

MUSIC BROADCAST LTD (RADIO CITY)

Issue Details	
Issue Opens	06-Mar-17
Issue Closes	08-Mar-17
Issue Size (Rs. Crore)	400
Face value (per equity share)	10
Price Band (Rs.)	324- 333
Lot Size (No of Share)	45
No of Shares on Offer (crore)	0.26
QIB (%)	60%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	17-Mar-17

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	96.34	71.0
Public (incl institutions and employees)	3.66	29.0
Total	100.0	100.0

Objects of the Issue

The objects for which Company intends to use the Net Proceeds are as follows:

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

Issue Date: 06th Mar – 08th Mar 2017

Price Band (Rs.) : 324 - 333

Lot Size (No. of Share) : 45

Company Background

Incorporated in 1999, Music Broadcast Limited is the first private FM radio broadcaster in India operates under the brand name Radio City. The company grown its presence from four cities in 2001 to 29 cities as on November 25, 2016. They are present in 12 out of the top 15 cities in India by population. Music Broadcast Limited operates as a subsidiary of Jagran Prakashan Limited.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	4,853	3,977	1,700	1,707	1,808
Total Revenue	2,455	2,075	1,573	1,405	1,248
Profit After Tax	298	471	243	116	(22)

Concerns

- Company rely on third parties to source sound recordings that are broadcasted on its radio stations.
- The FM radio broadcasting industry is highly competitive.
- A decrease in its listenership may adversely affect business and results of operations.
- Radio may become obsolete and it will adversely affect its business, financial conditions and results of operation.

Strengths

- Strong leadership position and pan-India presence in the radio industry which is poised for growth
- Effective and efficient internal operational systems and human resource management
- Experienced and qualified management team and are part of the Jagran group, a leading media group in India
- Increasing listenership by constantly developing quality content

Our View

IPO is being launched at a price band of Rs.324-333 per share. At the higher price band of Rs.333 and on FY16 EPS of Rs.9.95, P/E ratio works out to 33.4x. Similarly, on the last 3 years EPS of Rs.9.69, P/E Ratio works out to be 34.3x. Means company is asking the upper band of issue price of Rs.333 for a P/E Ratio between 33x and 34x. There is only one listed peer Entertainment Network Limited which is trading at P/E ratio of 33.8.

Company revenues grew at 18% CAGR in last 5 years. It generated good profits of 17% in FY16. FM Radio city 91.1 has good brand. Considering all these factors, high risk investors can invest in this IPO. However, considering that markets are at peak and may take correction now, one may or may not get listing benefits.