

## Music Broadcast Ltd : Good Issue IPO Note : Valuations attractive compared to listed peer : Ranking\*\*\*



### Issue details

Price band (Rs)	Rs.324-333
IPO Opening Date	06/03/17
IPO Closing Date	08/03/17
Issue Size	Rs. 488Cr.

### Recommendation

Total revenue grew at a **CAGR of 20.45%** from Rs.140.50 Cr for the FY 2013 to Rs.245.50 Cr for FY 2016 and Net Profit grew at a CAGR of 54.09% in the same period. Profit after tax margin for FY 2014, FY 2015, FY 2016 and the six months ended September 30, 2016 was 15.78%, 23.43%, 18.30% and 21.53%, respectively. For the six months ended on 30.09.16, it has earned restated net profit of Rs.29.76 cr. on a turnover of Rs. 138.21 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.57.05 crore then **asking price is at a P/E of 31.89**. As per RHP, There is only listed peer Entertainment Network (INDIA) Ltd. Its stock trades at a TTM PE of 64.0.

### Highlights

- Radio City is the first private FM radio broadcaster in India
- The company has grown its presence from four cities in 2001 to 37 cities as on February 15, 2017
- Music Broadcast is present in 12 out of the top 15 cities in India by population. As on March 31, 2016, its radio stations reached out to over 49.60 million listeners in 23 cities
- Its net profit has grown at a CAGR of 54% in the last three years from FY13 to FY16
- It has total debt of Rs.305.74 Crore as on March 2016 and debt equity ratio stood at 2.93

### Company Introduction

Music Broadcast Limited is the holding company which operates radio stations under the “Radio City” and “Radio Mantra” brands. Radio City is the first private FM radio broadcaster in India. The company has grown its presence from four cities in 2001 to 37 cities as on February 15, 2017. These radio stations include the eight “Radio Mantra Stations” transferred from SPML pursuant to the Scheme of Arrangement and nine out of eleven New Radio City Stations. The company expects the remaining two New Radio City Stations to be operational by March/ April 2017. Music Broadcast is present in 12 out of the top 15 cities in India by population. As on March 31, 2016, its radio stations reached out to over 49.60 million listeners in 23 cities.

Under the Phase III Policy, new cities were opened up for auction, pursuant to which the company acquired 11 additional radio stations i.e. the New Radio City Stations. The New Radio City Stations which have been operationalised are located at Kanpur, Ajmer, Kota, Udaipur, Patiala, Jamshedpur, Nasik, Kolhapur and Madurai. The remaining two New Radio City Stations namely Bikaner and Patna are expected to be operationalised by March/ April 2017. Under the Phase III Policy the license period for radio stations has been increased



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### Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2016	Dec.2016	Dec.2015	Dec.2014
Total Income	138.21	245.51	207.51	157.27
Net Profit	29.76	42.51	47.06	24.32
EPS (Rs)	5.22*	7.45	8.25	4.26

\*EPS not annualize

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

to 15 years and radio stations are now permitted to carry news bulletins of AIR and also network their radio stations in all cities. Music Broadcast networked its stations located at Sangli, Nanded, Jalgaon, Sholapur and Akola in Maharashtra and operates it from a single hub at Ahmednagar.

The company also has sales alliance with ITM Software & Entertainment Private Limited (“ITM”) which operates “Sun Lemon 91.9 FM” (“Sun Lemon”) in Gwalior and Ananda Offset Private Limited (“AOPL”) which operates “Friends 91.9 FM” (“Friends FM”) in Kolkata. As of January 2017, 30 of these 40 web radio stations are hosted with the StreamGuys platform and have a listenership of 16.94 million. Further, as of January 2017, 33 of the 40 web radio stations are also hosted with NGH.IN platform and have a listenership of 14.24 million.

### Company Promoters:

The Promoter of the Company is JPL (Jagran Prakasha Ltd)

### The object of the issue

- Redemption of Listed NCDs
- Early redemption of the JPL NCDs and repayment / pre-payment of JPL ICDs
- General corporate purposes.

### IPO Issue Proceed

To part finance to redemption of listed NCDs, early redemption of the JPL NCDs and repayment/pre payment of JPL ICDs and General corporate purpose, the company is coming out with a maiden IPO of fresh equity issue as well as offer for sale to mobilize Rs. 488 crore (at the upper price band). Offer for sale will be for 2658518 equity shares and the rest will be the fresh equity. For fresh issue, company is issuing approx. 1.20 crore equity shares. This issue is via book building route and the price band is Rs. 324-333. Issue opens for subscription on 06.02.17 and will close on 08.02.17. Minimum application is to be made for 45 shares and in multiples thereon, thereafter.

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