



MBL, part of Jagran Prakashan Group with its brand “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 operationalised by March/ April 2017. It is present in 12 out of the top 15 cities in India by population (Source: Census 2011). As on March 31, 2016, its radio stations reached out to over 49.60 million listeners in 23 cities (Source: AZ Research Report). Company’s Phase II Radio City Stations which were under Phase II Policy have been migrated to the Phase III Policy. These include Radio City stations which are present at Bengaluru, Lucknow, Mumbai, New Delhi, Chennai, Pune, Hyderabad, Ahmedabad, Surat, Nagpur, Jaipur, Vadodara, Coimbatore, Vizag, Ahmednagar, Sholapur, Sangli, Nanded, Jalgaon and Akola and the Radio Mantra Stations which have been transferred to the Company pursuant to the Scheme of Arrangement which are located at Agra, Bareilly, Gorakhpur, Varanasi, Jalandhar, Ranchi, Hissar, and Karnal (together the “Existing Radio Stations”). 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, MBL has networked its stations located at Sangli, Nanded, Jalgaon, Sholapur and Akola in Maharashtra and operate it from a single hub at Ahmednagar. Similarly, it networked its radio station in Kota from our Udaipur radio station, Ajmer radio station from our Jaipur radio station, Jamshedpur radio station from Ranchi radio station and Patiala radio station from Jalandhar radio station. The Company plans to replicate this similar structure for our radio station in Bikaner, which will be networked from Udaipur.

MBL operates 40 web radio stations through planetradiocity.com in eight languages. 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 (Source: PurpleStream Data). 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 (Source: Lasopi Data). MBL web radio stations offer 24 hours of internet radio along with few live RJ hosted shows. We also have a ‘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. With respect to our online web radio business, the operation, scheduling of music, promotions and advertising is similar to terrestrial FM.

#### Investment Rationale and Recommendation

At the upper end of the price band of Rs. 333, the IPO is valued at 32x at H1FY17 annualised Post issue EPS which is at a discount to its immediate peer. With due consideration to factors like a) strong parentage – part of Jagran Prakashan group, a leading media group in India, b) leadership position and pan-India presence in the radio industry which is poised for growth, c) fifteen years of experience in radio industry, d) popular content coupled with strong sales capability; e) strong intellectual properties/sub brands – MBL’s radio content typically comprises of RJ

Issue date	March 6 – 8, 2017		
Type of issue	Fresh Issue: Rs. 4 bn Offer for sale: 2.65 mn equity shares by promoter group		
Face Value	Rs. 10		
Price Band	Rs. 324 – Rs. 333 per share		
Lot size	45 equity Shares & multiple of 45 equity shares thereafter		
Equity shares post issue	57.2 mn equity shares		
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%		
Post issue market cap	Rs. 19 bn at upper price band		
Book Running Lead Managers	ICICI Securities		
Registrar to the issue	Kary ComputerShare		
Y/e 31 Mar (Rs. mn)	H1FY17	FY16	FY15
Revenue	1,369	2,323	2,008
EBITDA	468	918	690
OPM (%)	34.2	39.5	34.3
PAT	298	425	471
PAT (%)	21.8	18.3	23.5
Equity Capital	419.2	389.1	389.1
Post issue EPS (Rs.)	10.41*	7.43	8.23
Networth (Rs. mn)	1402	1074	576
P/E (x) at Rs. 333	32	45	40
RoE (%)	-	39.5	81.7

Source: RHP, Ajcon Research, \* Annualised EPS

shows and film music. Some of the popular programmes include ‘Love Guru’ and ‘Kal Bhi Aaj Bhi’ and pre-programming features such as ‘Babber Sher’ and ‘Joke Studio’. MBL also been successful in creating unique & Popular initiatives such as ‘Gig City’ and ‘Radio City Super Singer’ and ‘Radio City Freedom Awards’. e) effective and efficient internal operational systems and human resource management, f) consistent performance & decent growth across topline and bottomline; e) with a 2015-20 CAGR of 16.9 %, Radio is expected to be the fastest growing medium among traditional media platforms, f) earnings set to improve owing to advertising revenue growth and savings in interest cost (Rs. 160 mn p.a.) due to debt repayment of Rs. 2500 mn from proceeds of IPO, g) positive operating cashflow, h) better margins and ROE than peers, i) scarcity premium post listing, we recommend investors to “SUBSCRIBE” the issue.



## Objects of the issue

- a) The selling shareholders will receive proceeds from Offer for sale.
- b) Out of gross Proceeds from fresh Issue to be used for 1) redemption of listed NCDs, 2) Early redemption of JPL NCDs and repayment/pre-payment of JPL ICDs; and 3) General corporate purposes.

## Promoters' background

Music Broadcast Pvt. Ltd. (MBL) was incorporated on November 4, 1999 while it was converted into a public limited company on June 15, 2015 and consequently, the name of the company was changed to Music Broadcast Limited. In 2015, Jagran Prakashan Limited (JPL) acquired a majority shareholding in MBL through its direct holding in Spectrum and indirect holding in Crystal. In 2016, pursuant to the Scheme of Arrangement the radio business of SPML was demerged and subsequently transferred to MBL, and Spectrum and Crystal were merged with JPL.

## The Promoter of the Company is Jagran Prakashan Ltd. (JPL)

### About Jagran Prakashan Ltd. – Listed Entity

JPL was incorporated on July 18, 1975 under the Companies Act, 1956 as “Jagran Prakashan Private Limited” and, subsequently, became a deemed public limited company under Section 43A of the Companies Act. In 2004, JPL was again converted into a private limited company pursuant to a shareholders’ resolution dated September 28, 2004. On November 23, 2005, JPL was converted into a public limited company pursuant to a shareholders’ resolution dated November 18, 2005. Pursuant to an initial public offering in 2006, JPL got listed on BSE and NSE. As on the date of filing of this Red Herring Prospectus, the Promoter holds 40,268,517 Equity Shares representing 89.40% of the pre-Offer issued, subscribed and paid-up capital of our Company. The registered office of JPL is situated at Jagran Building, 2, Sarvodaya Nagar, Kanpur 208 005.

The principal business of JPL is publication of newspapers, magazines and journals, outdoor advertisement, event management, digital business including value added services through mobile and maintenance and running of web portals. JPL publishes 10 print titles in five different languages across 13 states in India and has over 400 editions and sub-editions. MBL benefits from its relationship with the JPL group, experienced management team, knowledge of local markets and credibility amongst advertisers. MBL intends to leverage JPL’s legacy and leadership position in the media industry to promote its radio stations and to further deepen MBL reach to advertisers. JPL FY16 consolidated operating revenues: Rs. 21,065.14 million, FY16 Profits (after tax on consolidated basis): Rs. 4,446.66 million

## Board of Directors

The board of directors of JPL comprises of:

1. Mahendra Mohan Gupta, chairman and managing director;
2. Sanjay Gupta, chief executive officer and whole-time director;
3. Dharendra Mohan Gupta, whole-time director;
4. Sunil Gupta, whole-time director;
5. Shailesh Gupta, whole-time director;
6. Satish Chandra Mishra, whole-time director;
7. Devendra Mohan Gupta, non-executive director;
8. Shailendra Mohan Gupta, non-executive director;
9. Anuj Puri, independent director;
10. Rajendra Kumar Jhunjunwala, independent director;
11. Shashidhar Narain Sinha, independent director;
12. Vijay Tandon, independent director;
13. Anita Nayyar, independent director;
14. Dilip Cherian, independent director;
15. Jayant Davar, independent director;
16. Ravi Sardana, independent director;
17. Amit Dixit, non-executive director; and
18. Vikram Sakhuja, independent director.



### Company Milestone

Year	Particulars
2001	The Company won licenses for FM broadcasting in four cities under FM Phase I
2005	India Value Fund (IVF) Trustee Company invests in the Company and attains a majority shareholding
2006	The Company won licenses for FM broadcasting in 16 cities under FM Policy Phase II
2010	Launched web radio in India
2014	JPL invested in the Company through Spectrum
2015	Issue of Listed NCDs and listing on BSE - 'CRISIL AA/Stable' rating of Listed NCDs by CRISIL Limited
2016	The Company won licenses for FM broadcasting in 11 cities under FM Policy Phase III - Re-affirmation of 'CRISIL AA/Stable' rating of Listed NCDs by CRISIL Limited
2016	The radio division of Shri Puran Multimedia Limited was transferred to Company pursuant to the Scheme of Arrangement

Source: Company

## Radio Market – An industry under transformation

### Highlights of FM Radio Phase III Policy

Government has liberalized regulations to provide impetus to the radio industry:

**Multiple frequencies:** An operator under Phase III Policy regime may own up to 40 per cent of channels in the same city subject to three different operators operating in the city, whereas under Phase II Policy permitted only one channel per operator per city.

**Permission to broadcast news and current affairs:** The radio channels can broadcast news bulletins of All India Radio as mutually agreed with Prasar-Bharati

**Networking:** An entity will be permitted to network its channels in its own network within the country, which results in saving of cost by sharing the infrastructure

**License period:** License period for the migrating stations has been extended to 15 years under Phase III Policy.

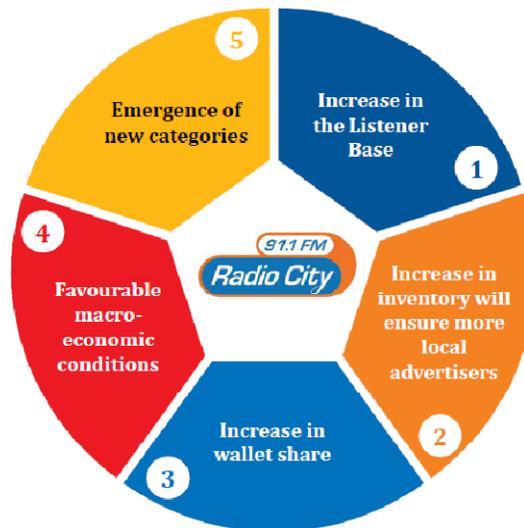
**Lock in:** Lock-in period for the largest Indian shareholder has been reduced to three years under the Phase III Policy.

**FDI Limits:** The present FDI limit 49% as against 20% under the Phase II Policy regime.

### Key Challenges

On a national level, an entity can hold not more than 15 percent of all stations allotted in the country excluding stations located in Jammu and Kashmir, North Eastern states and island territories. Further operators can run/ own not more than 40 percent of the total stations in a city subject to a minimum of three different operators in the city. There is a lock-in period of three years for the largest Indian shareholder.

## Key Growth drivers to maintain Radio Industry Growth



- 1) New stations in existing cities and proliferation of private radio to smaller cities are likely to increase the listener base. The current radio listeners are estimated at ~110 million to 120 million in India which is only a fraction of the overall population. In more developed countries like the U.S. and U.K., the listener base is a significantly higher percentage of their respective population.
- 2) Average inventory utilization is currently high indicating that operators can choose advertisers based on effective rate. This impacts regional advertisers with smaller budgets who move to other local mediums. Increase in inventory due to more frequencies and new markets shall create additional inventory in Phase III, which is likely to provide an opportunity for local advertisers.
- 3) With an increase in the depth of penetration in existing cities and the addition of new frequencies, spends on radio is growing from a current wallet share of about 4 percent to about 6 percent. In developed countries such as the U.S. and U.K., radio's wallet share is estimated between 7 - 10 percent. With time Indian share is expected to converge towards average of developed markets.
- 4) Inflation is finally relenting according to the RBI projections. Further, the improving fiscal deficit could result in lower yields on government bonds, which could in turn lead to a reduction in borrowing costs for businesses, making it easier for radio companies to fund their growth.
- 5) Initiatives by the government such as Make in India and Start-up India can contribute to growth. A likely revival in auto industry with the launch of several new models in 2016, in telecom with the launch of 4G and continued strength in FMCG. Also, increasing advertising from government and political parties as they become more sophisticated about communication will also add to growth.



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## Pan India Presence

### Radio City Presence

- 1 Mumbai
- 2 Delhi
- 3 Bangalore
- 4 Chennai
- 5 Pune
- 6 Hyderabad
- 7 Ahmedabad
- 8 Surat
- 9 Nagpur
- 10 Lucknow
- 11 Jaipur
- 12 Baroda
- 13 Coimbatore
- 14 Vizag
- 15 Ahmednagar
- 16 Sholapur
- 17 Sangli
- 18 Nanded
- 19 Jalgaon
- 20 Akola

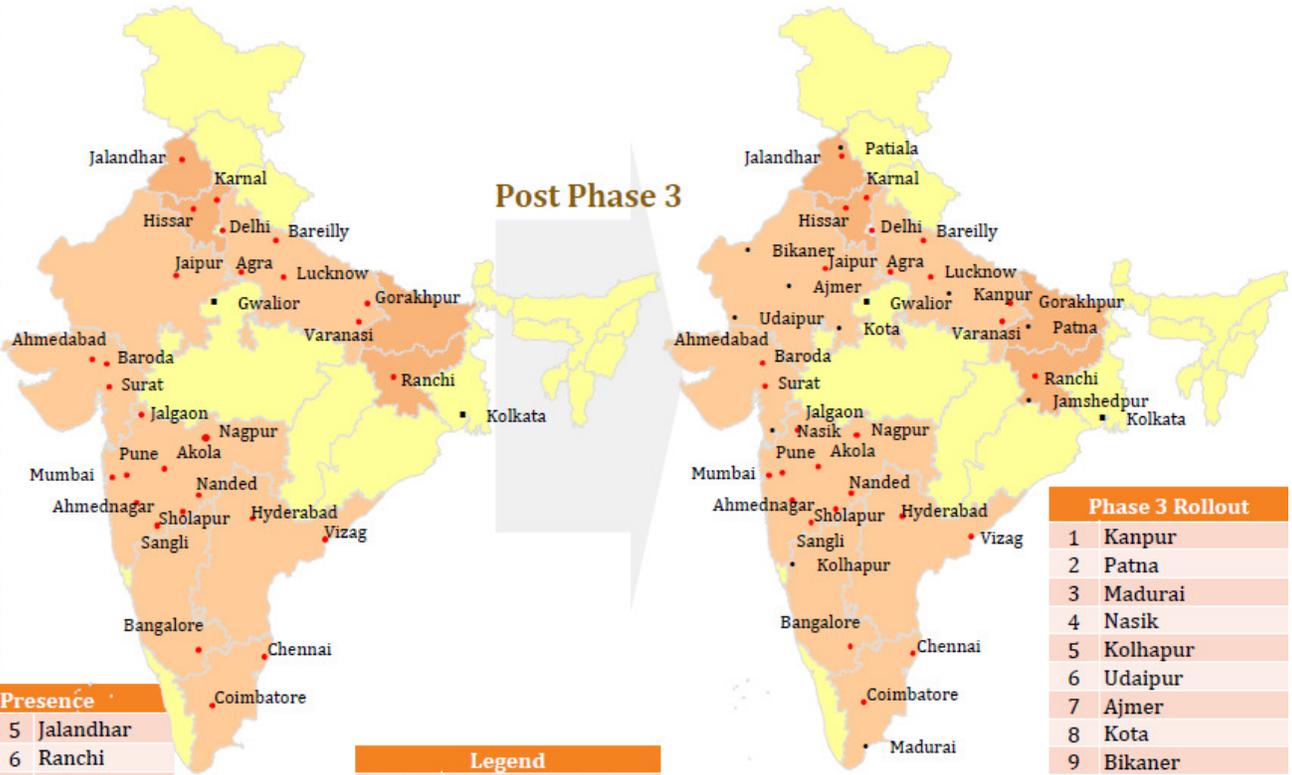
### Alliances

- 1 Kolkata
- 2 Gwalior

### Radio Mantra Presence

- |             |             |
|-------------|-------------|
| 1 Agra      | 5 Jalandhar |
| 2 Bareilly  | 6 Ranchi    |
| 3 Gorakhpur | 7 Hissar    |
| 4 Varanasi  | 8 Karnal    |

Legend	
●	Existing Stations
●	Phase 3 Rollout



### Phase 3 Rollout

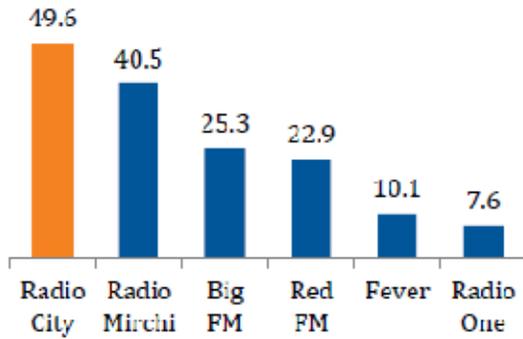
- 1 Kanpur
- 2 Patna
- 3 Madurai
- 4 Nasik
- 5 Kolhapur
- 6 Udaipur
- 7 Ajmer
- 8 Kota
- 9 Bikaner
- 10 Jamshedpur
- 11 Patiala



## Leadership Position in Large Markets

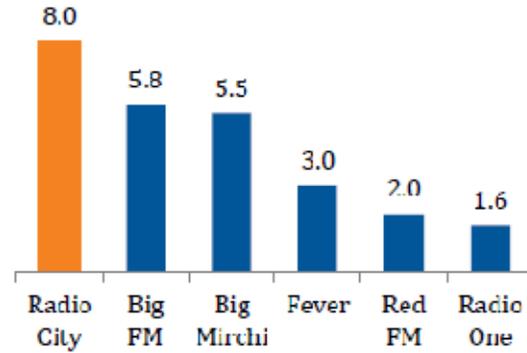
### Listenership Across Markets

Listenership in Million



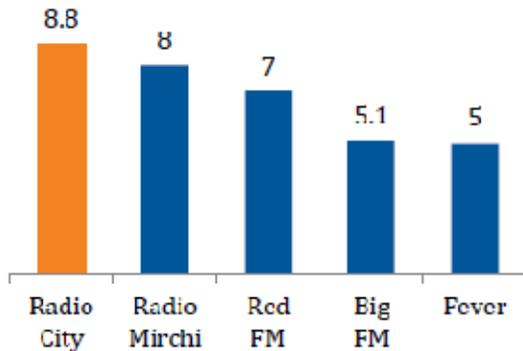
### Listenership in Mumbai

Listenership in Million



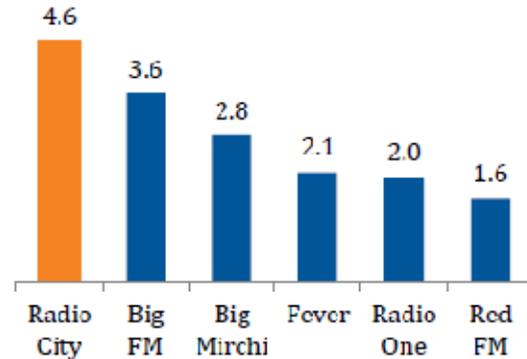
### Listenership in Delhi

Listenership in Million



### Listenership in Bangalore

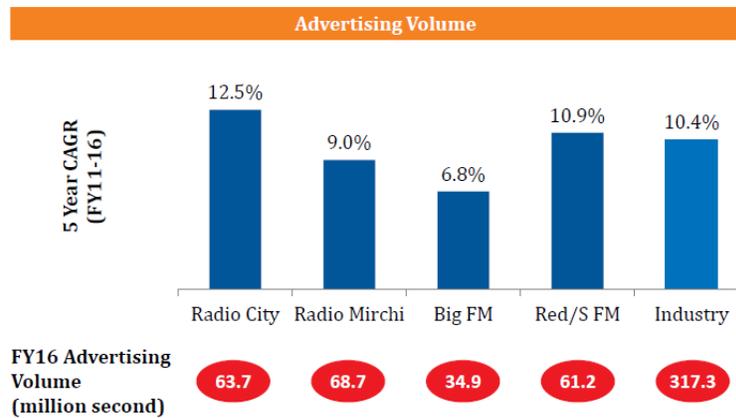
Listenership in Million



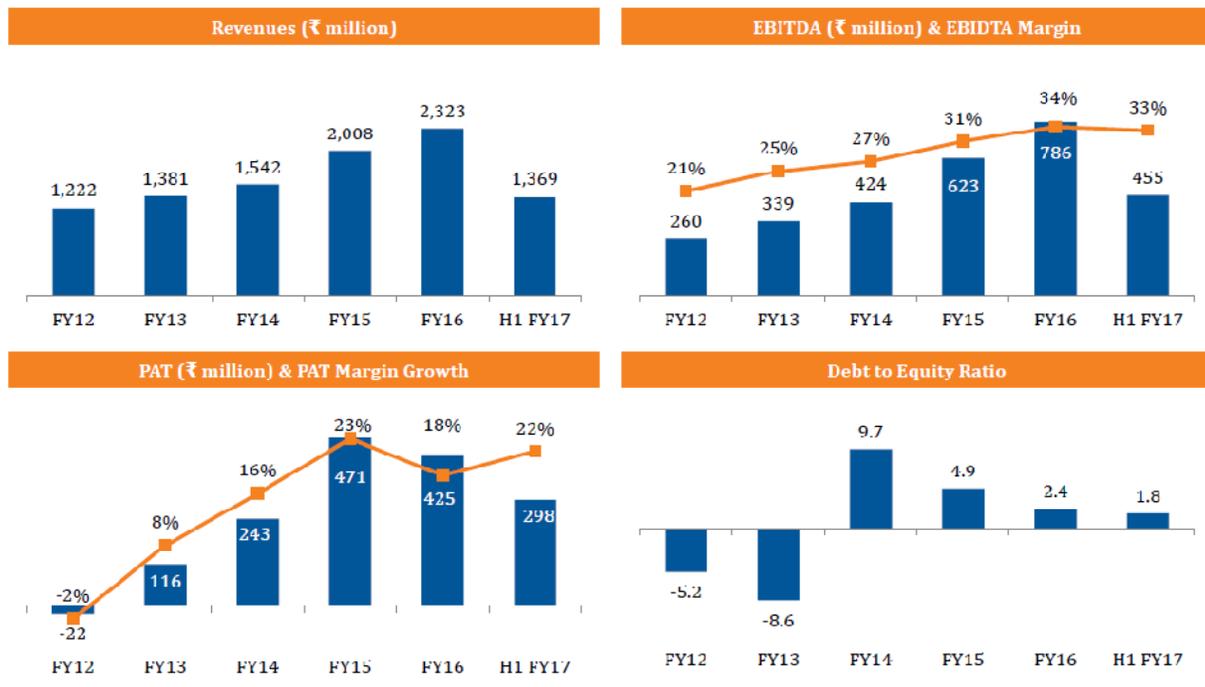


## Robust advertising growth on the back of strong leadership in Listener base

- 1) Radio City has seen CAGR in advertising volume of ~12.5% over a 5 year period while the industry has witnessed a CAGR of 10.4% over the same period
- 2) The current radio listeners are estimated at 110 mn to 120 mn in India which is only a fraction of the overall population
- 3) In more developed countries like the US and UK, the listener base is a significantly higher percentage of their respective population.



## Strong Financial Performance





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