

January 25, 2022

## Q3FY22 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		HOLD	
Target Price	24		24	
Sales (Rs. m)	2,371	2,660	2,447	2,745
% Chng.	(3.1)	(3.1)		
EBITDA (Rs. m)	830	958	881	1,010
% Chng.	(5.8)	(5.2)		
EPS (Rs.)	1.2	1.5	1.3	1.5
% Chng.	(6.5)	(4.7)		

### Key Financials - Standalone

Ye Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	1,276	1,737	2,371	2,660
EBITDA (Rs. m)	(112)	208	830	958
Margin (%)	(8.8)	12.0	35.0	36.0
PAT (Rs. m)	(242)	6	431	505
EPS (Rs.)	(0.7)	0.0	1.2	1.5
Gr. (%)	NA	NA	6,971.1	17.3
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	0.1	6.6	7.2
RoCE (%)	NA	NA	7.2	8.2
EV/Sales (x)	5.4	3.7	2.6	2.1
EV/EBITDA (x)	NA	30.9	7.4	5.9
PE (x)	NA	1,404.4	19.9	16.9
P/BV (x)	1.4	1.4	1.3	1.2

### Key Data

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52-W High / Low	Rs.30 / Rs.22
Sensex / Nifty	57,858 / 17,278
Market Cap	Rs.9bn/ \$ 114m
Shares Outstanding	346m
3M Av g. Daily Value	Rs.10.48m

### Shareholding Pattern (%)

Promoter's	74.05
Foreign	0.14
Domestic Institution	5.47
Public & Others	20.34
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.6	(1.4)	7.8
Relative	6.2	(9.7)	(9.9)

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## Yields will take longer to recover

### Quick Pointers:

- Blended inventory utilization was ~77% in 3QFY22.
- Radio City's ad-volumes (top 15 markets) increased 35% YoY in 3QFY22. In comparison, industry ad-volumes were up 27% YoY.

**We cut our FY23/FY24 EBITDA estimates by 6%/5% respectively as yields which are at ~35% discount as compared to pre-COVID levels may take 3-4 quarters to fully recover. However, ad-volumes have shown signs of improvement with inventory utilization of 26%/54%/77% in 1Q/2Q/3Q respectively which is encouraging. We believe MBL has fared well in this challenging environment with 1) volume market share of 22% (up 200bps QoQ) in 3QFY22 across main frequencies and 2) 2<sup>nd</sup> highest client share of 44% in the industry.**

**We retain our HOLD rating given 1) sharp recovery in 3Q (revenues are just 14% lower than comparable pre-COVID base) 2) stringent focus on cost control (~50% of the cost saving achieved in FY21 is sustainable in nature) and 3) new initiatives taken (long term deals, digital & content integration exercises) to boost sales in this environment (contributed Rs225mn to sales in 3QFY22). Despite cut in EBITDA estimates, our TP (50% weight to DCF and EV/EBITDA methodology) remains intact at Rs24 as we roll forward our valuation to FY24. We value the stock at 5.5x FY24 EBITDA.**

**Ad-volumes increase 35% YoY:** Revenue increased 47% YoY to Rs599mn (PLe of Rs600mn) on a lower base of 3QFY21. Radio City's ad-volumes (top 15 markets) increased 35% YoY which was higher than the industry growth of 27% YoY. MBL maintained its leadership position with 22% volume market share (up 200 bps QoQ). Except for auto sector, ad-volumes across most categories like real estate, finance, pharma, government & FMCG witnessed strong growth in 3QFY22.

**Improvement in market share to 22%:** Radio City's market share improved 200bps QoQ to 22% in top 15 markets. In addition, over the last 5 quarters, Radio City has outperformed industry ad-volume growth fortifying its strong position.

**PAT 12% lower than pre-COVID base:** EBITDA increased 328% YoY to Rs 178mn (PLe of Rs216mn) with an EBITDA margin of 29.7%. Operating expenses increased 15% YoY to Rs421mn. PAT at Rs90mn (PLe of Rs116mn) was only 12% lower than comparable pre-COVID base given strong operational performance.

**Key highlights from our interaction with the management:** 1) Blended utilization was 77% while batch 1 stations contributed 10% to revenues. 2) New revenue opportunities contributed Rs225mn. 3) Collection was at Rs1.1bn in 9MFY22 of which Government collection was Rs145mn. 4) Currently yields are at ~65% of pre-COVID levels and will take 3-4 quarters to fully recover 5) Inventory utilization is at ~90-95% of pre-COVID levels. 6) ~50% of cost savings achieved in FY21 is sustainable in nature.

**Exhibit 1: Q3FY22 Result Overview (Rs mn)**

Y/e March	Q3FY22	Q3FY21	YoY gr.	Q2FY22	QoQ gr.	9MFY22	9MFY21	YoY gr.
<b>Net Sales</b>	<b>599</b>	<b>407</b>	<b>47.3%</b>	<b>420</b>	<b>42.4%</b>	<b>1,224</b>	<b>851</b>	<b>43.8%</b>
License fees	50	47	5.1%	47	4.6%	143	138	3.3%
<i>As a % of sales</i>	<i>8.3%</i>	<i>11.6%</i>		<i>11.3%</i>		<i>11.7%</i>	<i>16.3%</i>	
Employee expenses	135	122	10.6%	125	7.6%	388	352	10.3%
<i>As a % of sales</i>	<i>22.5%</i>	<i>29.9%</i>		<i>29.7%</i>		<i>31.7%</i>	<i>41.4%</i>	
Other expenses	237	196	20.7%	202	17.1%	602	502	19.8%
<i>As a % of sales</i>	<i>39.5%</i>	<i>48.2%</i>		<i>48.1%</i>		<i>49.2%</i>	<i>59.0%</i>	
Expenditure	421	365	15.3%	375	12.4%	1,133	992	14.1%
<b>EBITDA</b>	<b>178</b>	<b>42</b>	<b>327.7%</b>	<b>46</b>	<b>289.4%</b>	<b>91</b>	<b>(141)</b>	<b>NM</b>
<i>EBITDA Margin</i>	<i>29.7%</i>	<i>10.2%</i>		<i>10.9%</i>		<i>7.5%</i>	<i>NM</i>	
Depreciation	82	82	-0.5%	82	0.0%	246	250	-1.7%
<b>EBIT</b>	<b>96</b>	<b>(41)</b>	<b>NM</b>	<b>(36)</b>	<b>NM</b>	<b>(155)</b>	<b>(391)</b>	<b>NM</b>
<i>EBIT Margin</i>	<i>16.0%</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Interest	7	8	-20.5%	7	-0.1%	20	25	-20.0%
Other income	39	50	-22.7%	48	-19.0%	125	127	-0.9%
<b>PBT</b>	<b>128</b>	<b>1</b>	<b>NM</b>	<b>5</b>	<b>25</b>	<b>(49)</b>	<b>(290)</b>	<b>NM</b>
Tax	38	0	NM	2	1759.8%	(13)	(87)	NM
<i>Tax Rate</i>	<i>29.7%</i>	<i>31.9%</i>		<i>41.1%</i>		<i>NM</i>	<i>NM</i>	
Other comprehensive income	-	2	-100.0%	0	NM	(1)	21	NM
<b>PAT</b>	<b>90</b>	<b>2</b>	<b>NM</b>	<b>3</b>	<b>29</b>	<b>(38)</b>	<b>(183)</b>	<b>NM</b>
<i>PAT Margin</i>	<i>15.0%</i>	<i>0.6%</i>		<i>0.7%</i>		<i>NM</i>	<i>NM</i>	
<b>EPS (Rs)</b>	<b>0.26</b>	<b>0.00</b>	<b>NM</b>	<b>0.00</b>	<b>NM</b>	<b>(0.11)</b>	<b>(0.59)</b>	<b>NM</b>

Source: Company, PL

**Exhibit 2: Revenue assumptions for 28 legacy stations**

Particulars	FY19	FY20	FY21	FY22E	FY23E	FY24E
Inventory available (mn sec) in slots - Each slot is for 10 sec	16.6	16.6	16.6	16.6	16.6	16.6
Utilization level	70%	54%	38%	55%	70%	75%
Inventory sold (mn sec) in slots	11.6	8.9	6.3	9.1	11.6	12.4
<i>YoY growth</i>	<i>0.0%</i>	<i>-22.9%</i>	<i>-29.6%</i>	<i>44.7%</i>	<i>27.3%</i>	<i>7.1%</i>
Realization per slot per station (Rs)	255	252	181	174	188	196
<i>YoY growth</i>	<i>5.4%</i>	<i>-1.1%</i>	<i>-28.2%</i>	<i>-4.0%</i>	<i>8.0%</i>	<i>4.5%</i>
<b>Total revenues (Rs mn)</b>	<b>2,954.9</b>	<b>2,255.2</b>	<b>1,140.0</b>	<b>1,584.0</b>	<b>2,177.3</b>	<b>2,437.8</b>

Source: Company, PL

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

Particulars	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Inventory available (mn sec) in slots - Each slot is for 10 sec	6.5	6.5	6.5	6.5	6.5	6.5
Utilization level	50%	36%	38%	47%	55%	60%
Inventory sold (mn sec) in slots	3.3	2.3	2.5	3.1	3.6	3.9
<i>YoY growth</i>	<i>42.9%</i>	<i>-28.0%</i>	<i>5.6%</i>	<i>23.7%</i>	<i>17.0%</i>	<i>9.1%</i>
Realization per slot per station (Rs)	90	95	53	50	54	57
<i>YoY growth</i>	<i>14.3%</i>	<i>6.0%</i>	<i>-44.8%</i>	<i>-5.0%</i>	<i>8.5%</i>	<i>5.0%</i>
<b>Total revenues (Rs mn)</b>	<b>292.2</b>	<b>223.0</b>	<b>130.0</b>	<b>152.8</b>	<b>193.9</b>	<b>222.2</b>

Source: Company, PL

**Exhibit 4: EV/EBITDA valuation**

Particulars (Rs m n)	FY24E
EV/EBITDA	5.5
EBITDA	958
EV	5,267
Less: Debt	234
Add: Cash & Investments	3,556
Equity Value	8,588
No of shares	346
Per share value	25

Source: PL Note: Lease liability is considered as debt

**Exhibit 5: DCF cash flow assumptions**

Particulars	Rs m n
PV of cash flow	5,994
Less: Debt	220
Add: Cash	128
Add: Investments	2,129
Net Asset Value	8,031
No of shares	346
Per share value (Rs)	23

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%	25	12
DCF approach	50%	23	12
Weighted average target price			24

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>1,276</b>	<b>1,737</b>	<b>2,371</b>	<b>2,660</b>
YoY gr. (%)	(48.5)	36.1	36.5	12.2
Cost of Goods Sold	-	-	-	-
Employee Cost	474	521	534	559
Other Expenses	914	1,007	1,008	1,144
<b>EBITDA</b>	<b>(112)</b>	<b>208</b>	<b>830</b>	<b>958</b>
YoY gr. (%)	NA	NA	298.2	15.4
Margin (%)	NA	12.0	35.0	36.0
Depreciation and Amortization	332	332	361	381
<b>EBIT</b>	<b>(445)</b>	<b>(124)</b>	<b>469</b>	<b>577</b>
Margin (%)	NA	NA	19.8	21.7
Net Interest	32	26	47	53
Other Income	149	158	154	152
<b>Profit Before Tax</b>	<b>(328)</b>	<b>8</b>	<b>576</b>	<b>675</b>
Margin (%)	NA	0.5	24.3	25.4
Total Tax	(86)	2	145	170
Effective tax rate (%)	NA	25.2	25.2	25.2
<b>Profit after tax</b>	<b>(242)</b>	<b>6</b>	<b>431</b>	<b>505</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>(242)</b>	<b>6</b>	<b>431</b>	<b>505</b>
YoY gr. (%)	NA	NA	NA	17.3
Margin (%)	NA	0.4	18.2	19.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(242)</b>	<b>6</b>	<b>431</b>	<b>505</b>
YoY gr. (%)	NA	NA	NA	17.3
Margin (%)	NA	0.4	18.2	19.0
Other Comprehensive Income	22	(1)	-	-
Total Comprehensive Income	(220)	5	431	505
<b>Equity Shares O/s (m)</b>	<b>346</b>	<b>346</b>	<b>346</b>	<b>346</b>
<b>EPS (Rs)</b>	<b>(0.7)</b>	<b>0.0</b>	<b>1.2</b>	<b>1.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>4,277</b>	<b>4,395</b>	<b>4,544</b>	<b>4,712</b>
Tangibles	1,176	1,288	1,431	1,590
Intangibles	3,101	3,107	3,114	3,122
<b>Acc: Dep / Amortization</b>	<b>1,448</b>	<b>1,780</b>	<b>2,141</b>	<b>2,521</b>
Tangibles	279	403	554	726
Intangibles	1,168	1,377	1,586	1,796
<b>Net fixed assets</b>	<b>2,829</b>	<b>2,615</b>	<b>2,404</b>	<b>2,191</b>
Tangibles	896	886	877	865
Intangibles	1,933	1,729	1,527	1,326
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	538	528	552	569
Net Deferred tax assets	177	61	69	81
Other Non-Current Assets	104	97	129	160
<b>Current Assets</b>				
Investments	1,609	1,609	1,609	1,609
Inventories	-	-	-	-
Trade receivables	773	761	1,039	1,166
Cash & Bank Balance	304	737	1,021	1,537
Other Current Assets	212	226	237	266
<b>Total Assets</b>	<b>6,567</b>	<b>6,670</b>	<b>7,121</b>	<b>7,660</b>
<b>Equity</b>				
Equity Share Capital	691	691	691	691
Other Equity	5,406	5,411	5,842	6,347
<b>Total Network</b>	<b>6,098</b>	<b>6,102</b>	<b>6,533</b>	<b>7,038</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	234	234	234	234
Provisions	-	-	-	-
Other non current liabilities	14	17	17	17
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	122	209	211	233
Other current liabilities	100	107	125	137
<b>Total Equity &amp; Liabilities</b>	<b>6,567</b>	<b>6,670</b>	<b>7,121</b>	<b>7,660</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	(328)	8	576	675
Add. Depreciation	332	332	361	381
Add. Interest	32	26	47	53
Less Financial Other Income	149	158	154	152
Add. Other	(112)	143	(9)	(20)
Op. profit before WC changes	(75)	510	975	1,089
Net Changes-WC	149	65	(317)	(151)
Direct tax	(20)	(3)	(145)	(170)
<b>Net cash from Op. activities</b>	<b>55</b>	<b>571</b>	<b>513</b>	<b>768</b>
Capital expenditures	(2)	(118)	(149)	(168)
Interest / Dividend Income	-	-	-	-
Others	40	(3)	(49)	(38)
<b>Net Cash from Inv. activities</b>	<b>38</b>	<b>(121)</b>	<b>(198)</b>	<b>(205)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	-	-	-	-
Interest paid	(32)	(26)	(47)	(53)
Others	(38)	10	16	6
<b>Net cash from Fin. activities</b>	<b>(70)</b>	<b>(16)</b>	<b>(31)</b>	<b>(47)</b>
<b>Net change in cash</b>	<b>23</b>	<b>434</b>	<b>284</b>	<b>516</b>
Free Cash Flow	602	201	268	503

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>425</b>	<b>205</b>	<b>420</b>	<b>599</b>
YoY gr. (%)	(7.4)	42.6	39.8	47.3
Raw Material Expenses	-	-	-	-
<b>EBITDA</b>	<b>29</b>	<b>(132)</b>	<b>46</b>	<b>178</b>
YoY gr. (%)	NA	NA	NA	327.7
Margin (%)	6.8	NA	10.9	29.7
Depreciation / Depletion	82	82	82	82
<b>EBIT</b>	<b>(53)</b>	<b>(214)</b>	<b>(36)</b>	<b>96</b>
Margin (%)	NA	NA	NA	16.0
Net Interest	7	7	7	7
Other Income	23	39	48	39
<b>Profit before Tax</b>	<b>(38)</b>	<b>(182)</b>	<b>5</b>	<b>128</b>
Margin (%)	NA	NA	1.2	21.4
Total Tax	1	(53)	2	38
Effective tax rate (%)	(2.5)	28.9	41.1	29.7
<b>Profit after Tax</b>	<b>(39)</b>	<b>(129)</b>	<b>3</b>	<b>90</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(39)</b>	<b>(129)</b>	<b>3</b>	<b>90</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	0.7	15.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(39)</b>	<b>(129)</b>	<b>3</b>	<b>90</b>
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	0.7	15.0
Other Comprehensive Income	1	(1)	-	-
<b>Total Comprehensive Income</b>	<b>(38)</b>	<b>(131)</b>	<b>3</b>	<b>90</b>
Av g. Shares O/s (m)	346	346	346	346
<b>EPS (Rs)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>-</b>	<b>0.3</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	(0.7)	0.0	1.2	1.5
CEPS	0.3	1.0	2.3	2.6
BVPS	17.6	17.7	18.9	20.4
FCF	1.7	0.6	0.8	1.5
DPS	-	-	-	-
<b>Return Ratio(%)</b>				
RoCE	NA	NA	7.2	8.2
ROIC	NA	3.1	11.7	12.5
RoE	NA	0.1	6.6	7.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	186	116	128	128
<b>Valuation(x)</b>				
PER	NA	NA	19.9	16.9
P/B	1.4	1.4	1.3	1.2
P/CEPS	94.6	25.3	10.8	9.7
EV/EBITDA	NA	30.9	7.4	5.9
EV/Sales	5.4	3.7	2.6	2.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Jan-22	Hold	24	24
2	22-Oct-21	Hold	24	25
3	7-Oct-21	Hold	24	24
4	26-Jul-21	Hold	24	25
5	7-Jul-21	UR	-	26
6	21-May-21	Hold	23	24
7	7-Apr-21	Hold	24	24

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	197	172
3	Indian Railway Catering and Tourism Corporation	Hold	779	861
4	Inox Leisure	BUY	486	380
5	Music Broadcast	Hold	24	24
6	Navneet Education	BUY	124	86
7	Nazara Technologies	BUY	3,125	2,413
8	PVR	BUY	1,891	1,537
9	S Chand and Company	BUY	147	108
10	V.I.P. Industries	BUY	726	542
11	Zee Entertainment Enterprises	BUY	416	321

**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



## **ANALYST CERTIFICATION**

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