



Music Broadcast Limited

About the company

Music Broadcast Limited operates radio stations under Radio City and Radio Mantra brands. Radio City is the first private FM radio broadcaster in India and operates under the brand "Radio City". The company has grown its presence from four cities in 2001 to 37 cities as on February 15, 2017. These radio stations include eight "Radio Mantra Stations" transferred from Shri Puran Multimedia (SPML) pursuant to the scheme of arrangement and nine out of 11 Phase III new radio stations.

Jagran Prakashan (JPL) acquired a majority shareholding in the company in 2015 and the radio business was demerged into a separate entity pursuant to the Scheme of Arrangement.

The company is present in 12 out of the top 15 cities in India by population. As on March 31, 2016, the company reached over 49.60 million listeners in 23 cities covered by AZ Research. The company has successfully migrated all its Phase II Radio City Stations to the Phase III Policy and now enjoys an extended license period of 15 years. Moreover, under the Phase III regime, radio stations are permitted to carry news bulletins of AIR and also network their radio stations in all cities. It has, in the past, networked its stations in Sangli, Nanded, Jalgaon, Sholapur and Akola in Maharashtra and operates it from a single hub at Ahmednagar. The company intends to use this experience to network some of the stations in other states as well.

Business overview

- The company has strong leadership position in large markets. Radio City is ranked No. 1 in terms of number of listeners, total 49.6million listeners across top 23 cities (according to a survey conducted by AZ Research), whereas, its competitor, Entertainment Network India Ltd (ENIL) is at 2nd place with 40.5 million listeners. Even in the metro cities like Mumbai, Bangalore and Delhi, MBL enjoys a leadership position.
- Radio City's wide listenership despite operating fewer stations has enabled the company to charge approximately 30% higher advertising rates than its peers and 12-15% higher charges than its closest peer. Owing to this, Radio City enjoys healthy 34% operating margin, much better than ENIL's approximately 30% margin in FY2016.

Issue Details

Issue Opens	6 Mar'17
Issue Closes	8 Mar'17
Issue Size (Rs Cr.)	486-489
Face Value	10
No. of Shares Offered	2,658,518
Price Band(Rs)	324-333
Market Lot	45
Listing	NSE,BSE

- Radio City's advertising volumes have grown at a CAGR of approximately 12.5% over FY2011-16, while, ENIL reported approximately 9% CAGR in advertising volumes during the same period. Radio City's advertising volumes have witnessed higher growth (CAGR of 10.4% over the same period) than the industry due to its higher listenership.
- Radio City operates 20 markets, while ENIL operates a total of 38 markets. Despite this, Radio City has 23% revenue share compared to 24% share of ENIL.
- Radio City, with approximately 19% CAGR in revenue, has outperformed its closest peer ENIL, which reported approximately 14% CAGR in revenues over FY2013-16. In profitability too, Radio City, with approximately 54% CAGR in PAT over FY13-16, has performed much better than ENIL (approximately 17% CAGR in PAT over FY2013-16).

Financial Highlights (Rs Cr)

Y/E March	FY2014	FY2015	FY2016
Total Revenue	154	201	232
Net Profit	24	47	43
EPS	5.4	10.4	9.4
EV/EBITDA	37.0	27.8	22.0

Risks

- A slowdown in the economy could affect the spending from the clients, which in turn would affect the company's overall earnings.
- Inability to effectively source music content from third party music production entities/associations can increase the input cost for the company, and hence, may result in the dip in margins.
- The loss of one or more significant advertisers or advertising agencies could have an adverse effect on the business.

Outlook

At the price band of INR 324-333 per share, the IPO is priced at a PE band of 35x its FY16 EPS. This is attractive as compared to peer ENIL which is trading at a PE of 40x based on EPS of FY16. We believe the IPO is attractively priced. Considering the valuation and fundamentals, the investors can subscribe for the issue with medium to long term view.

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