

DB CORP LTD.

BUY
CMP Rs240
TP Rs288

22 July 2011

Defies headwinds

DB Corp put up a strong set of numbers both on the ad and circulation revenue fronts. The top-line grew 18%YoY to Rs3.5bn led by robust ad growth of 20%YoY to Rs2.8bn, excluding new launches in Jharkhand(JHK) and Maharashtra(MAH), ad revenue grew by 18%YoY. Circulation revenue grew profoundly at 6%YoY and also 6%QoQ to Rs568mn in Q1FY12 led by increased level of circulation and yield in current markets along with continuous penetration into newer markets. OPM declined from 38% to 28%YoY on account of higher newsprint prices, increased employee cost and heightened operating losses in new regions.

Strong results led by robust ad growth

Ad revenue grew at a strong rate of 20%YoY to Rs2.8bn driven mainly by increased ad volumes (Ad revenue grew 18% excluding JHK & MAH markets). As per the management, strong growth rates continue to prevail in its current market mainly backed by local advertisers (local advertisement is 60% of the total ad revenue). Increased circulation copies and improved yield has resulted the circulation revenue to grow 6%YoY to Rs568mn. Radio business reported revenue growth of 18%YoY to Rs124mn.

New launches put pressure on margins

OPM contracted to 28% from 38% in Q1FY11, the decline was attributed to higher newsprint cost, surged employee expenses and higher marketing spend on new launches – JHK and MAH (where-in mature editions reported strong OPM of 37.5%). Radio business delivered OPM of 13.5% in Q1FY12.

VALUATIONS AND RECOMMENDATION

DBCL's strategic penetration into high-growth markets, optimum exploitation of readership base and a uniformly distributed business model make us positive about the company's growth prospects. Attractive growth opportunities in Hindi/regional print dailies make a strong case for DBCL, as the business model is skewed towards ad revenue. At CMP, the stock is trading at 15x FY13E earnings. We reiterate our 'BUY' recommendation with a 12 month target price of Rs288 (18x FY13E EPS).

KEY FINANCIALS		Rs mn				
	FY09	FY10	FY11	FY12E	FY13E	
Net Sales	9,490	10,630	12,652	14,382	16,540	
YoY Gr. (%)	11.6	12.0	19.0	13.7	15.0	
Op. Profit	1,353	3,429	4,031	4,090	4,843	
Op. Margin (%)	14.3	32.3	31.9	28.4	29.3	
Adj. Net Profit	476	1,828	2,585	2,456	2,938	
YoY Gr. (%)	(36.6)	283.9	41.4	(5.0)	19.6	
KEY RATIOS						
EPS (Rs)	2.8	10.1	14.1	13.4	16.0	
ROCE (%)	13.6	30.6	32.9	30.4	31.8	
ROE (%)	18.5	28.2	31.2	24.5	24.0	
PER (x)	85.1	23.8	17.0	17.9	15.0	
EV/Sales (x)	4.8	4.2	3.5	3.1	2.6	
Ev/EBDITA (x)	33.8	13.1	11.1	10.9	9.0	

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QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Dec-10	Mar-11	Jun-11
Net Sales	3,482	3,174	3,538
YoY Gr. (%)	23.7	23.4	18.4
Op. Profits	1,148	796	1,004
OPM (%)	33.0	25.1	28.4
Adj. Net Profit	659	450	611
YoY Gr. (%)	30.4	22.6	(12.2)

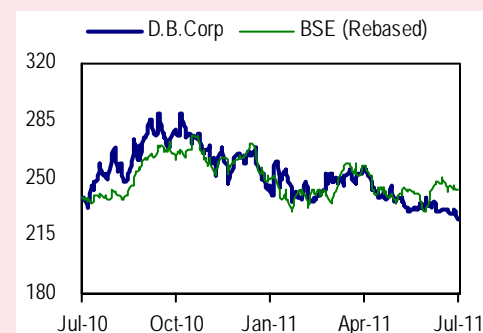
STOCK DATA

Market Cap	Rs41.2bn.
Book Value per share	Rs46.1
Eq Shares O/S (F.V. Rs10)	183mn.
Free Float	14%
Avg Traded Value (6 mnths)	Rs 11.5mn
52 week High/Low	Rs307/222
Bloomberg Code	DBCL IN
Reuters Code	DBCL.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(5.2)	0.9	0.9
Relative	(0.0)	1.3	(8.7)

RELATIVE PERFORMANCE



Conference call highlights:

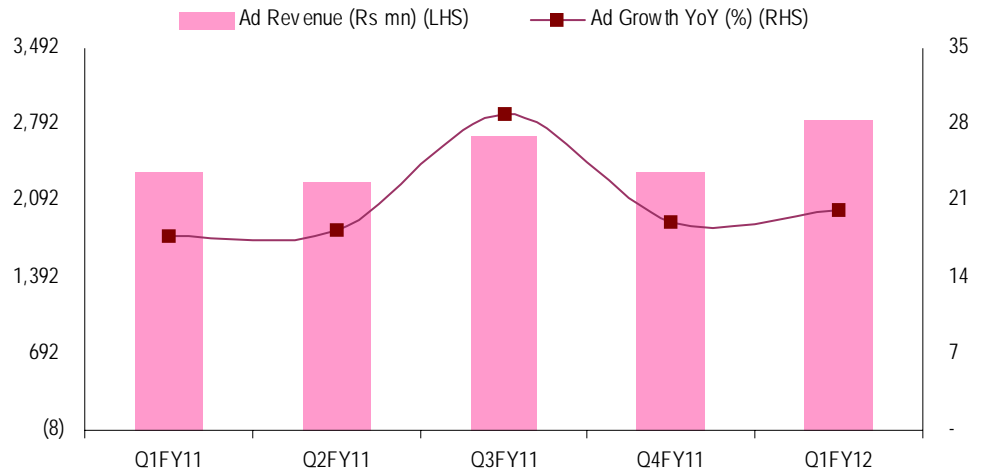
- Bihar edition launch has been deferred to FY13 because of high newsprint prices and slow down in overall market.
- Capex plans for FY12 will be around Rs800mn- Rs1bn (including new planned launches in Maharashtra).
- For Radio Phase III licenses, the company will be bidding for licenses in its present print markets only.

Exhibit 1: Financial performance

Rs Mn	Q1FY12	Q1FY11	YoY(%)	Q4FY11	QoQ(%)	FY11	FY10	YoY(%)
Ad	2832	2357	20.2	2360	20.0	9,578	7,776	23.2
Circulation	568	537	5.8	534	6.4	2,144	2,118	1.2
Radio	125	106	17.6	133	(6.1)	469	370	26.7
Total Sales	3538	2987	18.4	3174	11.5	12652	10630	19.0
Raw Material	1184	832	42.3	1042	13.6	3838	3279	17.1
RM/Rev. (%)	33.5	27.8		32.8		30.3	30.8	
Total Expenditure	2534	1851	36.9	2378	6.6	8621	7200	19.7
EBITDA	1004	1136	(11.7)	796	26.0	4031	3430	17.5
EBITDA Margins (%)	28.4	38.0		25.1		31.9	32.3	
Other Income	36.6	43.41	(15.7)	36.36	0.7	142	112	27.1
Interest	26.89	47.02	(42.8)	34.17	-21.3	153	357	(57.1)
Depreciation	117.18	104.18	12.5	111.36	5.2	433	378	14.4
PBT	896	1028	(12.9)	687	30.4	3587	2806	27.8
Tax	284	349	(18.4)	235	20.8	1268	1057	19.9
PAT	612	680	(10.0)	452	35.4	2319	1749	32.6
Adj PAT	611	695	(12.2)	450	35.7	2585	1828	41.4
EPS (Rs)	3.37	3.83	(12.2)	2.46	37.0	14.1	10.1	40.0

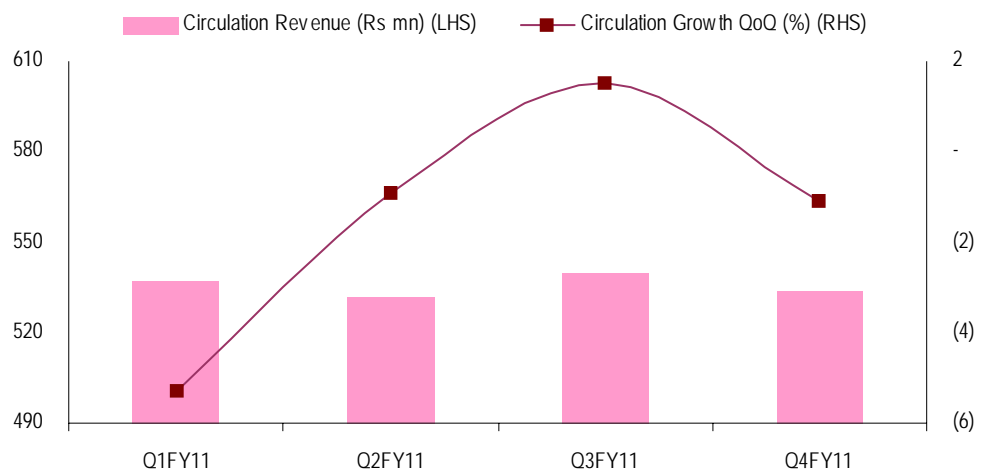
Source: Company, PINC Research

Exhibit 2: Ad revenue trend



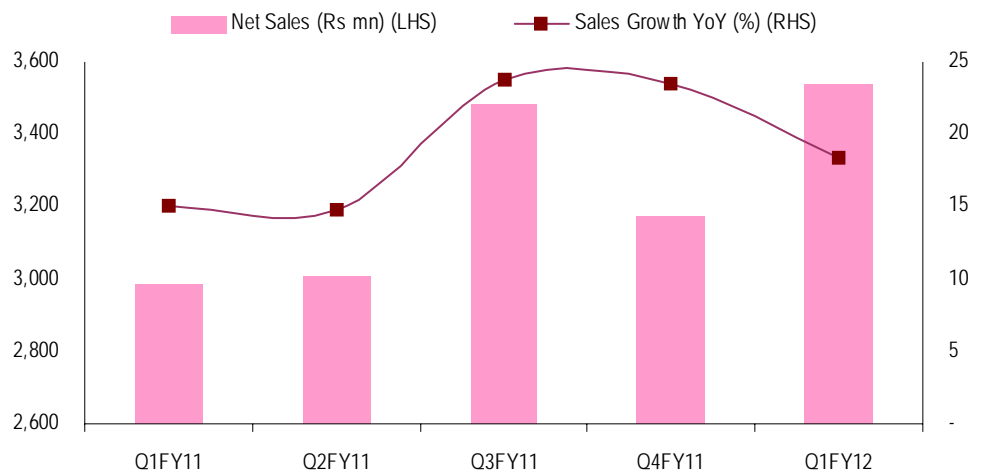
Source: Company, PINC Research

Exhibit 3: Circulation revenue trend



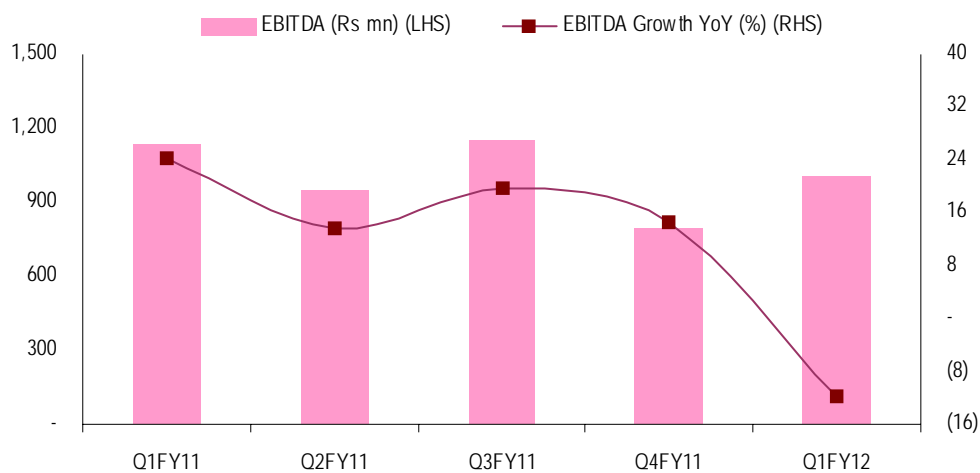
Source: Company, PINC Research

Exhibit 4: Net sales trend



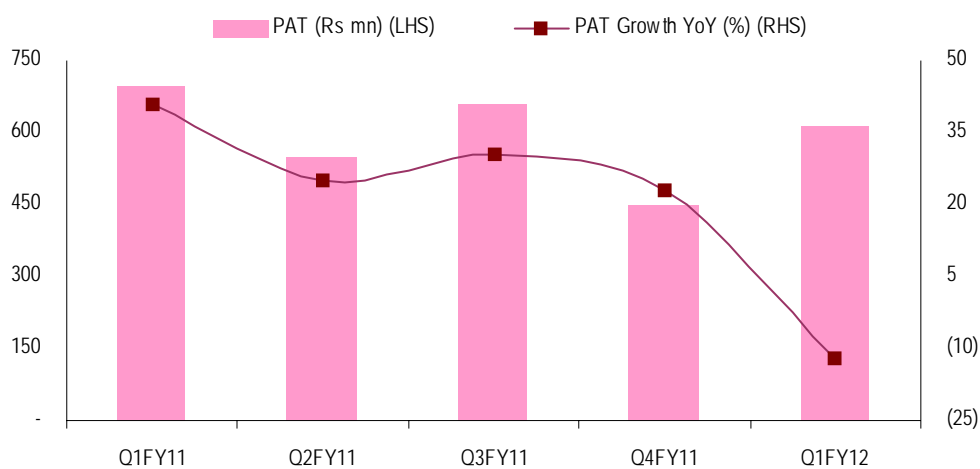
Source: Company, PINC Research

Exhibit 5: Operating profit trend



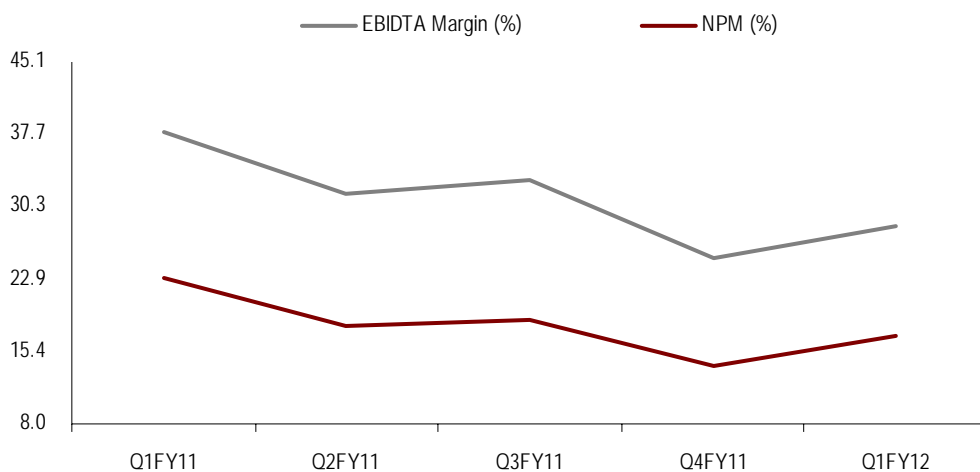
Source: Company, PINC Research

Exhibit 6: Net profit trend



Source: Company, PINC Research

Exhibit 7: Profitability trend



Source: Company, PINC Research

Year Ended March (Figures in Rs mn)

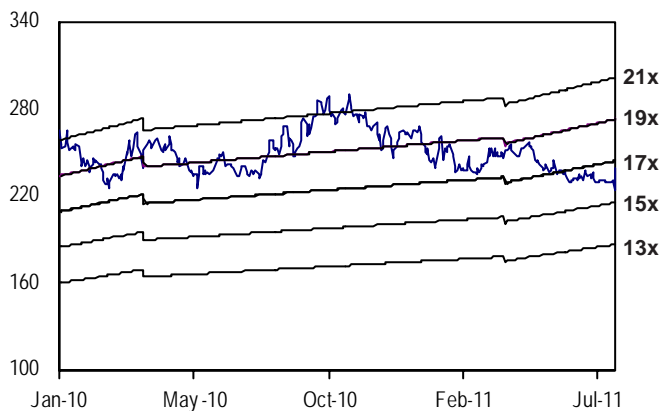
Income Statement	FY09	FY10	FY11	FY12E	FY13E
Net sales	9,490	10,630	12,652	14,382	16,540
Growth (%)	11.6	12.0	19.0	13.7	15.0
Gross profit	4,084	6,033	6,968	7,435	8,831
Other operating charges	2,731	2,604	2,937	3,344	3,988
EBITDA	1,353	3,429	4,031	4,090	4,843
Growth (%)	(20.8)	153.4	17.5	1.5	18.4
Depreciation	290	378	433	469	492
Other income	120	112	142	130	126
EBIT	1,183	3,163	3,740	3,751	4,477
Interest paid	402	357	153	108	108
PBT (before E/o items)	782	2,806	3,587	3,643	4,369
Tax Provision	423	1,057	1,000	1,187	1,431
E/o loss / (Income)	-	-	-	-	-
Net profit	358	1,749	2,587	2,457	2,938
Adj.net profit (Including MI)	476	1,828	2,585	2,456	2,938
Growth (%)	(36.6)	283.9	41.4	(5.0)	19.6
Diluted EPS (Rs)	2.8	10.1	14.1	13.4	16.0
Diluted EPS Growth (%)	(36.5)	256.9	40.0	(5.0)	19.6

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	782	2,806	3,587	3,643	4,369
Depreciation	290	378	433	469	492
Total tax paid	(357)	(1,013)	(911)	(1,187)	(1,431)
Chg in working capital	122	(198)	(556)	(465)	(564)
Other operating activities	313	387	188	(31)	108
Cash flow from oper. (a)	1,150	2,360	2,741	2,429	2,975
Capital expenditure	(2,845)	(596)	(1,423)	(1,400)	(1,400)
Chg in investments	168	(1,273)	(3)	13	-
Other investing activities	-	(1)	845	-	-
Cash flow from inv. (b)	(2,677)	(1,871)	(581)	(1,387)	(1,400)
Free cash flow (a+b)	(1,527)	489	2,160	1,042	1,575
Equity raised/(repaid)	-	2,535	4	-	-
Debt raised/(repaid)	2,011	(2,268)	(835)	(500)	(500)
Change in Minorities Interest	-	-	-	-	-
Dividend (incl. tax)	(99)	(258)	(688)	(723)	(723)
Other financing activities	(395)	(396)	(134)	(108)	(108)
Cash flow from fin. (c)	1,517	(388)	(1,652)	(1,331)	(1,331)
Net chg in cash (a+b+c)	(356)	1,498	(219)	(289)	244

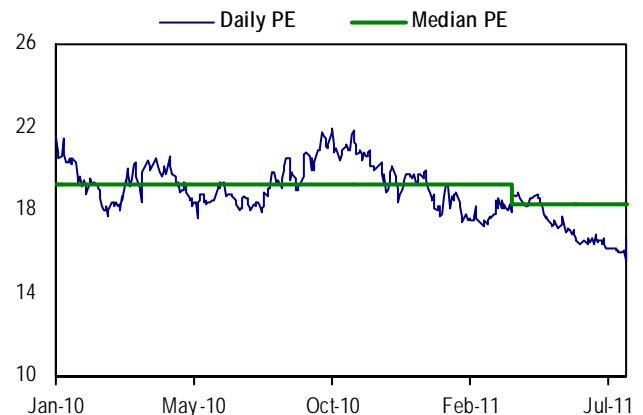
Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
Equity Share capital	1,688	1,815	1,833	1,833	1,833
Reserves & surplus	889	4,672	6,456	8,189	10,404
Shareholders' funds	2,577	6,487	8,289	10,022	12,237
Minorities interests	124	44	4	-	-
Total Debt	5,631	3,207	2,372	1,872	1,372
Capital Employed	8,332	9,739	10,665	11,894	13,609
Net fixed assets	6,471	6,475	7,358	8,289	9,197
Net Other Current Assets	1,564	1,717	2,107	2,462	3,026
Cash & Cash Eq.	452	1,950	1,731	1,442	1,686
Investments	238	205	163	150	150
Net Deferred Tax Assets	(393)	(609)	(695)	(525)	(450)
Total assets	8,332	9,739	10,665	11,894	13,609

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	14.3	32.3	31.9	28.4	29.3
Net margin (%)	5.0	17.0	20.2	16.9	17.6
Yield (%)	0.2	0.8	0.8	1.5	1.5
Net debt/Equity (x)	1.9	0.2	0.1	0.0	0.0
Net Working Capital (days)	69	122	108	99	104
Asset turnover (x)	2.0	1.5	1.5	1.5	1.5
ROCE (%)	13.6	30.6	32.9	30.4	31.8
RoE (%)	18.5	28.2	31.2	24.5	24.0
EV/Net sales (x)	4.8	4.2	3.5	3.1	2.6
EV/EBITDA (x)	33.8	13.1	11.1	10.9	9.0
PER (x)	85.1	23.8	17.0	17.9	15.0
Price/Book (x)	16	7	5	4	4

1-Year forward P/E Band



Median PE v/s Daily PE



T E A M

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