

November 1, 2022

Q2FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	23		24	
Sales (Rs. m)	2,463	2,767	2,463	2,767
% Chng.	-	-	-	-
EBITDA (Rs. m)	759	899	771	913
% Chng.	(1.6)	(1.5)	-	-
EPS (Rs.)	1.2	1.5	1.1	1.3
% Chng.	14.5	9.4	-	-

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,684	2,047	2,463	2,767
EBITDA (Rs. m)	110	436	759	899
Margin (%)	6.5	21.3	30.8	32.5
PAT (Rs. m)	(57)	188	423	508
EPS (Rs.)	(0.2)	0.5	1.2	1.5
Gr. (%)	NA	NA	125.5	20.1
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	3.0	6.4	7.1
RoCE (%)	NA	1.4	5.9	7.2
EV/Sales (x)	4.7	3.7	2.9	2.4
EV/EBITDA (x)	72.2	17.6	9.5	7.4
PE (x)	NA	44.2	19.6	16.3
P/BV (x)	1.4	1.3	1.2	1.2

Key Data

MUSI.BO | RADIOCIT IN

52-W High / Low	Rs.28 / Rs.20
Sensex / Nifty	61,121 / 18,145
Market Cap	Rs.8bn / \$ 100m
Shares Outstanding	346m
3M Avg. Daily Value	Rs.5.17m

Shareholding Pattern (%)

Promoter's	74.05
Foreign	0.14
Domestic Institution	5.49
Public & Others	20.32
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.2)	(6.6)	(1.4)
Relative	(7.2)	(12.8)	(3.0)

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Shweta Shekhawat

shwetashkhawat@plindia.com | 91-22-66322256

Music Broadcast (RADIOCIT IN)

Rating: HOLD | CMP: Rs24 | TP: Rs23

Yield recovery eyed

Quick Pointers:

- Revenue expected to be at Rs2,000mn for FY23E.
- Radio City's market share fell from 20% in 2QFY22 to 18% in 2QFY23 primarily due to refusal of business that commanded low yield.

While MBL's top-line was in-line with our estimates, EBITDA margin of 8.3% was lower than our estimate of 14.0% due to higher than expected other expenses incurred towards digital initiatives. Though yields are yet to recover to pre-COVID levels, ad-volumes were up 9% YoY but lower than industry growth of 20% YoY, as MBL decided to forego low yield business. Overall, we believe this strategy is better as compared to volume at any price, given yields take longer to recover.

Given the current quarter performance, we cut our FY23E EBITDA estimates by 25% but broadly maintain our FY24E/FY25E estimates as we build-in gradual recovery in ad-volumes amid improvement in overall macro-environment. We retain our HOLD rating given strong liquidity position (Rs2,840mn of cash balance as on 1H FY23 which is ~34% of market cap) and strategy to diversify the business (digital to have ~50% share in 5 years) away from radio. We arrive at a TP (50% weight to DCF and EV/EBITDA methodology) of Rs23. We continue to value the stock at 5.5x Sep-24 EBITDA (no change in target multiple).

Ad-volume growth lower than the industry: Revenue increased 15.7% YoY to Rs486mn (PLe of Rs462mn). While Radio City's ad-volumes (top 15 markets) increased 9% YoY, it was lower than the industry growth of 20% YoY. Except for auto & government sector, ad-volumes across most categories like real estate, pharma, finance & education witnessed strong growth in 2QFY23. Radio City's market share stood at 18% in 2QFY23.

PAT at breakeven: EBITDA declined 11.1% YoY to Rs41mn (PLe of Rs65mn) with a margin of 8.3% (PLe of 14%) as compared to a margin of 10.9%/9.6% in 2QFY22/1QFY23 respectively. PAT stood at Rs1mn (PLe Rs12mn) with a margin of 0.2% versus a margin of 0.7% in 2QFY22.

Con-call highlights: 1) Revenues expected to be at Rs2,000mn in FY23E. 2) In 2QFY23, real estate and pharma witnessed strong ad-volume growth and going forward growth is expected to flow-in from finance, auto and government sector. 3) Revenue contribution of digital business is expected to be ~50% in 4-5 years. 4) Ad yields are at ~72-73% of the pre-COVID levels. 5) Other expenses increased 23% YoY to Rs249mn on account of higher spends towards digital initiatives. 6) Digital business revenue grew by 60% YoY. 7) Revenue in 3QFY23E is expected to be similar or marginally higher than 3QFY22. 8) MBL has cash balance of Rs2,840mn as on 30th September 2022. 9) NCLT hearing for bonus issue of the non-convertible non-cumulative redeemable preference is scheduled on 7th November 2022.

Exhibit 1: Q2FY23 Result Overview (Rs mn)

Y/e March	Q2FY23	Q2FY22	YoY gr.	Q1FY23	QoQ gr.	H1FY23	H1FY22	YoY gr.
Net Sales	486	420	15.7%	441	10.2%	928	625	48.4%
License fees	48	47	2.0%	48	1.1%	96	93	3.3%
<i>As a % of sales</i>	10.0%	11.3%		10.8%		10.4%	14.9%	
Employee expenses	148	125	18.4%	147	0.8%	295	254	16.3%
<i>As a % of sales</i>	30.4%	29.7%		33.3%		31.8%	40.6%	
Other expenses	249	202	23.3%	204	22.2%	453	365	24.3%
<i>As a % of sales</i>	51.3%	48.1%		46.2%		48.9%	58.3%	
Expenditure	446	375	18.9%	399	11.8%	845	712	18.7%
EBITDA	41	46	-11.1%	43	-4.6%	83	(86)	NM
<i>EBITDA Margin</i>	8.3%	10.9%		9.6%		9.0%	NM	
Depreciation	82	82	0.4%	82	0.3%	164	164	0.3%
EBIT	(42)	(36)		(40)	NM	(81)	(250)	NM
<i>EBIT Margin</i>	NM	NM		NM		NM	NM	
Interest	5	7	-22.5%	5	-3.0%	10	13	-22.5%
Other income	48	48	0.8%	45	7.3%	93	87	7.6%
PBT	1	5	-70.9%	0	NM	2	(177)	NM
Tax	0	2	-79.9%	0	NM	0	(50)	NM
<i>Tax Rate</i>	28.4%	41.1%		31.0%		28.7%	NM	
Other comprehensive income	1	0	NM	-	NM	1	(1)	NM
PAT	3	3	-16.1%	0	NM	3	(128)	NM
<i>PAT Margin</i>	0.5%	0.7%		0.0%		0.3%	NM	
EPS (Rs)	-	0.0	NM	-	NM	-	(0.4)	NM

Source: Company, PL

Exhibit 2: EV/EBITDA valuation

Particulars (Rs mn)	Sep-24E
EV/EBITDA	5.5
EBITDA	829
EV	4,559
Less: Debt	194
Add: Cash & Investments	3,471
Equity Value	7,835
No of shares	346
Per share value	23

Source: PL Note: Lease liability is considered as debt

Exhibit 3: DCF cash flow assumptions

Particulars	Rs mn
PV of cash flow	5,498
Less: Debt	166
Add: Cash	221
Add: Investments	2,393
Net Asset Value	7,946
No of shares	346
Per share value (Rs)	23

Source: PL Note: Lease liability is considered as debt

Exhibit 4: Weighted average valuation

Particulars (Rs)	Weight assigned	Target price	Weighted average target price
EV/EBITDA approach	50%	23	11
DCF approach	50%	23	11
Weighted average target price			23

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	1,684	2,047	2,463	2,767
YoY gr. (%)	32.0	21.5	20.3	12.3
Cost of Goods Sold	-	-	-	-
Employee Cost	531	577	616	664
Other Expenses	1,043	1,034	1,089	1,204
EBITDA	110	436	759	899
YoY gr. (%)	NA	295.4	74.0	18.5
Margin (%)	6.5	21.3	30.8	32.5
Depreciation and Amortization	327	347	365	386
EBIT	(217)	89	393	513
Margin (%)	NA	4.4	16.0	18.5
Net Interest	26	23	25	28
Other Income	168	184	197	194
Profit Before Tax	(76)	251	566	679
Margin (%)	(4.5)	12.3	23.0	24.5
Total Tax	(19)	63	143	171
Effective tax rate (%)	24.6	25.2	25.2	25.2
Profit after tax	(57)	188	423	508
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(57)	188	423	508
YoY gr. (%)	NA	NA	125.5	20.1
Margin (%)	NA	9.2	17.2	18.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(57)	188	423	508
YoY gr. (%)	NA	NA	125.5	20.1
Margin (%)	NA	9.2	17.2	18.4
Other Comprehensive Income	(5)	1	-	-
Total Comprehensive Income	(62)	189	423	508
Equity Shares O/s (m)	346	346	346	346
EPS (Rs)	(0.2)	0.5	1.2	1.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	4,264	4,393	4,548	4,722
Tangibles	1,164	1,287	1,434	1,600
Intangibles	3,100	3,106	3,113	3,122
Acc: Dep / Amortization	1,714	2,061	2,426	2,813
Tangibles	341	480	638	817
Intangibles	1,373	1,581	1,788	1,996
Net fixed assets	2,550	2,332	2,122	1,910
Tangibles	823	807	796	784
Intangibles	1,727	1,525	1,325	1,126
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,165	2,169	2,145	2,145
Net Deferred tax assets	197	163	124	102
Other Non-Current Assets	103	121	142	151
Current Assets				
Investments	268	268	268	268
Inventories	-	-	-	-
Trade receivables	756	897	1,080	1,213
Cash & Bank Balance	261	549	999	1,560
Other Current Assets	179	205	246	277
Total Assets	6,541	6,765	7,199	7,721
Equity				
Equity Share Capital	691	691	691	691
Other Equity	5,345	5,534	5,957	6,465
Total Network	6,036	6,225	6,648	7,156
Non-Current Liabilities				
Long Term borrowings	194	194	194	194
Provisions	-	-	-	-
Other non current liabilities	19	18	18	17
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	164	199	210	230
Other current liabilities	127	128	128	124
Total Equity & Liabilities	6,541	6,765	7,199	7,721

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	(76)	251	566	679
Add. Depreciation	327	347	365	386
Add. Interest	26	23	25	28
Less Financial Other Income	168	184	197	194
Add. Other	(104)	34	42	22
Op. profit before WC changes	174	655	997	1,115
Net Changes-WC	57	(154)	(241)	(161)
Direct tax	(4)	(62)	(143)	(171)
Net cash from Op. activities	227	439	614	782
Capital expenditures	(31)	(129)	(155)	(174)
Interest / Dividend Income	-	-	-	-
Others	(145)	(3)	11	(23)
Net Cash from Invt. activities	(176)	(132)	(144)	(197)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	-	-	-	-
Interest paid	(26)	(23)	(25)	(28)
Others	(47)	3	5	4
Net cash from Fin. activities	(74)	(19)	(20)	(24)
Net change in cash	(23)	288	450	561
Free Cash Flow	1,722	154	279	425

Source: Company Data, PL Research

Quarterly Financials (Rs m)

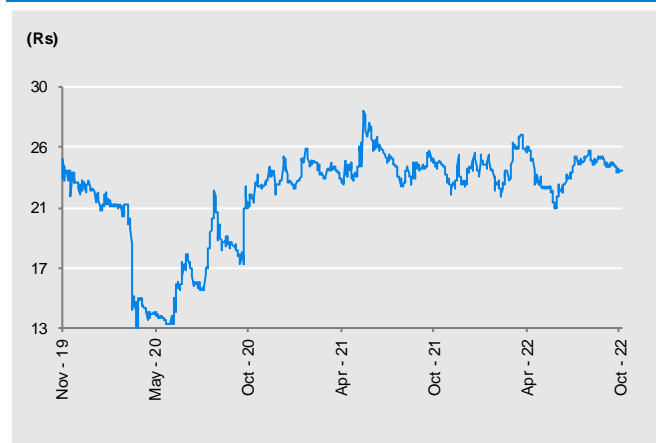
Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	599	460	441	486
YoY gr. (%)	47.3	8.3	115.6	15.7
Raw Material Expenses	-	-	-	-
EBITDA	178	19	43	41
YoY gr. (%)	327.7	(34.8)	NA	(11.1)
Margin (%)	29.7	4.1	9.6	8.3
Depreciation / Depletion	82	82	82	82
EBIT	96	(63)	(40)	(42)
Margin (%)	16.0	NA	NA	(8.6)
Net Interest	7	6	5	5
Other Income	39	42	45	48
Profit before Tax	128	(27)	-	1
Margin (%)	21.4	(5.8)	-	0.3
Total Tax	38	(6)	-	-
Effective tax rate (%)	29.7	22.9	31.0	28.4
Profit after Tax	90	(21)	-	1
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	90	(21)	-	1
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	15.0	NA	-	0.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	90	(21)	-	1
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	15.0	NA	-	0.2
Other Comprehensive Income	-	(3)	-	1
Total Comprehensive Income	90	(24)	-	3
Avg. Shares O/s (m)	346	346	346	346
EPS (Rs)	0.3	(0.1)	-	-

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	(0.2)	0.5	1.2	1.5
CEPS	0.8	1.5	2.3	2.6
BVPS	17.5	18.0	19.2	20.7
FCF	5.0	0.4	0.8	1.2
DPS	-	-	-	-
Return Ratio(%)				
RoCE	(3.6)	1.4	5.9	7.2
ROIC	1.7	6.4	10.5	11.6
RoE	(0.9)	3.0	6.4	7.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)
Net Working Capital (Days)	128	125	129	130
Valuation(x)				
PER	(145.5)	44.2	19.6	16.3
P/B	1.4	1.3	1.2	1.2
P/CEPS	30.7	15.5	10.5	9.3
EV/EBITDA	72.2	17.6	9.5	7.4
EV/Sales	4.7	3.7	2.9	2.4
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	Hold	24	24
2	07-Jul-22	Hold	24	23
3	25-May-22	Hold	24	23
4	08-Apr-22	Hold	24	26
5	25-Jan-22	Hold	24	25
6	10-Jan-22	Hold	24	24

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Entertainment Network (India)	Hold	190	167
2	Indian Railway Catering and Tourism Corporation	Hold	635	731
3	Inox Leisure	BUY	652	515
4	Music Broadcast	Hold	24	24
5	Navneet Education	BUY	170	130
6	Nazara Technologies	BUY	1,012	670
7	PVR	BUY	2,119	1,689
8	S Chand and Company	BUY	234	187
9	Safari Industries (India)	BUY	2,062	1,852
10	V.I.P. Industries	BUY	1,009	710
11	Zee Entertainment Enterprises	BUY	302	280

PL's Recommendation Nomenclature (Absolute Performance)

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

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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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