

Music Broadcast

Performance Update

Y/E March (₹ cr)	2QFY20	2QFY19	% yoy	1QFY20	% qoq
Net sales	63	80	(22.0)	70	(10.4)
EBITDA	19	27	(30.3)	22	(17.3)
EBITDA margin (%)	29.6	33.1	(354bp)	32.1	(246bp)
Adjusted PAT	19	13	38.3	8	119.6

Source: Company, Angel Research

For 2QFY2020, Music Broadcast Limited (MBL) posted below expectation results both on top-line and bottom-line fronts. MBL's top-line registered a decline of ~22% yoy to ₹63cr on the back of lower ad spends. Moreover, the company's operating margins contracted by 354bps yoy. On the bottom-line front, MBL reported growth of ~38% yoy to ₹19cr on the back of tax reversal.

Top-line de-grew ~22% yoy: MBL's top-line de-grew by ~22% yoy to ₹63cr due to lower ad spends. The revenue declined across segments like Privates (de-grew ~7%), Government + Political (de-grew ~58%) and Radio led events (de-grew ~67). Going forward, management expects 2HFY2020 would remain flat.

PAT grew ~38%: On the operating front, the company reported contraction in margins, down 354bps yoy at 29.6%. Operating margin was impacted mainly due to lower sales. On the bottom-line front, MBL reported de-growth of ~38% yoy to ₹19cr.

Outlook and Valuation: Management expects that the company would be able to recover the volume growth in coming financial year. Further, considering sustainable growth opportunities over the next 5-7 years, most of the capex is already through and given the company's strong parentage, we have a positive outlook on MBL. However, during the quarter, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected overall ad spends. **Thus, we maintain our Hold recommendation on MBL.**

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

Hold

CMP	₹30
Target Price	₹45
Investment Period	12 month

Stock Info

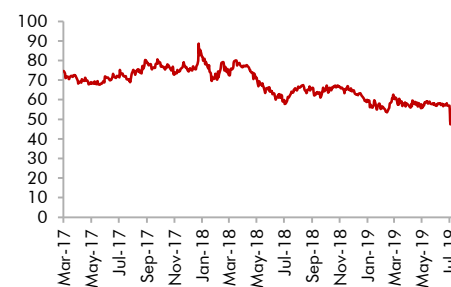
Sector	Media
Market Cap (₹ cr)	1279
Net Debt (₹ cr)	(37,534)
Beta	0.3
52 Week High / Low	68/45
Avg. Daily Volume	5,838
Face Value (₹)	10
BSE Sensex	37,767
Nifty	11,203
Reuters Code	-
Bloomberg Code	RADIOCIT.IN

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
MSIL	(20.9)	(22.8)	-

Historical share price chart



Source: Company, Angel Research

Exhibit 1: 2QFY2020 Performance

Y/E March (₹ cr)	2QFY20	2QFY19	% yoy	1QFY20	% qoq	1HFY20	1HFY19	% chg
Net Sales	63	80	(22.0)	70	(10.4)	132	156	(15.1)
Staff Costs	12	18	(32.8)	16	(25.6)	28	36	(21.5)
(% of Sales)	19.2	22.3		23.2		21.3	23.0	
Other Expenses	32	36	(10.3)	31	2.4	63	67	(6.0)
(% of Sales)	51.2	44.5		44.8		47.8	43.2	
Total Expenditure	44	54	(17.8)	47	(7.2)	91	103	(11.4)
Operating Profit	19	27	(30.3)	22	(17.3)	41	53	(22.3)
OPM	29.6	33.1		32.1		30.9	33.8	
Interest	3	1	92.0	3	3.1	5	3	89.1
Depreciation	9	7	29.4	9	0.9	17	13	28.4
Other Income	5	4	38.6	3	51.7	8	6	37.5
PBT (excl. Ext Items)	12	22	(44.8)	15	(16.0)	27	42	(37.1)
Ext (Income)/Expense	-	-		-		-	-	
PBT (incl. Ext Items)	12	22	(44.8)	15	(16.0)	27	42	(37.1)
(% of Sales)	19.5	27.6		20.8		20.2	27.2	
Provision for Taxation	(6)	9	(172.8)	6	(204.3)	(0)	16	(101.7)
(% of PBT)	(52.0)	39.4		41.9		(1.0)	36.7	
Reported PAT	19	13	38.3	8	119.6	27	27	0.2
PATM	29.6	16.7		12.1		20.4	17.3	
Minority Interest After NP								
Reported PAT	19	13	38.3	8	119.6	27	27	0.2
Equity shares (cr)	6	6		6		6	6	
FDEPS (Rs)	3.2	2.3	38.3	1.5	119.6	4.7	4.7	0.2

Source: Company, Angel Research

Outlook and Valuation: Management expects that the company would be able to recover the volume growth in coming financial year. Further, considering sustainable growth opportunities over the next 5-7 years, most of the capex is already through and given the company's strong parentage, we have a positive outlook on MBL. However, during the quarter, the company's volume growth has remained subdued mainly due to overall slowdown in economy, which affected overall ad spends. **Thus, we maintain our Hold recommendation on MBL.**

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
Total operating income	271	298	325	296	325
% chg	20.4	9.9	8.9	(8.9)	10.0
Total Expenditure	180	201	212	201	215
License fees	19	21	0	0	0
Personnel	65	69	69	65	72
Others Expenses	96	111	143	136	143
EBITDA	91	97	113	95	111
% chg	16.8	6.4	16.6	(16.4)	16.9
(% of Net Sales)	33.6	32.6	34.9	32.0	34.0
Depreciation & Amortisation	20	26	27	34	36
EBIT	72	71	86	61	75
% chg	16.5	(1.1)	21.6	(29.6)	23.0
(% of Net Sales)	26.4	23.7	26.5	20.5	22.9
Interest & other Charges	19	15	6	10	10
Other Income	4	19	15	16	17
(% of PBT)	8	26	16	24	21
Extraordinary Items	1	-	-	-	-
Share in profit of Associates					
Recurring PBT	57	75	96	67	82
% chg	2.7	31.9	27.1	(30.3)	22.5
Tax	20	24	34	17	21
PAT (reported)	36	52	62	50	61
% chg	30.3	45.4	19.2	(19.1)	22.5
(% of Net Sales)	13.1	17.3	19.0	16.9	18.8
Basic & Fully Diluted EPS (₹)	1.3	1.8	2.2	1.8	2.2
% chg	30.3	45.4	19.2	(19.1)	22.5

Balance Sheet

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
SOURCES OF FUNDS					
Equity Share Capital	57	57	57	57	57
Reserves & Surplus	491	543	592	632	681
Shareholders Funds	548	600	649	689	738
Total Loans	155	54	19	19	19
Total Liabilities	703	653	668	708	757
APPLICATION OF FUNDS					
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	258	340
Inventories	0	0	0	0	0
Sundry Debtors	58	22	27	24	27
Cash	268	76	79	114	184
Loans & Advances	0	0	0	0	0
Other Assets	23	22	22	22	22
Current liabilities	83	45	107	67	70
Net Current Assets	290	163	121	190	340
Other Non-Current Asset	73	37	37	37	37
Total Assets	701	653	621	708	757

Cashflow Statement

Y/E March (₹ cr)	FY2017	FY2018	FY2019	FY2020E	FY2021E
Profit before tax	57	75	96	67	82
Depreciation	20	26	27	34	36
Change in Working Capital	(7)	(40)	44	(33)	(10)
Interest / Dividend (Net)	17	3	6	10	10
Direct taxes paid	(9)	(16)	(34)	(17)	(21)
Others	1	(7)	-	-	-
Cash Flow from Operations	79	40	139	60	97
(Inc.)/ Dec. in Fixed Assets	(27)	(6)	(5)	(5)	(5)
(Inc.)/ Dec. in Investments	(183)	9	(16)	-	-
Cash Flow from Investing	(211)	3	(21)	(5)	(5)
Issue of Equity	(38)	-	-	-	-
Inc./(Dec.) in loans	(133)	(100)	(34)	-	-
Others	376	(16)	(18)	(20)	(22)
Cash Flow from Financing	205	(116)	(52)	(20)	(22)
Inc./(Dec.) in Cash	73	(72)	66	35	70
Opening Cash balances	13	86	13	79	114
Closing Cash balances	86	13	79	114	184

Key Ratio

Y/E March	FY2017	FY2018	FY2019	FY2020E	FY2021E
Valuation Ratio (x)					
P/E (on FDEPS)	23.8	16.4	13.7	17.0	13.9
P/CEPS	15.3	10.9	9.5	10.1	8.7
P/BV	1.5	1.4	1.3	1.2	1.1
Dividend yield (%)	0.0	0.0	1.5	1.2	1.4
EV/Sales	2.1	1.9	1.8	2.0	1.6
EV/EBITDA	6.3	5.9	5.1	6.1	4.6
EV / Total Assets	0.8	0.9	0.9	0.9	0.6
Per Share Data (Rs)					
EPS (Basic)	1.3	1.8	2.2	1.8	2.2
EPS (fully diluted)	1.3	1.8	2.2	1.8	2.2
Cash EPS	2.0	2.8	3.1	3.0	3.4
DPS	0.0	0.0	0.4	0.4	0.4
Book Value	19.4	21.2	23.0	24.4	26.1
Returns (%)					
ROCE	10.3	10.9	12.9	8.6	9.9
Angel ROIC (Pre-tax)	17.5	16.8	20.6	14.4	18.6
ROE	6.5	8.6	9.5	7.2	8.3
Turnover ratios (x)					
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

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website:

www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and Investment Adviser with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement	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%)
--------------------	-------------------------------------	---	--------------------