

## Second wave pushes recovery further away...

Music Broadcast (MBL) reported a subdued set of numbers for Q4FY21. Revenues dipped 7.4% YoY to ₹ 42.5 crore due to continued erosion in yields. The company reported 11% YoY growth in volumes in Q4FY21, with yields lower in major stations by 20-25%. Industry volume increased 4% YoY in the quarter. Reported EBITDA was at ₹ 2.9 crore for the quarter while EBITDA margin was 6.2%, down 300 bps YoY compared to adjusted EBITDA margins for Q4FY20 (EBITDA margin for the base quarter was 9.1% adjusted to one off expenses of ₹ 9.5 crore). Consequently, the company reported PAT loss of ₹ 3.9 crore vs. adjusted profit of ₹ 60 lakh in the base quarter.

## Second wave delays realisation recovery

The impact of the second wave of the pandemic is likely to be seen in coming quarters, especially in H1FY22. We believe realisation recovery has now been pushed further, albeit volumes are expected to grow in FY22 as fill rates improve. The company will continue to offer bundling deals in FY22, which would keep realisation in check. We understand that in the radio industry realisations may take longer time to return to original levels, with pandemic tail being a key catalyst. We expect realisations to be stable or start moving from FY23 onwards provided the vaccination drive accelerates in the next six months. We bake in 24.3% CAGR in revenues in FY21-23E on a depressed base of ~49% revenue decline in FY21.

## Cost savings a solace

The management, in earlier calls, said that annual cost saving is likely to be ₹ 50-55 crore, out of which half of cost saving would be permanent in nature while the remaining half is expected to return with recovery in revenues. As we expect some recovery in revenues (albeit on depressed base), we expect some variable costs to catch up in FY22. Since revenue recovery would be gradual in nature, we are not building in any material increase in costs. Hence, we expect margins to be back to double digits. We bake in 20%, 29% EBITDA margins for FY22, FY23E, respectively, but well below pre-Covid levels of ~35%.

## Valuation & Outlook

Radio remains the worst hit media segment during Covid-19 induced lockdowns in the first and second wave. While ad volume growth of 11% YoY is a positive sign, ad realisation is still lower sharply. We believe ad yield backed full revenue recovery has been pushed further and perhaps the second wave has exacerbated it. Strong liquidity position and reduced opex remains the only solace. We assign **HOLD** (vs. BUY earlier) recommendation with a target price of ₹ 23/share (earlier ₹ 27/share). We value the stock at an average of 7x FY23E EV/EBITDA and 20x FY23E EPS. The downgrade is largely owing to a delayed recovery and subsequent earnings cut.



### Particulars

Particular	Amount
Market Capitalization	₹ 812.4 Crore
Total Debt (FY21)	₹ 0 Crore
Cash & Liquid Inv (FY21)	₹ 232.3 Crore
EV	₹ 591.4 Crore
52 week H/L	27/ 12
Equity capital (₹ crore)	69.1
Face value	2.0

### Key Highlights

- Revenues witnessed decline of 7.4% YoY, owing to drop in ad yields
- We assign HOLD (vs. BUY earlier) with a target price of ₹ 23/share (earlier ₹ 27/share)

### Key risk to our call

- Slower than anticipated recovery in ad realisations affecting operating performance
- Any sharper cost controls, which can surprise margins on positive side

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### Key Financial Summary

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales (₹ crore)	324.7	247.8	127.6	187.1	244.8	24.3
EBITDA (₹ crore)	113.2	57.1	(11.2)	37.4	71.0	NA
Net Profit (₹ crore)	61.6	28.2	(24.2)	14.4	41.8	NA
EPS (₹)	2.2	0.8	(0.7)	0.4	1.2	
P/E (x)	10.5	28.8	NM	56.5	19.4	
Price / Book (x)	1.1	1.3	1.3	1.4	1.4	
EV/EBITDA (x)	5.6	10.4	(51.7)	15.4	8.0	
RoCE (%)	15.0	6.2	(5.0)	3.9	10.4	
RoE (%)	10.2	4.5	(4.0)	2.5	7.2	

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY20	Q3FY21	YoY (%)	QoQ (%)	Comments
Revenue	42.5	45.9	40.7	-7.4	4.5	Revenues declined due to lower yields
Other Income	2.3	3.9	5.0	-41.5	-54.9	
License fees	4.8	4.8	4.7	0.1	1.0	
Employee Expenses	12.2	12.4	12.2	-1.4	0.4	
Other expenses	22.6	34.0	19.6	-33.6	15.2	
EBITDA	2.9	4.2	4.2	-31.0	NA	
EBITDA Margin (%)	6.8	9.2	10.2			
Depreciation	8.2	8.6	8.2	-4.9	-0.4	
Interest	0.7	2.1	0.8	-64.4	-11.7	
Total Tax	0.1	-3.2	0.0	NA	NA	
PAT	-3.9	0.6	0.1	NA	NA	

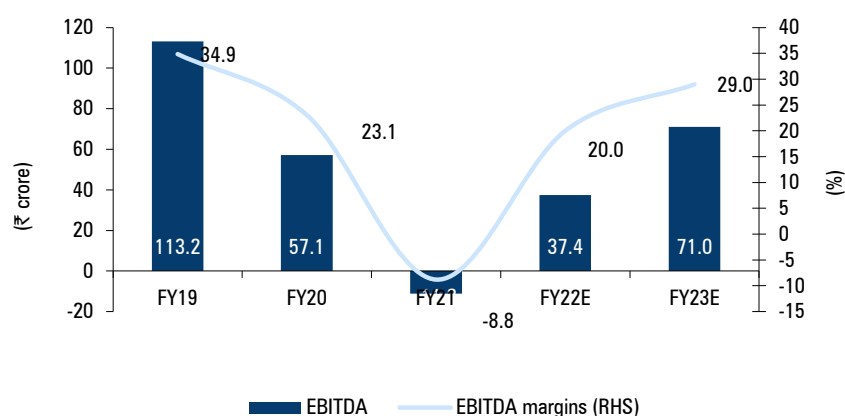
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	255.8	187.1	-26.9	273.1	244.8	-10.4	Align our estimates post Q4 performance
EBITDA	69.1	37.4	-45.8	87.4	71.0	-18.8	
EBITDA Margin (%)	27.0	20.0	-701 bps	32.0	29.0	-301 bps	
PAT	42.3	14.4	-66.0	58.7	41.8	-28.8	
EPS (₹)	1.2	0.4	-66.0	1.7	1.2	-28.8	

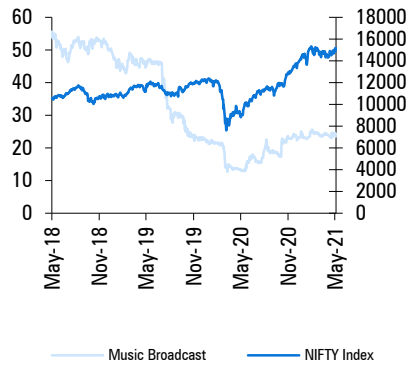
Source: Company, ICICI Direct Research

Exhibit 3: EBITDA margin trend



Source: Company, ICICI Direct Research

**Exhibit 4: Price Performance**



Source: Company, ICICI Direct Research

## Financial summary

Exhibit 5: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
<b>Total operating Income</b>	<b>247.8</b>	<b>127.6</b>	<b>187.1</b>	<b>244.8</b>
Growth (%)	-23.7	-48.5	46.6	30.8
Production Cost	0.0	0.0	0.0	0.0
License Fee	0.0	0.0	0.0	0.0
Administrative Expenses	135.3	91.4	100.7	119.0
Employee Expenses	55.4	47.4	49.0	54.8
Total Operating Expenditure	190.7	138.8	149.7	173.8
<b>EBITDA</b>	<b>57.1</b>	<b>-11.2</b>	<b>37.4</b>	<b>71.0</b>
Growth (%)	-49.5	-119.6	-433.3	89.6
Depreciation	34.8	33.2	31.8	31.8
Interest	9.7	3.2	2.8	3.0
Other Income	16.3	14.9	16.4	19.7
Exceptional Items	-	-	-	-
PBT	28.9	-32.8	19.2	55.8
MI/PAT from associates	-	-	-	-
Total Tax	0.7	-8.6	4.8	14.1
<b>PAT</b>	<b>28.2</b>	<b>-24.2</b>	<b>14.4</b>	<b>41.8</b>
Growth (%)	-54.2	-185.8	LP	190.4
<b>EPS (₹)</b>	<b>0.8</b>	<b>-0.7</b>	<b>0.4</b>	<b>1.2</b>

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Profit after Tax</b>	<b>28.2</b>	<b>-24.2</b>	<b>14.4</b>	<b>41.8</b>
Add: Depreciation	34.8	33.2	31.8	31.8
Add: Interest Paid	9.7	3.2	2.8	3.0
(Inc)/dec in Current Assets	17.7	23.9	-6.1	-26.2
Inc/(dec) in CL and Provisions	-15.4	-9.2	13.3	12.9
<b>CF from operating activities</b>	<b>75.1</b>	<b>27.0</b>	<b>56.1</b>	<b>63.3</b>
(Inc)/dec in Investments	-36.7	6.4	0.0	0.0
(Inc)/dec in Fixed Assets	-15.7	-6.9	-7.5	-7.5
Others	-5.3	-7.7	0.0	0.0
<b>CF from investing activities</b>	<b>-57.7</b>	<b>-8.1</b>	<b>-7.5</b>	<b>-7.5</b>
Issue/(Buy back) of Equity	0.0	2.2	0.0	0.0
Inc/(dec) in loan funds	-74.1	0.0	0.0	0.0
Interest paid	-9.7	-3.2	-2.8	-3.0
Dividend outflow	0.0	0.0	-41.5	-41.5
Others	0.3	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-83.6</b>	<b>-1.1</b>	<b>-44.3</b>	<b>-44.5</b>
Net Cash flow	-66.2	17.8	4.4	11.3
Opening Cash	78.8	12.6	30.4	34.7
<b>Closing Cash</b>	<b>12.6</b>	<b>30.4</b>	<b>34.7</b>	<b>46.0</b>

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Liabilities</b>				
Equity Capital	69.1	69.1	69.1	69.1
Reserve and Surplus	562.7	540.6	513.5	513.8
Total Shareholders funds	631.8	609.8	582.7	583.0
Total Debt	0.0	0.0	0.0	0.0
Lease Liabilities	18.3	18.5	18.5	18.5
<b>Total Liabilities</b>	<b>650.1</b>	<b>628.2</b>	<b>601.1</b>	<b>601.4</b>
<b>Assets</b>				
Gross Block	433.3	440.4	447.9	455.4
Less: Acc Depreciation	124.2	157.4	189.2	221.1
Net Block	309.1	282.9	258.6	234.3
Capital WIP	-	-	-	-
Total Fixed Assets	309.1	282.9	258.6	234.3
Investments	208.4	201.9	201.9	201.9
Deferred tax assets	10.0	17.7	17.7	17.7
Debtors	106.3	77.3	76.9	100.6
Loans and Advances	21.7	25.3	29.7	31.1
Other Current Assets	19.8	21.2	23.3	24.4
Cash	12.6	30.4	34.7	46.0
Total Current Assets	160.3	154.1	164.6	202.1
Creditors	24.6	17.1	25.1	32.9
Provisions	4.2	1.7	2.5	3.3
Other Current Liabilities	8.9	9.6	14.1	18.4
Total Current Liabilities	37.7	28.5	41.7	54.6
Net Current Assets	122.6	125.7	122.9	147.5
<b>Application of Funds</b>	<b>650.1</b>	<b>628.2</b>	<b>601.1</b>	<b>601.4</b>

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	0.8	-0.7	0.4	1.2
Cash EPS	1.8	0.3	1.3	2.1
BV	18.3	17.6	16.9	16.9
DPS	0.0	0.0	1.0	1.0
Cash Per Share	0.4	0.9	1.0	1.3
<b>Operating Ratios (%)</b>				
EBITDA Margin	23.1	-8.8	20.0	29.0
PBT / Total Operating income	9.0	-34.8	3.0	16.0
PAT Margin	11.4	-19.0	7.7	17.1
Inventory days	0.0	0.0	0.0	0.0
Debtor days	156.5	221.0	150.0	150.0
Creditor days	36.3	49.0	49.0	49.0
<b>Return Ratios (%)</b>				
RoE	4.5	-4.0	2.5	7.2
RoCE	6.2	-5.0	3.9	10.4
RoIC	5.3	-11.8	1.6	11.7
<b>Valuation Ratios (x)</b>				
P/E	28.8	-33.6	56.5	19.4
EV / EBITDA	10.4	-51.7	15.4	8.0
EV / Net Sales	2.4	4.5	3.1	2.3
Market Cap / Sales	3.3	6.4	4.3	3.3
Price to Book Value	0.0	0.0	0.0	0.0
<b>Solvency Ratios</b>				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.9	4.4	3.1	2.9
Quick Ratio	3.9	4.4	3.1	2.9

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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