

Washout performance!

Revenues came in at ₹ 69.8 crore (decline of 7.8% YoY), lower than our expectation of 1% YoY growth at ₹ 76.5 crore. The underperformance was on account of the company's emphasis on yield improvement (they reported 4% yield improvement). Subsequently, the company let go a few low cost opportunities, which resulted in ~12% volume decline for the quarter. EBITDA for the quarter came in at ₹ 22.4 crore (vs. our expectation of ₹ 25.3 crore) on account of negative operating leverage while margins came in at 32.1%, lower than our expectation of 33%. PAT came in at ₹ 8.4 crore (vs. our estimate of ₹ 14.4 crore), further impacted by adoption of Ind-AS 116, which led to incremental depreciation and interest expenses of ₹ 1.63 crore and ₹ 0.6 crore for the quarter, respectively.

Underperformance of key categories drags numbers

The company indicated that there was moderate political advertisement, which could not recoup the government advertisement (20% YoY category decline) drag on overall numbers. Apart from this, categories like real estate and education also reported a decline in volumes, which added further to the woes. We believe that a recovery in local advertisement sentiments (60% of mix) is key here. However, the company's strategy on yield improvement in an economically challenging environment may delay this recovery longer than expected. Hence, we revise our revenue numbers downwards (aligning as per Q1FY20) and now build in 5.5% revenue CAGR over FY19-21E vs. 13.1% earlier.

Big FM acquisition to reap benefits in long term

The company recently announced its intension to acquire Big FM brand from Reliance Broadcast Network for an enterprise valuation of ₹ 1,050 crore in an all-cash deal. If the deal goes through, the combined entity will be the largest FM player in India with 79 stations. There would be a primary investment of ₹ 202 crore for 24% stake in the form of preferential allotment while on receipt of regulatory approvals there would be an investment of ₹ 348 crore for the remaining promoter stake. If the acquisition goes through, it is expected to provide long term benefits in terms of further yield improvement, cost synergies, etc.

Valuation & Outlook

We believe revenue de-growth for the quarter is a concern, especially in light of possibility of losing volume market share to its peers. The continued strategy of yield improvement may deepen this further. The Big FM acquisition may provide some long term benefits but it hinges on regulatory approvals, which have been a bumpy ride. Therefore, we downgrade the stock from BUY to **HOLD** with a revised target price of 53. A faster-than-expected revenue recovery is a key risk to our estimates.



Particulars

Particular	Amount
Market Capitalization	₹ 1302.6 Crore
Total Debt (FY18)	₹ 15.6 Crore
Cash & Liquid Inv (FY18)	₹ 250.5 Crore
EV	₹ 1120.4 Crore
52 week H/L	68/45
Equity capital (₹ crore)	55.3
Face value	2.0

Key Highlights

- Revenue growth impacted by delay of advertisement from national advertisers while local advertisers opt for low cost opportunities
- EBITDA performance impacted by weaker topline
- Downgrade to HOLD from BUY with revised DCF based target price of ₹ 53 per share

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Key Financial Summary

(Year-end March)	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales (₹ crore)	271.4	298.3	324.7	341.1	361.2	5.5
EBITDA (₹ crore)	91.3	97.1	113.2	116.5	128.3	6.5
Net Profit (₹ crore)	36.7	51.7	61.6	56.6	66.5	3.9
EPS (₹)	8.1	1.9	2.2	2.0	2.4	
P/E (x)	5.9	25.2	21.1	23.0	19.6	
Price / Book (x)	0.4	2.2	2.2	2.0	2.0	
EV/EBITDA (x)	12.7	11.5	9.4	8.8	7.8	
RoCE (%)	11.3	14.3	16.5	14.7	16.8	
RoE (%)	6.7	8.6	10.2	8.5	10.0	

Exhibit 1: Variance Analysis

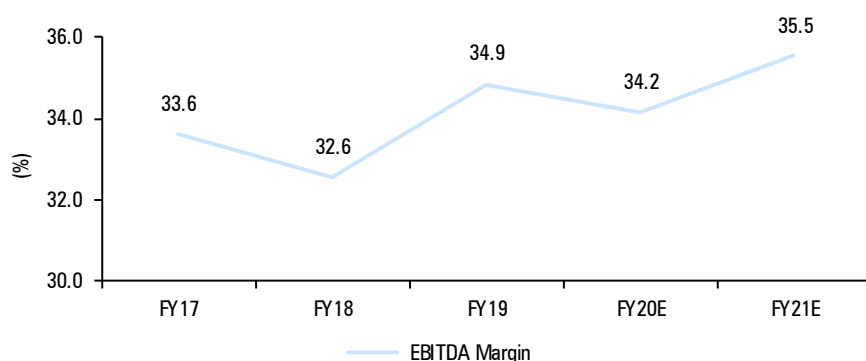
	Q1FY20	Q1FY20E	Q1FY19	Q4FY19	YoY (%)	QoQ (%)	Comments
Revenue	69.8	76.5	75.7	81.9	-7.8	-14.8	Revenue growth came in lower on account of loss of government advertising as well as lower advertising from key sectors
Other Income	3.3	4.6	2.4	4.6	36.0	-28.6	
License fees	5.0	5.4	5.3	5.0	-5.3	0.6	
Employee Expenses	16.2	18.4	18.0	16.3	-10.2	-1.1	
Other expenses	26.2	27.5	26.3	28.6	-0.3	-8.2	
EBITDA	22.4	25.3	26.1	32.0	-14.2	-30.0	Weak performance at the topline percolated to EBITDA
EBITDA Margin (%)	32.1	33.0	34.4	39.0	-238 bps	-699 bps	
Depreciation	8.6	6.7	6.7	6.9	27.4	24.3	
Interest	2.6	1.0	1.4	1.5	86.2	69.1	
Total Tax	6.1	7.7	6.9	9.8	-11.5	-38.1	
PAT	8.4	14.4	13.5	18.4	-37.6	-54.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	375.6	341.1	-9.2	422.1	361.2	-14.4	We re-align numbers after Q1FY20 numbers
EBITDA	132.3	116.5	-11.9	151.9	128.3	-15.5	
EBITDA Margin (%)	35.2	34.2	-106 bps	36.0	35.5	-45 bps	
PAT	77.6	56.6	-27.0	91.4	66.5	-27.2	
EPS (₹)	2.8	2.0	-26.9	3.3	2.4	-27.1	

Source: Company, ICICI Direct Research

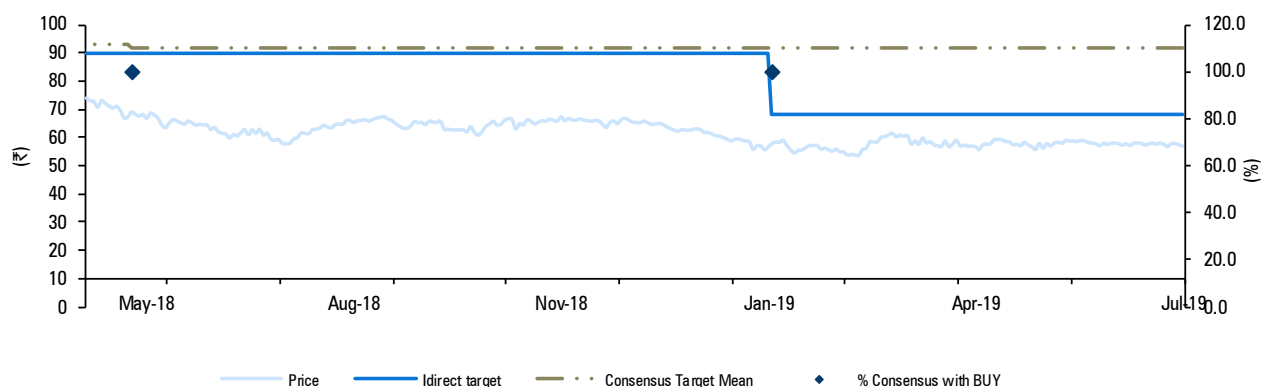
Exhibit 3: EBITDA margin trend


Source: Company, ICICI Direct Research

Conference call highlights

- **Volume decline drag revenues:** The company indicated there was 5-6% YoY yield improvement in top 12 markets while the yield was flat for other markets, which resulted in a 4% hike in yield for the quarter. This coupled with 12% volume decline resulted in ~8% total revenue decline for the quarter
- **Category wise performance:** The management indicated that relatively smaller categories such as political advertisement, auto and finance recorded 80%, 57% and 41% volume growth for the industry on a YoY basis. On the other hand, categories like real estate, government, education, electricals and dotcom recorded volume decline of 20%, 47%, 16%, 30% and 42%, respectively
- **Expect recovery in H2FY20:** The company indicated that performance in the April and May was in line with their expectations. However, sluggish performance in June (on account of lower-than-expected political advertisement) was one of the key reasons for muted growth in the quarter. The management indicated that growth is expected to come back in H2FY20 on account of festivities
- **MIB approval awaited for RBNL deal:** The management indicated that they are yet to make an initial payment to Reliance Broadcast as they are awaiting fulfilment of certain pre-agreed conditions. The management ruled out the possibility of revaluation of the deal in light of the possible soft performance of Big FM this quarter
- **Peer performance:** The management indicated that though one of the peers (HT Media) reported revenue growth of 9% in the radio business (ex the merged entity), the company said that on a combined network basis, the growth would have been flat to negative. Commenting on the peer (DB Corp), which reported 19% revenue growth, the management indicated they do not engage in combined print and radio deals
- **Other highlights:** i) Cash for the quarter was at ₹ 260 crore vs. ₹ 235 crore as of March 2019, ii) utilisation for older stations was at 55-60% while that of new stations was at 40% in Q1FY20, iii) the discount in pricing with respect to ENIL is at 10-15% while premium of MBL pricing vs. bottom player is in the range of 35-40%

Exhibit 4: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 5: Top 10 Shareholders

	Name	Latest Filing Date	% O/S	Position (m)	Position Change (m)
1	Jagran Prakashan Ltd	30-Jun-19	72.81	201.3	0.0
2	Franklin Templeton Asset Management (India) Pvt. Lt	30-Jun-19	7.19	19.9	0.0
3	HDFC Life Insurance Company Limited	30-Jun-19	4.51	12.5	-1.3
4	Invesco Asset Management (India) Private Limited	30-Jun-19	2.09	5.8	0.7
5	Purohit (Aparva)	30-Jun-19	1.90	5.2	0.0
6	Sharma (Nanda Kishore)	30-Jun-19	1.26	3.5	0.0
7	DSP Investment Managers Pvt. Ltd.	30-Jun-19	0.59	1.6	0.0
8	HSBC Global Asset Management (Hong Kong) Limited	30-Nov-18	0.53	1.5	0.0
9	Ocean Dial Asset Management Limited	31-May-19	0.16	0.4	0.0
10	Reliance Nippon Life Asset Management Limited	30-Jun-19	0.14	0.4	0.0

Source: Reuters, ICICI Direct Research

Exhibit 6: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Invesco Asset Management (India) Private Limited	+3.34M	+3.99M	HDFC Life Insurance Company Limited	-0.95M	-1.13M
Sharma (Nanda Kishore)	+2.93M	+3.50M	Purohit (Aparva)	-0.76M	-0.90M
			Agarwal (Rajendra Kumar)	-0.08M	-0.10M

Source: Reuters, ICICI Direct Research

Exhibit 7: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	71.40	72.12	73.65	73.65	73.65
FII	4.00	3.54	2.43	1.18	0.79
DII	8.12	8.07	8.32	9.83	10.08
Others	16.48	16.27	15.60	15.34	15.48

Source: Company, ICICI Direct Research

Financial summary

Exhibit 8: Profit and loss statement					₹ crore
(₹ Crore)	FY18	FY19	FY20E	FY21E	
Total operating Income	298.3	324.7	341.1	361.2	
Growth (%)	20.4	8.9	5.0	5.9	
Production Cost	0.0	0.0	0.0	0.0	
License Fee	0.0	0.0	0.0	0.0	
Administrative Expenses	132.3	142.6	146.0	149.8	
Employee Expenses	68.9	69.0	78.6	83.1	
Total Operating Expenditure	201.2	211.5	224.6	232.8	
EBITDA	97.1	113.2	116.5	128.3	
Growth (%)	16.8	16.6	2.9	10.2	
Depreciation	26.3	27.1	34.1	34.3	
Interest	15.0	5.6	10.1	10.0	
Other Income	19.4	15.1	15.1	16.6	
Exceptional Items	-	-	-	-	
PBT	75.2	95.5	87.4	100.6	
MI/PAT from associates	-	-	-	-	
Total Tax	23.5	33.9	30.8	34.1	
PAT	51.7	61.6	56.6	66.5	
Growth (%)	32.7	19.1	-8.1	17.5	
EPS (₹)	1.9	2.2	2.0	2.4	

Source: Company, ICICI Direct Research

Exhibit 9: Cash flow statement					₹ crore
(Year-end March)	FY18	FY19	FY20E	FY21E	
Profit after Tax	51.7	61.6	56.6	66.5	
Add: Depreciation	26.3	27.1	34.1	34.3	
Add: Interest Paid	15.0	5.6	10.1	10.0	
(Inc)/dec in Current Assets	-21.8	-14.0	-7.4	-10.2	
Inc/(dec) in CL and Provisions	-14.4	62.7	4.8	6.9	
CF from operating activities	56.8	143.1	98.2	107.5	
(Inc)/dec in Investments	-129.1	-15.8	0.0	0.0	
(Inc)/dec in Fixed Assets	-11.6	-40.1	-45.0	-9.0	
Others	7.0	13.6	0.0	0.0	
CF from investing activities	-133.7	-42.4	-45.0	-9.0	
Issue/(Buy back) of Equity	0.0	-56.4	56.4	0.0	
Inc/(dec) in loan funds	-99.9	-34.3	-10.0	-5.6	
Interest paid	-15.0	-5.6	-10.1	-10.0	
Dividend outflow	0.0	0.0	-53.1	-66.4	
Others	0.0	-1.7	0.0	0.0	
CF from financing activities	-114.8	-98.1	-16.8	-82.0	
Net Cash flow	-191.7	2.6	36.4	16.5	
Opening Cash	267.9	76.2	78.8	115.2	
Closing Cash	76.2	78.8	115.2	131.7	

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet					₹ crore
(Year-end March)	FY18	FY19	FY20E	FY21E	
Liabilities					
Equity Capital	57.1	55.3	55.3	55.3	
Reserve and Surplus	542.8	548.0	607.9	608.1	
Total Shareholders funds	599.9	603.3	663.2	663.4	
Total Debt	49.9	15.6	5.6	0.0	
Total Liabilities	649.8	619.0	668.9	663.4	
Assets					
Gross Block	359.6	399.7	444.7	453.7	
Less: Acc Depreciation	62.7	89.8	123.9	158.2	
Net Block	296.9	310.0	320.8	295.5	
Capital WIP	-	-	-	-	
Total Fixed Assets	296.9	310.0	320.8	295.5	
Investments	155.9	171.7	171.7	171.7	
Deferred tax assets	18.2	4.6	4.6	4.6	
Debtors	110.4	125.4	130.8	138.5	
Loans and Advances	22.8	22.2	23.3	24.7	
Other Current Assets	18.2	17.8	18.7	19.8	
Cash	76.2	78.8	115.2	131.7	
Total Current Assets	227.6	244.2	288.1	314.8	
Creditors	22.3	24.7	25.2	26.7	
Provisions	4.3	4.9	5.0	5.3	
Other Current Liabilities	22.2	82.0	86.1	91.2	
Total Current Liabilities	48.8	111.6	116.4	123.2	
Net Current Assets	178.8	132.7	171.7	191.5	
Application of Funds	649.8	619.0	668.9	663.4	

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios					₹ crore
(Year-end March)	FY18	FY19	FY20E	FY21E	
Per share data (₹)					
EPS	1.9	2.2	2.0	2.4	
Cash EPS	2.8	3.2	3.3	3.6	
BV	21.7	21.8	24.0	24.0	
DPS	0.0	0.0	1.6	2.0	
Cash Per Share	2.8	2.8	4.2	4.8	
Operating Ratios (%)					
EBITDA Margin	32.6	34.9	34.2	35.5	
PBT / Total Operating income	23.7	26.5	24.2	26.0	
PAT Margin	17.3	19.0	16.6	18.4	
Inventory days	0.0	0.0	0.0	0.0	
Debtor days	135.1	141.0	140.0	140.0	
Creditor days	27.2	27.7	27.0	27.0	
Return Ratios (%)					
RoE	8.6	10.2	8.5	10.0	
RoCE	14.3	16.5	14.7	16.8	
RoIC	17.7	23.7	21.8	26.5	
Valuation Ratios (x)					
P/E	25.2	21.1	23.0	19.6	
EV / EBITDA	11.5	9.4	8.8	7.8	
EV / Net Sales	3.8	3.3	3.0	2.8	
Market Cap / Sales	4.4	4.0	3.8	3.6	
Price to Book Value	0.0	0.0	0.0	0.0	
Solvency Ratios					
Debt/EBITDA	0.5	0.1	0.0	0.0	
Debt / Equity	0.1	0.0	0.0	0.0	
Current Ratio	3.1	1.5	1.5	1.5	
Quick Ratio	3.1	1.5	1.5	1.5	

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
DB Corp (DBCORP)	162	190	Hold	2,825	15.7	18.8	19.0	10.3	8.6	8.5	5.4	4.3	3.9	21.0	25.7	23.7	15.0	17.7	16.1
ENIL (ENTNET)	398	545	Hold	1,895	11.3	15.7	21.2	35.2	25.3	18.7	12.5	9.7	6.8	6.2	9.0	11.3	3.5	5.8	7.5
Inox Leisure (INOX)	307	385	Buy	3,145	13.0	14.1	18.1	23.6	21.7	17.0	10.5	9.6	7.6	13.2	19.6	18.0	10.6	14.2	13.1
Jagran Praka (JAGPRA)	92	108	Hold	2,860	8.8	9.6	12.0	10.4	9.6	7.7	5.4	4.5	3.7	18.9	18.6	16.7	16.1	14.7	13.9
Music Broadcast (MUS)	47	53	Hold	1,300	2.2	2.0	2.4	21.1	22.9	19.5	9.4	8.7	7.8	16.5	14.7	16.8	10.2	8.5	10.0
PVR (PVRLIM)	1,665	1,810	Hold	7,779	39.2	19.0	28.6	42.5	87.8	58.2	15.4	7.7	6.9	14.7	13.8	24.6	11.5	14.8	11.1
Sun TV (SUNTV)	469	580	Hold	18,463	36.4	37.4	38.7	12.9	12.5	12.1	6.1	5.8	5.0	35.5	38.5	34.2	24.2	25.9	23.0
TV Today (TVTNET)	281	340	Buy	1,678	22.0	27.0	28.4	12.8	10.4	9.9	7.0	5.1	4.2	30.4	26.2	26.9	19.3	16.9	17.5
ZEE Ent. (ZEEENT)	387	425	Buy	37,182	16.1	18.9	21.2	24.1	20.5	18.2	13.7	12.1	10.4	25.6	25.7	24.8	15.3	15.7	15.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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