	<b>14</b>	<b>(37.6)</b>	<b>18</b>	<b>(54.1)</b>	<b>62</b>	<b>52</b>	<b>19.1</b>
Equity shares (cr)	6	6		6		6	6	
<b>FDEPS (Rs)</b>	<b>1.5</b>	<b>2.4</b>	<b>(37.6)</b>	<b>3.2</b>	<b>(54.1)</b>	<b>10.8</b>	<b>9.1</b>	<b>19.1</b>

Source: Company, Angel Research

**Outlook and Valuation:** During the quarter, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected overall ad spends. However, management expects that the company would be able to recover the volume growth in upcoming festive season. Further, 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)	FY2017	FY2018	FY2019	FY2020E	FY2021E
<b>Total operating income</b>	<b>271</b>	<b>298</b>	<b>325</b>	<b>341</b>	<b>373</b>
% chg	20.4	9.9	8.9	4.9	9.5
<b>Total Expenditure</b>	<b>180</b>	<b>201</b>	<b>212</b>	<b>225</b>	<b>244</b>
License fees	19	21	0	0	0
Personnel	65	69	69	75	82
Others Expenses	96	111	143	150	162
<b>EBITDA</b>	<b>91</b>	<b>97</b>	<b>113</b>	<b>116</b>	<b>129</b>
% chg	16.8	6.4	16.6	2.3	11.1
(% of Net Sales)	33.6	32.6	34.9	34.0	34.5
Depreciation& Amortisation	20	26	27	32	34
<b>EBIT</b>	<b>72</b>	<b>71</b>	<b>86</b>	<b>84</b>	<b>95</b>
% chg	16.5	(1.1)	21.6	(2.6)	13.0
(% of Net Sales)	26.4	23.7	26.5	24.6	25.4
Interest & other Charges	19	15	6	10	10
Other Income	4	19	15	13	13
(% of PBT)	8	26	16	15	13
Extraordinary Items	1	-	-	-	-
Share in profit of Associates					
<b>Recurring PBT</b>	<b>57</b>	<b>75</b>	<b>96</b>	<b>87</b>	<b>98</b>
% chg	2.7	31.9	27.1	(9.1)	12.5
Tax	20	24	34	29	32
<b>PAT (reported)</b>	<b>36</b>	<b>52</b>	<b>62</b>	<b>58</b>	<b>65</b>
% chg	30.3	45.4	19.2	(5.6)	12.5
(% of Net Sales)	13.1	17.3	19.0	17.1	17.5
<b>Basic &amp; Fully Diluted EPS ( ` )</b>	<b>1.3</b>	<b>1.8</b>	<b>2.2</b>	<b>2.1</b>	<b>2.3</b>
% chg	30.3	45.4	19.2	(5.6)	12.5

**Balance Sheet**

Y/E March ( ` cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	57	57	57	57	57
Reserves & Surplus	491	543	592	639	691
<b>Shareholders Funds</b>	<b>548</b>	<b>600</b>	<b>649</b>	<b>696</b>	<b>748</b>
Total Loans	155	54	19	19	19
<b>Total Liabilities</b>	<b>703</b>	<b>653</b>	<b>668</b>	<b>715</b>	<b>767</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	312	297	290	275	260
Capital Work-in-Progress	0	0	0	0	0
Investments	27	156	172	172	172
Current Assets	372	208	229	266	350
Inventories	0	0	0	0	0
Sundry Debtors	58	22	27	28	31
Cash	268	76	79	104	175
Loans & Advances	0	0	0	0	0
Other Assets	23	22	22	22	22
Current liabilities	83	45	107	71	74
<b>Net Current Assets</b>	<b>290</b>	<b>163</b>	<b>121</b>	<b>195</b>	<b>350</b>
Other Non-Current Asset	73	37	37	37	37
<b>Total Assets</b>	<b>703</b>	<b>653</b>	<b>668</b>	<b>715</b>	<b>767</b>

**Consolidated Cashflow Statement**

Y/E March (` cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	57	75	96	87	98
Depreciation	20	26	27	32	34
Change in Working Capital	(7)	(40)	44	(48)	(11)
Interest / Dividend (Net)	17	3	6	10	10
Direct taxes paid	(9)	(16)	(34)	(29)	(32)
Others	1	(7)	-	-	-
<b>Cash Flow from Operations</b>	<b>79</b>	<b>40</b>	<b>139</b>	<b>52</b>	<b>99</b>
(Inc.)/ Dec. in Fixed Assets	(27)	(6)	(5)	(5)	(5)
(Inc.)/ Dec. in Investments	(183)	9	(16)	-	-
<b>Cash Flow from Investing</b>	<b>(211)</b>	<b>3</b>	<b>(21)</b>	<b>(5)</b>	<b>(5)</b>
Issue of Equity	(38)	-	-	-	-
Inc./(Dec.) in loans	(133)	(100)	(34)	-	-
Others	376	(16)	(18)	(22)	(23)
<b>Cash Flow from Financing</b>	<b>205</b>	<b>(116)</b>	<b>(52)</b>	<b>(22)</b>	<b>(23)</b>
Inc./(Dec.) in Cash	73	(72)	66	25	71
<b>Opening Cash balances</b>	<b>13</b>	<b>86</b>	<b>13</b>	<b>79</b>	<b>104</b>
<b>Closing Cash balances</b>	<b>86</b>	<b>13</b>	<b>79</b>	<b>104</b>	<b>175</b>

### Key Ratio

Y/E March	FY2017	FY2018	FY2019	FY2020E	FY2021E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	37.3	25.7	21.5	22.8	20.3
P/CEPS	24.0	17.0	15.0	14.7	13.3
P/BV	2.4	2.2	2.0	1.9	1.8
Dividend yield (%)	0.0	0.0	0.9	0.9	1.0
EV/Sales	3.9	3.6	3.3	3.1	2.7
EV/EBITDA	11.7	11.0	9.4	9.2	7.7
EV / Total Assets	1.5	1.6	1.7	1.6	1.2
<b>Per Share Data (Rs)</b>					
EPS (Basic)	1.3	1.8	2.2	2.1	2.3
EPS (fully diluted)	1.3	1.8	2.2	2.1	2.3
Cash EPS	2.0	2.8	3.1	3.2	3.5
DPS	0.0	0.0	0.4	0.4	0.5
Book Value	19.4	21.2	23.0	24.6	26.5
<b>Returns (%)</b>					
ROCE	10.3	10.9	12.9	11.8	12.4
Angel ROIC (Pre-tax)	17.5	16.8	20.6	19.1	22.5
ROE	6.5	8.6	9.5	8.4	8.7
<b>Turnover ratios (x)</b>					
Inventory / Sales (days)	-	-	-	-	-
Receivables (days)	110	135	144	150	150
Payables (days)	78	27	30	30	30
Working capital cycle (ex-cash) (days)	32	108	114	120	120

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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 (&gt; 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)