

# Music Broadcast (RADIOCIT IN)

Rating: HOLD | CMP: Rs23 | TP: Rs24

January 22, 2021

## Q3FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	24		23	
Sales (Rs. m)	2,564	3,034	2,567	3,037
% Chng.	(0.1)	(0.1)		
EBITDA (Rs. m)	795	1,123	757	1,078
% Chng.	5.0	4.1		
EPS (Rs.)	1.1	1.7	1.0	1.6
% Chng.	8.5	6.1		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	2,478	1,314	2,564	3,034
EBITDA (Rs. m)	571	(67)	795	1,123
Margin (%)	23.1	(5.1)	31.0	37.0
PAT (Rs. m)	282	(194)	373	598
EPS (Rs.)	0.8	(0.6)	1.1	1.7
Gr. (%)	(63.4)	NM	NM	60.4
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	4.5	NM	6.6	9.6
RoCE (%)	3.5	NM	6.3	10.0
EV/Sales (x)	2.4	5.2	2.7	2.1
EV/EBITDA (x)	10.5	NM	8.6	5.6
PE (x)	28.3	NM	21.4	13.3
P/BV (x)	1.3	1.5	1.4	1.3

### Key Data

MUSI.BO | RADIOCIT IN

52-W High / Low	Rs.26 / Rs.12
Sensex / Nifty	48,879 / 14,372
Market Cap	Rs.8bn / \$ 109m
Shares Outstanding	346m
3M Avg. Daily Value	Rs.23.48m

### Shareholding Pattern (%)

Promoter's	74.05
Foreign	0.13
Domestic Institution	8.38
Public & Others	17.44
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.6	45.3	7.5
Relative	(2.5)	12.6	(9.5)

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## Volumes recover but yields hold key

### Quick Pointers:

- Industry ad-volumes for top 15 markets were down by 2% YoY in 3QFY21. In comparison, Radio City's ad-volumes were up by 9% YoY.
- Management is targeting cost savings of Rs500-550mn in FY21E. Roughly 50% of the savings will be permanent in nature boosting margins by 300 bps.

**While MBL's revenue of Rs407mn was in-line with our estimates, EBITDA margin of 10.2% surpassed our expectations of 7.5% led by stringent cost control. Total operating cost stood at Rs365mn for the quarter and annualized savings of Rs500-550mn is expected in FY21E. Roughly 50% of the cost savings is expected to be permanent in nature resulting in 300bps margin expansion in a normalized environment post-COVID. Consequently, we increase our FY22E/FY23E EBITDA estimates by 5.0%/4.1% respectively as we bake in the benefits of cost reduction program. In addition, ad-volumes are also recovering (up 1.6x QoQ and 9% YoY) but yields continue to remain under pressure due to promotional discounting. However, management indicated that yields would stabilize by 1QFY22 as promotional offers are gradually withdrawn. We value the stock at EV/EBITDA multiple of 5.5x (no change) and arrive at a TP of Rs24 given improvement in ad-environment, stringent focus on cost control and expected yield recovery. Our DCF enabled per share value also stands at Rs24, resulting in blended TP (50% weight to each methodology) of Rs24 (earlier Rs23). Re-iterate HOLD.**

**Ad-volumes increase 9% YoY:** Revenues declined 41.6% YoY to Rs407mn (PLe of Rs404mn) with ad-volumes increasing 9% YoY in 3QFY21. However, revenues increased 35.2% QoQ (industry ad-volumes and radio city ad-volumes were up by 1.6x) signifying sequential recovery, albeit on a low base.

**Swings to EBITDA profit after 3 quarters & manages PAT break-even:** EBITDA declined 80.7% YoY to Rs42mn (PLe of Rs30mn) with margin of 10.2% (31.0% in 3QFY21). After 3 quarters of negative EBITDA, MBL finally managed to report a profit this quarter due to stringent cost control (achieved cost savings of Rs400mn YTD till Dec). Reported PAT stood at Rs0.7mn (PLe loss of Rs22mn).

**Con-call highlights:** 1) Promotional discounting is expected to be withdrawn by the end of FY21 and yields should revert to pre-COVID levels from 1QFY22 2) Out of the long term deals of Rs700-750mn entered during the year, revenue recognition of ~45-50% has already happened YTD and ~15% further recognition is expected in 4QFY21 with some spillover in FY22E 3) As per the new IPAB order, royalty will now be calculated on needle hour basis. However, this is unlikely to change MBL's total outgo 4) Revenues in 4QFY21 are expected to be flat on a YoY basis 5) Revenue in the month of Oct/Nov/Dec was ~Rs140mn/Rs145mn/Rs125mn respectively 6) Phase 3 stations contributed 13% to the revenue and achieved EBITDA break-even 7) Blended utilization across all stations was ~60% 8) Pre-COVID mix of national & local advertisers was 45:55 and post-COVID it has changed to 35:65.

**Exhibit 1: Q3FY21 Result Overview (Rs mn)**

Y/e March	Q3FY21	Q3FY20	YoY gr.	Q2FY21	9MFY21	9MFY20	YoY gr.
<b>Net Sales</b>	407	696	<b>-41.6%</b>	301	851	2,019	<b>-57.9%</b>
License fees	47	50	-4.7%	46	138	149	-7.2%
<i>As a % of sales</i>	11.6%	7.1%		15.4%	16.3%	7.4%	
Employee expenses	122	148	-18.0%	114	352	430	-18.2%
<i>As a % of sales</i>	29.9%	21.3%		38.0%	41.4%	21.3%	
Other expenses	196	283	-30.6%	171	502	816	-38.5%
<i>As a % of sales</i>	48.2%	40.6%		56.7%	59.0%	40.4%	
Expenditure	365	481	-24.0%	331	992	1,395	-28.9%
<b>EBITDA</b>	<b>42</b>	<b>216</b>	<b>-80.7%</b>	<b>(30)</b>	<b>(141)</b>	<b>624</b>	<b>NM</b>
<i>EBITDA Margin</i>	10.2%	31.0%		NM	NM	30.9%	
Depreciation	82	89	-7.4%	82.8	250	262	-4.3%
<b>EBIT</b>	<b>(41)</b>	<b>127</b>	<b>NM</b>	<b>(113)</b>	<b>(391)</b>	<b>363</b>	<b>NM</b>
<i>EBIT Margin</i>	NM	18.2%		NM	NM	18.0%	
Interest	8	25	-66.7%	10	25	77	-67.6%
Other income	50	42	20.6%	29	127	124	1.8%
<b>PBT</b>	<b>1</b>	<b>144</b>	<b>-99.3%</b>	<b>(94)</b>	<b>(290)</b>	<b>410</b>	<b>NM</b>
Tax	0	42	-99.2%	(29)	(87)	39	NM
<i>Tax Rate</i>	31.9%	29.1%		NM	NM	9.5%	
Other comprehensive income	2	-	NM	15	21	-	NM
<b>PAT</b>	<b>2</b>	<b>102</b>	<b>-97.7%</b>	<b>(50)</b>	<b>(183)</b>	<b>371</b>	<b>NM</b>
<i>PAT Margin</i>	0.6%	14.6%		NM	NM	18.4%	
<b>EPS (Rs)</b>	0.0	0.37	-99.5%	-0.2	(0.6)	1.07	NM

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%	33%	57%	65%
Inventory sold (mn sec) in slots	11.6	8.9	5.5	9.5	10.8
<i>YoY growth</i>	0.0%	-22.9%	-38.9%	73.9%	13.2%
Realization per slot per station (Rs)	255	252	209	245	254
<i>YoY growth</i>	5.4%	-1.1%	-17.0%	17.0%	3.5%
<b>Total revenues (Rs mn)</b>	<b>2,954.9</b>	<b>2,255.2</b>	<b>1,143.9</b>	<b>2,327.9</b>	<b>2,728.4</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%	33%	40%	50%
Inventory sold (mn sec) in slots	3.3	2.3	2.1	2.6	3.3
<i>YoY growth</i>	42.9%	-28.0%	-8.3%	21.2%	25.0%
Realization per slot per station (Rs)	90	95	79	91	94
<i>YoY growth</i>	14.3%	6.0%	-17.0%	15.0%	3.5%
<b>Total revenues (Rs mn)</b>	<b>292.2</b>	<b>223.0</b>	<b>169.7</b>	<b>236.5</b>	<b>306.0</b>

Source: Company, PL

**Exhibit 4: EV/EBITDA valuation**

Particulars (Rs mn)	FY23E
EV/EBITDA	5.5
EBITDA	1,123
EV	6,175
Less: Debt	1,136
Add: Cash & Investments	3,203
Equity Value	8,242
No of shares	346
Per share value	24

Source: PL Note: Lease & preference share liability is considered as debt

**Exhibit 5: DCF cash flow assumptions**

Particulars	Rs mn
PV of cash flow	7,198
Less: Debt	1,136
Add: Cash	217
Add: Investments	2,187
Net Asset Value	8,466
No of shares	346
Per share value (Rs)	24

Source: PL Note: Lease & preference share liability is considered as debt

**Exhibit 6: Weighted average valuation**

Particulars (Rs)	Weight assigned	Target price	Weighted average target price
EV/EBITDA approach	50%	24	12
DCF approach	50%	24	12
Weighted average target price			24

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>2,478</b>	<b>1,314</b>	<b>2,564</b>	<b>3,034</b>
YoY gr. (%)	(23.7)	(47.0)	95.2	18.3
Cost of Goods Sold	-	-	-	-
Employee Cost	554	473	590	668
Other Expenses	1,353	908	1,180	1,244
<b>EBITDA</b>	<b>571</b>	<b>(67)</b>	<b>795</b>	<b>1,123</b>
YoY gr. (%)	(49.5)	NM	NM	41.2
Margin (%)	23.1	NM	31.0	37.0
Depreciation and Amortization	348	333	386	408
<b>EBIT</b>	<b>224</b>	<b>(400)</b>	<b>409</b>	<b>715</b>
Margin (%)	9.0	NM	16.0	23.6
Net Interest	98	34	97	97
Other Income	163	158	187	182
<b>Profit Before Tax</b>	<b>289</b>	<b>(276)</b>	<b>499</b>	<b>800</b>
Margin (%)	11.7	NM	19.5	26.4
Total Tax	7	(82)	126	202
Effective tax rate (%)	2.5	29.8	25.2	25.2
<b>Profit after tax</b>	<b>282</b>	<b>(194)</b>	<b>373</b>	<b>598</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>282</b>	<b>(194)</b>	<b>373</b>	<b>598</b>
YoY gr. (%)	(54.2)	NM	NM	60.4
Margin (%)	11.4	NM	14.6	19.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>282</b>	<b>(194)</b>	<b>373</b>	<b>598</b>
YoY gr. (%)	(54.2)	NM	NM	60.4
Margin (%)	11.4	NM	14.6	19.7
Other Comprehensive Income	3	21	-	-
Total Comprehensive Income	285	(173)	373	598
<b>Equity Shares O/s (m)</b>	<b>346</b>	<b>346</b>	<b>346</b>	<b>346</b>
<b>EPS (Rs)</b>	<b>0.8</b>	<b>(0.6)</b>	<b>1.1</b>	<b>1.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,267</b>	<b>4,376</b>	<b>4,550</b>	<b>4,742</b>
Tangibles	1,166	1,271	1,437	1,619
Intangibles	3,101	3,105	3,113	3,122
<b>Acc: Dep / Amortization</b>	<b>1,176</b>	<b>1,509</b>	<b>1,895</b>	<b>2,302</b>
Tangibles	217	337	511	706
Intangibles	959	1,171	1,384	1,597
<b>Net fixed assets</b>	<b>3,091</b>	<b>2,867</b>	<b>2,656</b>	<b>2,439</b>
Tangibles	949	933	927	914
Intangibles	2,142	1,934	1,729	1,526
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	114	525	548	589
Net Deferred tax assets	100	97	100	96
Other Non-Current Assets	85	107	117	170
<b>Current Assets</b>				
Investments	2,084	1,780	1,780	1,780
Inventories	-	-	-	-
Trade receivables	1,063	594	1,124	1,330
Cash & Bank Balance	126	480	539	1,016
Other Current Assets	198	210	244	303
<b>Total Assets</b>	<b>6,878</b>	<b>6,680</b>	<b>7,158</b>	<b>7,800</b>
<b>Equity</b>				
Equity Share Capital	691	691	691	691
Other Equity	5,627	4,556	4,929	5,528
<b>Total Network</b>	<b>6,318</b>	<b>5,248</b>	<b>5,621</b>	<b>6,219</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	221	1,136	1,136	1,136
Provisions	-	-	-	-
Other non current liabilities	38	28	24	23
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	208	170	242	262
Other current liabilities	93	98	135	160
<b>Total Equity &amp; Liabilities</b>	<b>6,878</b>	<b>6,680</b>	<b>7,158</b>	<b>7,800</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	289	(276)	499	800
Add. Depreciation	348	333	386	408
Add. Interest	98	34	97	97
Less Financial Other Income	163	158	187	182
Add. Other	(106)	(1)	(5)	(20)
Op. profit before WC changes	628	89	977	1,285
Net Changes-WC	(25)	389	(485)	(262)
Direct tax	(110)	103	(126)	(202)
<b>Net cash from Op. activities</b>	<b>493</b>	<b>581</b>	<b>366</b>	<b>822</b>
Capital expenditures	(57)	(109)	(174)	(191)
Interest / Dividend Income	-	-	-	-
Others	379	(109)	(54)	(66)
<b>Net Cash from Inv. activities</b>	<b>322</b>	<b>(218)</b>	<b>(229)</b>	<b>(257)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	18	-	-
Dividend paid	-	-	-	-
Interest paid	(100)	(34)	(97)	(97)
Others	(787)	7	18	9
<b>Net cash from Fin. activities</b>	<b>(887)</b>	<b>(10)</b>	<b>(79)</b>	<b>(88)</b>
<b>Net change in cash</b>	<b>(72)</b>	<b>354</b>	<b>59</b>	<b>478</b>
Free Cash Flow	(73)	772	32	505

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	0.8	(0.6)	1.1	1.7
CEPS	1.8	0.4	2.2	2.9
BVPS	18.3	15.2	16.3	18.0
FCF	(0.2)	2.2	0.1	1.5
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	3.5	NM	6.3	10.0
ROIC	8.3	NM	11.1	14.4
RoE	4.5	NM	6.6	9.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.2)	(0.2)	(0.3)
Net Working Capital (Days)	126	118	126	129
<b>Valuation(x)</b>				
PER	28.3	NM	21.4	13.3
P/B	1.3	1.5	1.4	1.3
P/CEPS	12.7	57.5	10.5	7.9
EV/EBITDA	10.5	NM	8.6	5.6
EV/Sales	2.4	5.2	2.7	2.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
<b>Net Revenue</b>	<b>459</b>	<b>144</b>	<b>301</b>	<b>407</b>
YoY gr. (%)	(44.0)	(79.4)	(51.9)	(41.6)
Raw Material Expenses	-	-	-	-
<b>EBITDA</b>	<b>(53)</b>	<b>(153)</b>	<b>(30)</b>	<b>42</b>
YoY gr. (%)	NM	NM	NM	NM
Margin (%)	NM	NM	NM	10.2
Depreciation / Depletion	86	85	83	82
<b>EBIT</b>	<b>(139)</b>	<b>(238)</b>	<b>(113)</b>	<b>(41)</b>
Margin (%)	NM	NM	NM	NM
Net Interest	21	7	10	8
Other Income	39	47	29	50
<b>Profit before Tax</b>	<b>(121)</b>	<b>(197)</b>	<b>(93)</b>	<b>1</b>
Margin (%)	NM	NM	NM	NM
Total Tax	(32)	(58)	(29)	-
Effective tax rate (%)	26.4	29.6	30.6	31.9
<b>Profit after Tax</b>	<b>(89)</b>	<b>(139)</b>	<b>(65)</b>	<b>1</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(89)</b>	<b>(139)</b>	<b>(65)</b>	<b>1</b>
YoY gr. (%)	NM	NM	NM	NM
Margin (%)	NM	NM	NM	0.2
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(89)</b>	<b>(139)</b>	<b>(65)</b>	<b>1</b>
YoY gr. (%)	NM	NM	NM	(99.3)
Margin (%)	NM	NM	NM	0.2
Other Comprehensive Income	3	4	15	2
<b>Total Comprehensive Income</b>	<b>(87)</b>	<b>(135)</b>	<b>(50)</b>	<b>2</b>
Avg. Shares O/s (m)	346	346	346	346
<b>EPS (Rs)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>-</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Jan-21	Hold	23	25
2	24-Oct-20	Hold	20	21
3	09-Oct-20	Hold	18	18
4	23-Jul-20	Hold	18	16
5	08-Jul-20	Hold	17	17
6	26-May-20	Hold	17	13
7	28-Jan-20	Hold	39	27

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Accumulate	210	171
3	Indian Railway Catering and Tourism Corporation	BUY	1,629	1,472
4	Inox Leisure	BUY	393	346
5	Music Broadcast	Hold	23	25
6	Navneet Education	Accumulate	93	76
7	PVR	BUY	1,673	1,475
8	S Chand and Company	BUY	86	70
9	V.I.P. Industries	Accumulate	384	378
10	Zee Entertainment Enterprises	BUY	290	231

**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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