

DB Corp Limited (DBCORP)

Rs 240

WHAT'S CHANGED...

PRICE TARGET	Changed from Rs 269 to Rs 258
EPS (FY11E)	Changed from Rs 13.0 to Rs 12.0
EPS (FY12E)	Introduced at Rs 14.3
RATING.....	Unchanged

Better-than-expected numbers...

On a consolidated basis, DB Corp reported its Q4FY10 results. The results were above our expectations. The topline stood at Rs 257.2 crore (I-direct estimate of Rs 248.5 crore), growing 13.3% YoY on the back of higher ad revenues. EBITDA for the quarter grew 44.9% YoY to Rs 69.6 crore. Lower newsprint prices and cost rationalisation measures adopted by the company led to an improvement of 589 bps in the EBITDA margin, which stood at 27.0%. The company reported a PAT of Rs 36.7 crore as compared to Rs 23.5 crore in Q4FY10.

■ Highlights for the quarter

DB Corp reported YoY ad revenue growth of 10.8% at Rs 185.1 crore. The ad revenue was led primarily by higher volume growth and re-pricing of old clients. Circulation grew 4.2% YoY to Rs 52.7 crore. The EBITDA margin improved YoY on the back of lower raw material cost that was down 8.5% YoY, while QoQ it declined due to higher selling and administrative expenses.

Revenue from the radio business grew from Rs 8.0 crore to Rs 10.3 crore in Q4FY10. The radio business broke even during Q4FY10.

■ Merger of radio business

The company has demerged the radio business from its subsidiary Synergy Media Entertainment Ltd (SMEL) and merged it into the parent company.

Valuation

At the CMP of Rs 240, the stock is trading at 20.0x FY11E EPS of Rs 12 and 16.8x FY12E EPS of Rs 14.3. Given the good advertisement growth and break even in the radio business, we are confident about the company's performance. We have valued the stock at 18x FY12 EPS to arrive at a target price of Rs 258. This implies an upside of 7.4%. We are maintaining our rating on the stock as **ADD**.

Exhibit 1: Operational highlights

(Rs Crore)	Q4FY10	Q4FY10E	Q4FY09	Q3FY10	QoQ (Chg %)	YoY (Chg %)
Net Sales	257.2	248.5	226.9	279.2	-7.9	13.3
EBITDA	69.6	71.9	48.0	93.7	-25.8	44.9
EBITDA Margin (%)	27.0	28.9	21.2	33.6	-652 bps	589 bps
Depreciation	10.5	11.2	7.4	10.6	-1.5	42.2
Interest	8.7	4.4	10.8	6.7	30.0	-19.1
Reported PAT	36.7	40.3	23.5	50.6	-27.4	56.5
EPS (Rs)	2.0	2.2	1.3	2.8	-27.4	56.5

Source: Company, ICICIdirect.com Research

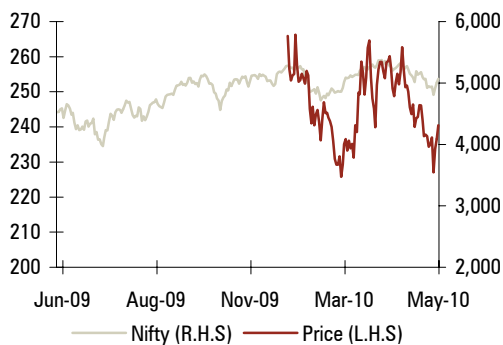
Rating matrix	
Rating	: Add
Target	: Rs 258
Target Period	: 12 months
Potential Upside	: 7%

Key financials				
(Rs Crore)	FY09	FY10E	FY11E	FY12E
Net Sales	949.0	1063.0	1199.6	1346.4
EBITDA	135.3	342.9	365.4	419.8
Net Profit	35.8	174.9	211.9	256.0
EPS (Rs)	2.6	11.5	12.0	14.3

Valuation summary				
	FY09	FY10E	FY11E	FY12E
PE (x)	91.5	20.8	20.0	16.8
EV/Sales (x)	5.1	4.1	3.5	2.9
EV/EBITDA (x)	35.8	12.8	11.6	9.4
P/BV (x)	16.9	6.2	4.8	3.8
RoNW (%)	18.5	26.2	24.1	22.5
RoCE (%)	13.0	30.0	27.1	28.4

Stock data	
Market Capitalization	Rs 4356.3 Crore
Debt-Cons. (FY09)	Rs 563.1 Crore
Cash & Invst.-Cons. (FY09)	Rs 45.2 Crore
EV	Rs 4394.1 Crore
52 week H/L	274 / 201
Equity capital	Rs 168.8 Crore
Face value	Rs 10
MF Holding (%)	5.3
FII Holding (%)	4.3

Price movement (Stock vs. Nifty)



Analyst's name

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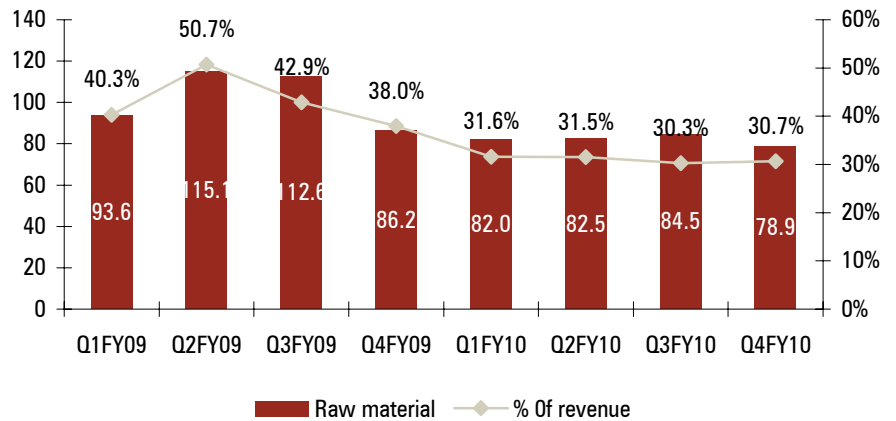
Result analysis

■ **Stable raw material prices**

Raw material prices have been stable as compared to last quarter. The raw material cost as a percentage of revenue remained at 30.7% in Q4FY10 as compared to 30.3% in Q3FY10 while it declined from 38.0% in Q4FY09. The absolute raw material cost declined to Rs 78.9 crore against Rs 86.2 crore in Q4FY09 although the overall circulation has increased.

The management has indicated the inventory of international prices for the next two quarters that would keep margins intact, going forward. We do not expect any significant rise in newsprint prices, going forward.

Exhibit 2: Raw material expense

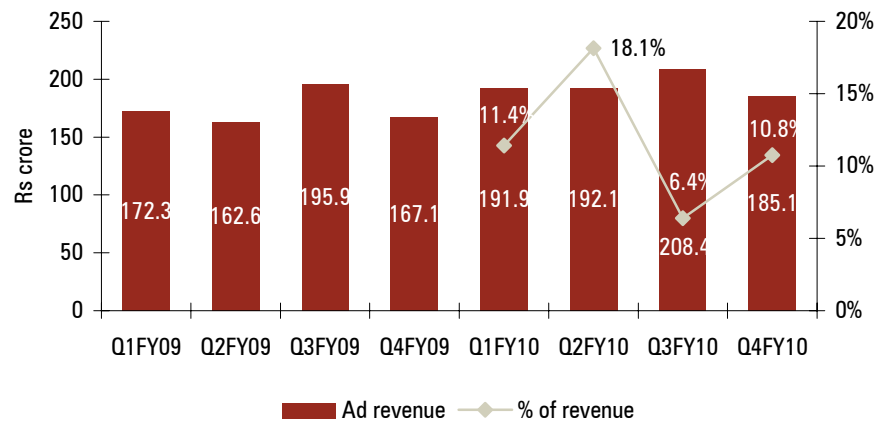


Source: Company, ICICIdirect.com Research

■ **Impressive ad revenue**

The company reported better-than-expected ad revenues for Q4FY10. Ad revenues at Rs 185.1 crore grew by 10.8% YoY. The ad revenue growth was supported by an increase in ad volumes coupled with better yield. The company took an ad rate hike wef from April 1, 2010. With rising ad volumes and the ad rate hike, we expect the company to post higher advertisement revenues, going forward.

Exhibit 3: Ad revenue and growth rate



Source: Company, ICICIdirect.com Research

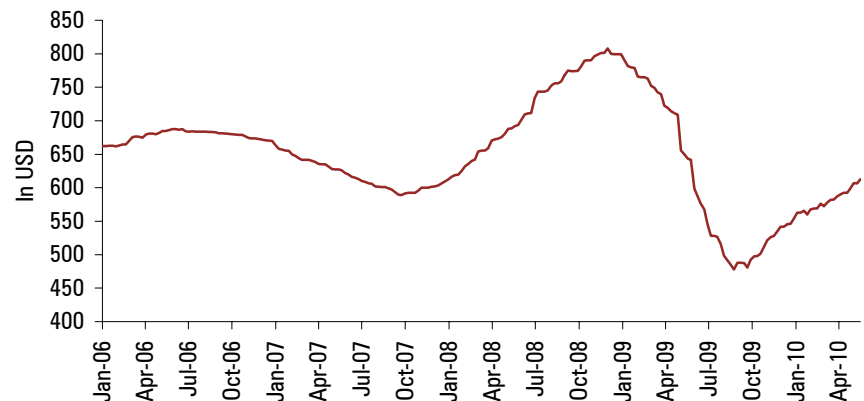
Outlook & Valuation

Outlook

The company reported a better-than-expected ad revenue growth of 10.8% in Q4FY10 and ended the last fiscal with 11.4% as compared to FY09. The increase in ad volumes and better yields are expected to support higher revenues, going forward. The company took an ad rate hike wef from April 1, 2010. An increase in the rate would also support the higher realisation.

The company also announced plans to expand its presence in Bihar, Jharkhand and Jammu. Stable newsprint prices coupled with higher revenue realisation would cushion the margins and help arrest the fall due to three new launches. We expect the company to maintain an EBITDA margin of 51.0% and 51.6% for FY11E and FY12E, respectively.

Exhibit 4: International newsprint prices



Source: Bloomberg, ICICIdirect.com Research

Valuation

At the CMP of Rs 240, the stock is trading at 20.0x FY11E EPS of Rs 12 and 16.8x FY12E EPS of Rs 14.3. Given the good advertisement growth and break even in the radio business, we are confident about the company's performance. We have valued the stock at 18x FY12 EPS to arrive at a target price of Rs 258. This implies an upside of 7.4%. We are maintaining our rating on the stock as **ADD**.

Exhibit 5: Valuation table

	Sales (Rs cr)	Growth (%)	EPS (Rs)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	949.0	11.6	2.6	-36.6	91.5	35.8	18.5	13.0
FY10E	1063.0	12.0	11.5	339.5	20.8	12.8	26.2	30.0
FY11E	1199.6	12.9	12.0	4.3	20.0	11.6	24.1	27.1
FY12E	1346.4	12.2	14.3	19.1	16.8	9.4	22.5	28.4

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Print Media companies)

Jagran Prakashan				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	JAGPRA		FY09	823.4	3.0	34.9	19.8	16.4	16.9	
		CMP	106.1	FY10E	941.9	5.8	18.2	10.3	26.4	30.5
		Target	139.4	FY11E	1069.7	6.7	15.7	8.3	25.3	31.6
MCap (Rs Cr)	3,193.9	% Upside	31.4%	FY12E	1189.3	7.7	13.7	7.0	24.1	31.1
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DB Corp				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	DBCORP		FY09	949.0	2.6	91.5	35.8	18.5	13.0	
		CMP	240.0	FY10E	1063.0	11.5	20.8	12.8	30.0	
		Target	257.7	FY11E	1199.6	12.0	20.0	11.6	27.1	
MCap (Rs Cr)	4,356.3	% Upside	7.4%	FY12E	1346.4	14.3	16.8	9.4	22.5	28.4
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Deccan Chronicle*				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	DECCHR		FY09	968.0	5.8	20.8	9.4	11.2	12.2	
		CMP	120.7	FY10E	1111.1	10.9	11.1	5.2	18.2	19.1
		Target	187.6	FY11E	1240.1	13.0	9.3	4.1	18.7	20.7
MCap (Rs Cr)	2,945.7	% Upside	55.5%	FY12E	1385.7	15.4	7.9	3.2	18.7	21.2
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HT Media				Sales (Rs Cr)	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	HTMED		FY09	1346.6	0.0	NA	41.5	0.1	1.6	
		CMP	147.1	FY10	1437.9	5.8	25.4	12.8	13.8	16.2
		Target	178.2	FY11E	1631.7	8.7	16.9	9.4	17.2	20.5
MCap (Rs Cr)	3,456.9	% Upside	21.1%	FY12E	1768.7	10.4	14.1	7.5	17.1	21.7

Source: Company, ICICIdirect.com Research

*indicates consolidated numbers

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Strong Buy: 20% or more;
 Buy: Between 10% and 20%;
 Add: Up to 10%;
 Reduce: Up to -10%
 Sell: -10% or more;

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