

### Recommendation:

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### Rating:



### Issue Summary:

<b>Price band (Rs)</b>	324-333
<b>Face Value (Rs)</b>	10
<b>Market Lot</b>	45 shares
<b>Opens</b>	6 <sup>th</sup> Mar, 2017
<b>Closes</b>	8 <sup>th</sup> Mar, 2017
<b>Fresh Issue (Rs)</b>	400 cr
<b>OFS</b>	2.6 mn sh.
<b>Listing</b>	BSE, NSE

### Issue Break Up:

<b>QIB portion</b>	50%
<b>NIB portion</b>	15%
<b>Retail portion</b>	35%

### Book Running Lead Managers:

➤ ICICI Securities Ltd.

### Registrar

➤ Karvy Computershare Pvt. Ltd.

### Company & Business Profile

Music Broadcast Ltd. incorporated in 1999 is the first and oldest FM radio broadcaster in India. The company owns and operates radio stations under the brand name "Radio City". Its radio stations deliver film, non-film, devotional, regional, and international music, as well as radio jockey (RJ) hosted shows in Hindi, Tamil, Kannada, Malayalam, and Telugu languages. As of November 25, 2016, the company operated its radio stations in 29 cities in India. It also operates 31 Web radio stations that offer Internet radio with live RJ hosted shows through Planet Radio City in 6 languages with a listenership of 12.2 million. In addition, Music Broadcast Limited operates 'Planet Radio City' mobile app that plays various stations, such as 'Radio City Freedom', 'Radio City Electronica', 'Radio City Metal', and 'Radio City Smaran' in various languages on mobile and other smart devices. In 2015, Jagran Prakashan Ltd. acquired major stake in the company through its direct holding in Spectrum and indirect holding in Crystal. JPL is one of the leading media and communications groups in India with interests spanning across print, radio, digital, OOH and brand activations.

### Objects of the Issue

The company intends to utilize the issue proceeds for

- Redemption of Listed NCDs over FY17-20
- Early Redemption of JPL NCDs and
- Pre-payment of JPL ICDS

### Investment Positives

- Company enjoys strong leadership position and pan-India presence in the radio industry which is poised for growth.
- Company has popular content in attracting listeners in its markets with strong sales capability.
- As per AirCheck, advertising volume for the company has grown at a CAGR of 12.5% over FY11-16 outperforming the industry which grew at 10.4%.
- Operating margin for the company has improved from 23% in FY11 to 40% in FY16 coupled with net profit growing at 40% CAGR over previous 5 years.
- Migration from Phase II policy to Phase III policy has increased the horizon to 15 years and helped boost market share while addition of Radio Mantra stations should speed up revenue potential.

### Concern

- Advertisement is the main source of income for the company and any reduction in ad spend can have adverse impacts.



## Outlook

The Indian Media & Entertainment industry has grown at a CAGR of 12.2% over FY10-15. Digital Advertising and Radio have been the fastest growing segments of the industry. The industry is expected to grow at CAGR of 14.3% to Rs 2,260 bn by FY20. Radio at CAGR of 16.9% is expected to show the strongest growth among the traditional sectors due to increase in reach supplemented by increased advertising inventory. There is scope for greater reach of FM radio and migration to Phase III policy has further escalated the growth potential of the industry. With expected CAGR of 16.9% industry revenues are expected to double by FY20.

MBL has shown sustained performance over the years. Advertisement volume for the company grew at CAGR of 12.5% outpacing the industry growth rate. Company commands premium realisations which have helped achieve revenue CAGR of 18% over FY11-16. Operating margins for the company have reported significant improvement. Acquisition by JPL further unlocks synergies for the company. Company has presence in 29 cities and plans to take total to 39. Post migration to Phase III policy company would cover 62% of India's population having access to FM Radio in 302 towns. Company is well positioned to transform from a pure play radio company to an audio entertainment company. Company has forayed into web radio broadcasting music and other shows through internet and presently operates 31 web radio stations with a listenership of 12.2 mn as on Sep, 2016.

## Valuation

The issue has been offered in a price band of Rs 324-333 per equity share. At the upper price band of Rs 333 the stock is available at P/E of 30.5 (x) based on FY16 financials. The issue looks fairly valued against its competitor. We have "3 star" rating for the issue.

## Peer Group Comparison (Mar'16; Rs Cr)

Company	Total Income	EPS	P/E (x)	RoNW (%)	NAV	FV
Entertainment Network India Ltd	534	21.0	40.0	13.9	161.3	10
Music Broadcast Ltd	246	10.9	30.5	40.8	24.5	10

## Financials

Particulars (Rs Cr)	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Total Income	246	208	157	141	125
Total Expenditure	154	139	112	104	96
EBITDA	92	69	45	36	29
EBIT	61	53	30	16	5
PBT	43	47	24	12	-2
Net Profit	43	47	24	12	-2
Net Worth	104	58	11	-14	-28
Cash and Bank balance	16	54	34	22	12
Cash Flow from Operations	66	65	36	34	21
Free Cash flow	-216	55	28	29	13
Debt to Equity(x)	2.9	5.1	12.1	-10.8	-6.2
Current Ratio(x)	1.0	6.6	2.0	1.4	1.2
ROCE(%)	16.1	21.8	22.0	11.7	3.1
RONW(%)	40.8	81.7	229.1	N/A	N/A
EBITDAM(%)	39.5	34.3	29.5	26.3	23.4
PATM(%)	18.3	23.4	15.8	8.4	-1.8
Enterprise Value	329	278	133	165	199
EPS	10.9	12.1	6.3	3.0	-0.6



### Arihant Research Desk

E. [research@arihantcapital.com](mailto:research@arihantcapital.com)  
T. 022-42254800

### Head Office

#1011, Solitaire Corporate park,  
Building No. 10, 1<sup>st</sup> Floor,  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

### Registered Office

Arihant House  
E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

### Research Analyst Registration No.

INH000002764

### Contact

SMS: 'Arihant' to 56677

### Website

[www.arihantcapital.com](http://www.arihantcapital.com)

### Email Id

[research@arihantcapital.com](mailto:research@arihantcapital.com)

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