

# Music Broadcast (RADIOCITY IN)

Rating: HOLD | CMP: Rs13 | TP: Rs17

May 26, 2020

## Q4FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	17		21	
Sales (Rs. m)	1,715	2,636	2,260	3,096
% Chng.	(24.1)	(14.9)		
EBITDA (Rs. m)	129	751	621	1,059
% Chng.	(79.3)	(29.0)		
EPS (Rs.)	(0.4)	0.9	0.6	1.6
% Chng.	(160.7)	(44.3)		

### Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	3,247	2,478	1,715	2,636
EBITDA (Rs. m)	1,132	571	129	751
Margin (%)	34.9	23.1	7.5	28.5
PAT (Rs. m)	616	282	(135)	312
EPS (Rs.)	2.2	0.8	(0.4)	0.9
Gr. (%)	(75.4)	(63.4)	(148.0)	(330.7)
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	10.2	4.5	(2.2)	4.8
RoCE (%)	13.9	3.5	(4.0)	5.5
EV/Sales (x)	0.4	1.0	1.1	0.7
EV/EBITDA (x)	1.2	4.2	14.1	2.5
PE (x)	6.0	16.3	(34.0)	14.7
P/BV (x)	0.6	0.7	0.7	0.7

### Key Data

MUSI.BO | RADIOCITY IN

52-W High / Low	Rs.50 / Rs.12
Sensex / Nifty	30,609 / 9,029
Market Cap	Rs.5bn / \$ 61m
Shares Outstanding	346m
3M Avg. Daily Value	Rs.7.35m

### Shareholding Pattern (%)

Promoter's	74.05
Foreign	0.16
Domestic Institution	14.73
Public & Others	11.06
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.6)	(43.1)	(71.3)
Relative	(0.3)	(23.9)	(63.0)

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## Exceptional loss mars EBITDA

### Quick Pointers

- Inventory utilization in legacy and phase III stations stood at ~54% and ~36% respectively in FY20. Phase III stations contributed 9% to sales in FY20.
- Operating cost optimized to Rs100-110mn per month during lockdown. Pre-lockdown monthly run-rate was Rs160-170mn.

**We cut our EBITDA estimates by 79%/29% for FY21/FY22 respectively as 1) we expect inventory utilization for 28 legacy/11 batch 1 stations to be at 36%/30% in FY21 and 55%/40% in FY22 respectively since COVID-19 is expected to have an adverse impact on the overall demand environment (during lockdown period ad-revenue was lower by 80-85%) 2) government ad-volume (5% contribution in FY20 for top 15 markets) is unlikely to recover soon and 3) local advertisers who were so far resilient due to limited low cost options can postpone spending due to tighter liquidity situation (75% of provisioning on debt allowance of Rs49mn in 4QFY20 pertains to local advertisers). While MBL took various cost cutting initiatives (Rs302mn of optimization achieved in FY20) and managed to curtail its fixed cost to Rs100-110mn per month in lockdown, concerns on growth and margins have aggravated post-COVID. We expect sales & PAT to grow at a CAGR of 3.1% and 5.2% over FY20-22E. We maintain our target EV/EBITDA multiple of 3.5x (unchanged) and arrive at per share value of Rs15 per share. Our DCF enabled per share value now stands at Rs19. We arrive at blended TP (50% weight to each methodology) of Rs17 per share (earlier Rs21). Maintain HOLD.**

**Topline falters as COVID risk looms large:** MBL's topline declined 44% YoY to Rs459mn (PLe of Rs556mn) mainly due to fall in advertising volumes.

**Exceptional write down of Rs95mn results in EBITDA loss:** MBL reported an EBITDA loss of Rs53mn as 1) there was an unexpected loss allowance on doubtful debts of Rs49mn due to COVID-19 (future recoverability under question) 2) loss allowance on doubtful deposits amounting to Rs28mn relating to a security deposit and 3) legal & professional fees of Rs18mn incurred towards RBNL acquisition. Adjusting for one-off expense of Rs95mn, EBITDA came in at Rs42mn (PLe of Rs104mn) with margin declining 270 bps YoY to 9.1% (PLe of 18.8%). Ind-AS adjusted EBITDA (excluding the exceptional item) declined 92.8% YoY to Rs23mn with margin of 5%.

**Con-call highlights:** 1) In April 2020, industry volumes/revenues for top 15 markets were 15%/15-20% of normal volumes/sales respectively. 2) Doubtful debt allowance of Rs49mn relates to receivables from sectors like real estate, travel, education & hospitality. 3) Out of the total receivables of Rs1,063mn, ~38% pertains to Government 4) RBNL acquisition is put on hold and may be re-evaluated in future 5) Signed a deal with Spotify worth Rs20mn wherein RadioCity's content will be played on the app 6) License fee payment to Government has been deferred by a quarter 7) 50% of pre-CVOID monthly sales run rate is targeted by June.

## Exhibit 1: Q4FY20 Result Overview (Rs mn)

Y/e March	Q4FY20	Q4FY19	YoY gr.	Q3FY20	FY20	FY19	YoY gr.
<b>Net Sales</b>	<b>459</b>	<b>819</b>	<b>-44.0%</b>	<b>696</b>	<b>2478</b>	<b>3247</b>	<b>-23.7%</b>
License fees	48	50	-4.8%	50	197	214	-8.0%
As a % of sales	10.4%	6.1%		7.1%	7.9%	6.6%	
Employee expenses	124	163	-24.2%	148	554	690	-19.7%
As a % of sales	27.0%	20.0%		21.3%	22.4%	21.2%	
Other expenses	340	286	19.2%	283	1156	1212	-4.6%
As a % of sales	74.2%	34.9%		40.6%	46.7%	37.3%	
Expenditure	512	499	2.5%	481	1,907	2,115	-9.9%
<b>EBITDA</b>	<b>(53)</b>	<b>320</b>	<b>NM</b>	<b>216</b>	<b>571</b>	<b>1,132</b>	<b>-49.5%</b>
EBITDA Margin	NM	39.0%		31.0%	23.1%	34.9%	
Depreciation	86	69	24.9%	89	348	271	28.3%
<b>EBIT</b>	<b>(139)</b>	<b>251</b>	<b>NM</b>	<b>127</b>	<b>224</b>	<b>861</b>	<b>-74.0%</b>
EBIT Margin	NM	30.6%		18.2%	9.0%	26.5%	
Interest	21	15	34.9%	25	98	56	72.9%
Other income	39	46	-16.1%	42	163	151	8.0%
<b>PBT</b>	<b>(121)</b>	<b>282</b>	<b>NM</b>	<b>144</b>	<b>289</b>	<b>955</b>	<b>-69.7%</b>
Tax	(32)	98	NM	42	7	339	-97.9%
Tax Rate	NM	34.8%		29.1%	2.5%	35.5%	
Other comprehensive income	3	(0)	NM	-	3	(0)	NM
<b>PAT</b>	<b>(87)</b>	<b>183</b>	<b>NM</b>	<b>102</b>	<b>285</b>	<b>616</b>	<b>-53.8%</b>
PAT Margin	NM	22.4%		14.6%	11.5%	19.0%	
<b>EPS (Rs)</b>	<b>(0.3)</b>	<b>0.7</b>	<b>NM</b>	<b>0.4</b>	<b>0.8</b>	<b>2.2</b>	<b>-62.6%</b>

Source: Company, PL

## Exhibit 2: Revenue assumptions for 28 legacy stations

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	16.6	16.6	16.6	16.6	16.6
Utilization level	70%	54%	36%	55%	65%
Inventory sold (mn sec) in slots	11.6	8.9	6.0	9.1	10.8
YoY growth	0.0%	-22.9%	-33.3%	52.8%	18.2%
Realization per slot per station (Rs)	255	252	256	261	268
YoY growth	5.4%	-1.1%	1.5%	2.0%	2.5%
<b>Total revenues (Rs mn)</b>	<b>2,954.9</b>	<b>2,255.2</b>	<b>1,526.0</b>	<b>2,378.0</b>	<b>2,880.6</b>

Source: Company, PL

## Exhibit 3: Revenue assumptions for 11 batch 1 stations

Particulars	FY19	FY20	FY21E	FY22E	FY23E
Inventory available (mn sec) in slots - Each slot is for 10 sec	6.5	6.5	6.5	6.5	6.5
Utilization level	50%	36%	30%	40%	50%
Inventory sold (mn sec) in slots	3.3	2.3	2.0	2.6	3.3
YoY growth	42.9%	-28.0%	-16.7%	33.3%	25.0%
Realization per slot per station (Rs)	90	95	97	99	103
YoY growth	14.3%	6.0%	1.5%	2.5%	3.5%
<b>Total revenues (Rs mn)</b>	<b>292.2</b>	<b>223.0</b>	<b>188.7</b>	<b>257.8</b>	<b>333.6</b>

Source: Company, PL

**Exhibit 4: EV/EBITDA valuation**

Particulars (Rs mn)	FY22E*
EV/EBITDA	3.5
EBITDA	751
EV	2,629
Less: Debt	221
Add: Cash & Investments	2,741
Equity Value	5,149
No of shares	346
Per share value	15

Source: PL Note: Lease liability is considered as debt

**Exhibit 5: DCF cash flow assumptions**

Particulars	Rs mn
PV of cash flow	4,543
Less: Debt	221
Add: Cash	126
Add: Investments	2,084
Net Asset Value	6,531
No of shares	346
Per share value (Rs)	19

Source: PL Note: Lease liability is considered as debt

**Exhibit 6: Weighted average valuation**

Particulars (Rs)	Weight assigned	Target price	Weighted average target price
EV/EBITDA approach	50%	15	7
DCF approach	50%	19	9
Weighted average target price			17

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Net Revenues</b>	<b>3,247</b>	<b>2,478</b>	<b>1,715</b>	<b>2,636</b>
YoY gr. (%)	8.9	(23.7)	(30.8)	53.7
Cost of Goods Sold	-	-	-	-
Gross Profit	3,247	2,478	1,715	2,636
Margin (%)	100.0	100.0	100.0	100.0
Employee Cost	690	554	497	606
Other Expenses	1,426	1,353	1,089	1,278
<b>EBITDA</b>	<b>1,132</b>	<b>571</b>	<b>129</b>	<b>751</b>
YoY gr. (%)	16.6	(49.5)	(77.5)	484.2
Margin (%)	34.9	23.1	7.5	28.5
Depreciation and Amortization	271	348	373	392
<b>EBIT</b>	<b>861</b>	<b>224</b>	<b>(244)</b>	<b>359</b>
Margin (%)	26.5	9.0	(14.2)	13.6
Net Interest	56	98	99	100
Other Income	151	163	163	158
<b>Profit Before Tax</b>	<b>955</b>	<b>289</b>	<b>(181)</b>	<b>417</b>
Margin (%)	29.4	11.7	(10.5)	15.8
Total Tax	339	7	(46)	105
Effective tax rate (%)	35.5	2.5	25.2	25.2
<b>Profit after tax</b>	<b>616</b>	<b>282</b>	<b>(135)</b>	<b>312</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>616</b>	<b>282</b>	<b>(135)</b>	<b>312</b>
YoY gr. (%)	19.1	(54.2)	(148.0)	(330.7)
Margin (%)	19.0	11.4	(7.9)	11.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>616</b>	<b>282</b>	<b>(135)</b>	<b>312</b>
YoY gr. (%)	19.1	(54.2)	(148.0)	(330.7)
Margin (%)	19.0	11.4	(7.9)	11.8
Other Comprehensive Income	0	3	-	-
Total Comprehensive Income	616	285	(135)	312
<b>Equity Shares O/s (m)</b>	<b>277</b>	<b>346</b>	<b>346</b>	<b>346</b>
<b>EPS (Rs)</b>	<b>2.2</b>	<b>0.8</b>	<b>(0.4)</b>	<b>0.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,995</b>	<b>4,335</b>	<b>4,460</b>	<b>4,639</b>
Tangibles	898	1,246	1,366	1,537
Intangibles	3,097	3,089	3,094	3,102
<b>Acc: Dep / Amortization</b>	<b>896</b>	<b>1,243</b>	<b>1,616</b>	<b>2,008</b>
Tangibles	149	297	470	662
Intangibles	746	946	1,146	1,346
<b>Net fixed assets</b>	<b>3,100</b>	<b>3,091</b>	<b>2,844</b>	<b>2,631</b>
Tangibles	748	949	896	875
Intangibles	2,351	2,142	1,948	1,755
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	130	114	103	145
Net Deferred tax assets	46	100	-	50
Other Non-Current Assets	68	85	51	112
<b>Current Assets</b>				
Investments	1,703	2,084	2,084	2,084
Inventories	-	-	-	-
Trade receivables	1,254	1,063	752	1,155
Cash & Bank Balance	788	126	703	657
Other Current Assets	178	198	154	250
<b>Total Assets</b>	<b>7,305</b>	<b>6,878</b>	<b>6,716</b>	<b>7,138</b>
<b>Equity</b>				
Equity Share Capital	553	691	691	691
Other Equity	5,480	5,627	5,491	5,803
<b>Total Network</b>	<b>6,033</b>	<b>6,318</b>	<b>6,183</b>	<b>6,495</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	156	-	-	-
Provisions	-	-	-	-
Other non current liabilities	42	38	30	24
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	247	208	196	258
Other current liabilities	827	93	87	139
<b>Total Equity &amp; Liabilities</b>	<b>7,305</b>	<b>6,878</b>	<b>6,716</b>	<b>7,137</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	955	289	(181)	417
Add. Depreciation	271	348	373	392
Add. Interest	56	98	99	100
Less Financial Other Income	151	163	163	158
Add. Other	(158)	(106)	138	(88)
Op. profit before WC changes	1,125	628	430	822
Net Changes-WC	(87)	(25)	314	(432)
Direct tax	(183)	(110)	46	(105)
<b>Net cash from Op. activities</b>	<b>855</b>	<b>493</b>	<b>790</b>	<b>284</b>
Capital expenditures	(384)	(53)	(125)	(179)
Interest / Dividend Income	-	-	-	-
Others	(56)	379	4	(69)
<b>Net Cash from Invt. activities</b>	<b>(440)</b>	<b>326</b>	<b>(122)</b>	<b>(248)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	-	-	-	-
Interest paid	(56)	(100)	(99)	(100)
Others	(343)	(738)	8	18
<b>Net cash from Fin. activities</b>	<b>(399)</b>	<b>(838)</b>	<b>(91)</b>	<b>(82)</b>
<b>Net change in cash</b>	<b>16</b>	<b>(19)</b>	<b>577</b>	<b>(46)</b>
Free Cash Flow	898	(141)	393	70

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Per Share(Rs)</b>				
EPS	2.2	0.8	(0.4)	0.9
CEPS	3.2	1.8	0.7	2.0
BVPS	21.8	18.3	17.9	18.8
FCF	3.2	(0.4)	1.1	0.2
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	13.9	3.5	(4.0)	5.5
ROIC	15.5	8.3	1.9	10.5
RoE	10.2	4.5	(2.2)	4.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.5)	(0.4)
Net Working Capital (Days)	113	126	118	124
<b>Valuation(x)</b>				
PER	6.0	16.3	(34.0)	14.7
P/B	0.6	0.7	0.7	0.7
P/CEPS	4.1	7.3	19.3	6.5
EV/EBITDA	1.2	4.2	14.1	2.5
EV/Sales	0.4	1.0	1.1	0.7
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Net Revenue</b>	<b>698</b>	<b>625</b>	<b>696</b>	<b>459</b>
YoY gr. (%)	(7.8)	(22.0)	(20.0)	(44.0)
Raw Material Expenses	-	-	-	-
Gross Profit	698	625	696	459
Margin (%)	100.0	100.0	100.0	100.0
<b>EBITDA</b>	<b>224</b>	<b>185</b>	<b>216</b>	<b>(53)</b>
YoY gr. (%)	(14.2)	(30.3)	(24.6)	(116.6)
Margin (%)	32.1	29.6	31.0	(11.6)
Depreciation / Depletion	86	87	89	86
<b>EBIT</b>	<b>138</b>	<b>98</b>	<b>127</b>	<b>(139)</b>
Margin (%)	19.7	15.7	18.2	(30.4)
Net Interest	26	27	25	21
Other Income	33	50	42	39
<b>Profit before Tax</b>	<b>145</b>	<b>122</b>	<b>144</b>	<b>(121)</b>
Margin (%)	20.8	19.5	20.6	(26.4)
Total Tax	61	(63)	42	(32)
Effective tax rate (%)	41.9	(52.0)	29.1	26.4
<b>Profit after Tax</b>	<b>84</b>	<b>185</b>	<b>102</b>	<b>(89)</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>84</b>	<b>185</b>	<b>102</b>	<b>(89)</b>
YoY gr. (%)	(37.6)	38.3	(37.9)	(148.6)
Margin (%)	12.1	29.6	14.6	(19.4)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>84</b>	<b>185</b>	<b>102</b>	<b>(89)</b>
YoY gr. (%)	(37.6)	38.3	(37.9)	(148.6)
Margin (%)	12.1	29.6	14.6	(19.4)
Other Comprehensive Income	-	-	-	3
<b>Total Comprehensive Income</b>	<b>84</b>	<b>185</b>	<b>102</b>	<b>(87)</b>
Avg. Shares O/s (m)	277	277	277	346
<b>EPS (Rs)</b>	<b>0.3</b>	<b>0.7</b>	<b>0.4</b>	<b>(0.3)</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	28-Jan-20	Hold	39	27
2	03-Jan-20	Hold	39	28
3	11-Nov-19	Hold	39	30
4	03-Oct-19	Hold	48	37
5	29-Jul-19	Hold	58	46
6	04-Jul-19	BUY	75	57
7	28-May-19	BUY	75	59

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	179	133
3	Indian Railway Catering and Tourism Corporation	BUY	1,428	1,292
4	Inox Leisure	Hold	21	14
5	Music Broadcast	Hold	39	27
6	Navneet Education	BUY	82	66
7	PVR	BUY	1,518	1,002
8	S Chand and Company	Accumulate	67	39
9	V.I.P. Industries	Hold	334	241

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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