

Media - Print

Result Review

Rating: **HOLD**

Current Price (Rs): 237

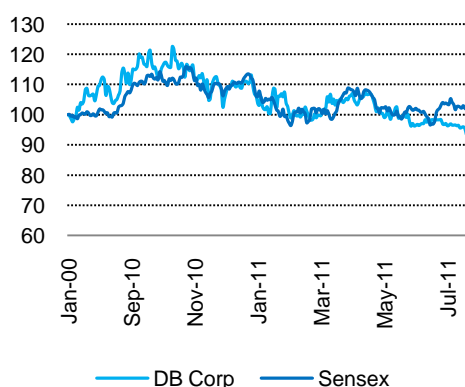
Target Price (Rs): 289

Stock Data

52-week high/low	310/222
O/S shares (m)	183
Mkt Cap Rs (bn)	44
Avg Daily Vol	57,092
Bloomberg Code	DBCL IN
Reuters Code	DBCL.BO

Shareholding (%)

	Mar-11
Promoters	86.1
FIs	5.3
DIs	3.2
Public	5.5



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1QFY12 results strong; maintain HOLD

1QFY12 revenue beats expectation: DB Corp's 1QFY12 results were above our and market expectation. Revenue increased ~18% y-o-y to Rs 3,527 mn in 1QFY12 as compared to Rs 2,987 mn in 1QFY11. This was driven mainly by higher Ad revenue which increased ~20% y-o-y to Rs 2,832 mn in 1QFY12. Revenue was 2.6% higher than our estimate of Rs 3,438 mn.

Domestic Ad environment firm; outperforms peers: While media companies reported a slump in Ad revenue, DB Corp's Ad revenue increased 20% y-o-y in 1QFY12. Stable economic environment across regions where DB Corp operates led to better growth in regional Ads (60%) over national Ads. Hence growth was largely driven by volume (~70%). Given stable consumption environment across tier-II and tier-III regions, we maintain our growth estimates for Ad revenue over the next two years.

Bihar roll-out delayed; stable margin for FY12: DB Corp postponed its roll-out plan for Bihar market due to weak Ad and newsprint price environment. Although the shift in launch may improve margin outlook for FY12, hardening of newsprint prices is likely to put pressure on profitability. Nevertheless, we believe DB Corp's strategy of postponing the Bihar foray would ensure stable profit margin during FY12. We estimate EBITDA margin at 28.7% in FY12 and 27.8% in FY13.

Valuation & Recommendation: At CMP of Rs 237, DB Corp is trading at a P/E of 17.2x FY12E and 15.2x FY13E EPS. We maintain our HOLD rating with target price of Rs 289 based on 21x FY12 EPS of Rs 13.7. Our target multiple for DB Corp is justified given earnings CAGR of ~22% over FY12-15E. Furthermore, the company has a strong track record of executing new launches, which strengthens earning visibility.

Y/E Mar (Rs. Mn)	FY10	FY11	FY12E	FY13E
Net Sales	10,630	12,652	14,802	17,299
EBITDA	3,429	4,031	4,246	4,802
Net Profit	1,828	2,591	2,519	2,864
EPS (Rs)	10.1	14.1	13.7	15.6
EPS (growth)	256.5	40.4	(2.8)	13.7
Book Value/(Rs.)	35.7	45.2	55.5	67.3
PER	23.5	16.8	17.2	15.2
P/BV	6.6	5.2	4.3	3.5
EV/EBITDA	13.0	10.9	9.9	8.3
ROE (%)	40.3	35.1	27.3	25.5
ROCE (%)	32.8	34.3	31.5	30.8

Figure 1: DB Corp 1QFY12 results snapshot

INR mn	1QFY12	4QFY11	1QFY11	YoY	QoQ	FY11	FY12
Revenues	3,527	3,174	2,987	18.1	11.1	12,652	14,802
Raw material cost	1,184	1,042	832	42.3	13.6	3,838	4,810
Employee cost	557	492	411	35.7	13.2	1,846	2,199
SG&A and Other cost	762	844	609	25.2	(9.8)	2,937	3,546
Total Expenses	2,502	2,378	1,851	35.2	5.2	8,621	10,555
EBITDA	1,024	796	1,136	(9.8)	28.7	4,031	4,246
EBITDA (%)	29	25	38	(898.6)	396.5	32	29
Depreciation	116	111	104	11.3	4.1	433	529
Other income	36	36	43	(17.0)	(0.9)	142	149
Interest	27	34	47	(42.8)	(21.3)	153	129
PBT	918	687	1,028	(10.8)	33.6	3,587	3,737
Tax	284	235	349	(18.7)	20.4	1,000	1,215
PAT	634	450	695	(8.8)	40.9	2,591	2,519
EPS	3.5	2.5	3.8	(9.7)	39.5	14.1	13.7

Source: Company IFIN Research

Segmental performance (Rs mn)	1QFY11	1QFY12	y-o-y (%)	FY10	FY11	y-o-y (%)
Revenue						
Print	2,837	3,371	18.8	10,135	12,002	18.4
Radio and Broadcasting	106	125	17.2	350	469	34.3
Event	37	36	(2.8)	148	175	18.4
Others	13	16	22.3	38	40	7.0
Total	2,993	3,547	18.5	10,670	12,687	18.9
Less: Inter segment revenues	7	10	45.9	40	34	(14.7)
Profit/ Income from operations	2,987	3,537	18.4	10,630	12,652	19.0
Profitability - PBT						
Print	1,052	915	(13.1)	3,189	3,692	15.7
Radio and Broadcasting	(16)	(10)		(119)	(22)	(81.2)
Event	6	10	49.2	23	12	(48.4)
Others	(9)	(26)		(34)	(74)	
EBIT	1,034	889	(14.1)	3,059	3,608	17.9
Less: Interest	47	27	(42.8)	357	153	(57.1)
Less: Other Un-allocable Exp.	2	2	(2.2)	8	9	12.5
Less: Un-allocable income	(43)	(37)		(112)	(142)	
PBT	1,028	896	(12.8)	2,806	3,587	27.8

Source: Company

Result Highlights

Consolidated Ad revenue growth was 20% y-o-y in 1QFY12

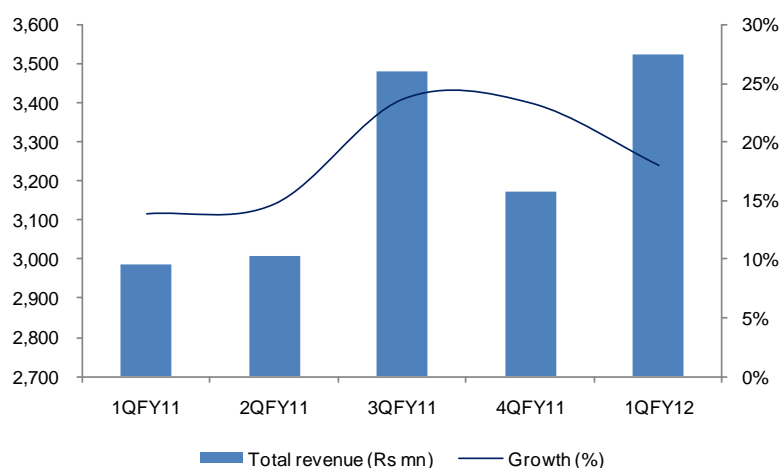
DB Corp's revenue increased 18% y-o-y to Rs 3,527 mn in 1QFY12, driven by 20% y-o-y growth in consolidated Ad revenue. In a weak national Ad environment, stable business from domestic market led to higher Ad revenue. Circulation revenue increased 6% y-o-y to Rs 568 mn. DB Corp's strategy to postpone the roll-out in Bihar markets is likely to result in stable margin during FY12.

1QFY12 revenue above expectation

Circulation revenue increased 6% y-o-y to Rs 568 mn

DB Corp Ltd. (DB Corp) reported revenue of Rs 3,527 mn in 1QFY12, representing upside of 18% y-o-y and 11% q-o-q. Reported revenue was 6% higher than our estimate of Rs 3,438 in 1QFY12. Growth was driven by 20% y-o-y growth in Ad revenue which stood at Rs 2,832 mn in 1QFY12. Circulation revenue increased ~6% y-o-y to Rs 568 mn in 1QFY12 as compared to Rs 537 mn in 1QFY11. Revenue from radio grew ~17% y-o-y to Rs 125 mn in 1QFY12.

Strong revenue growth in 1QFY12



Source: Company, IFIN Research

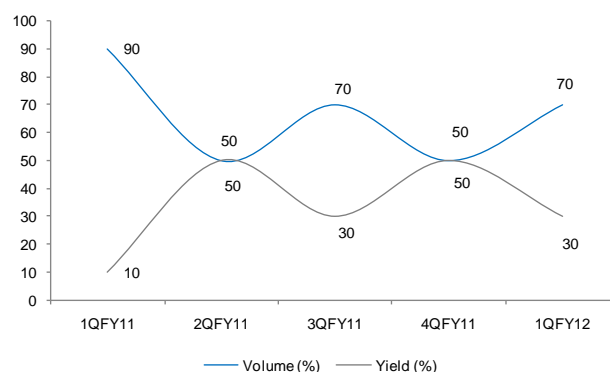
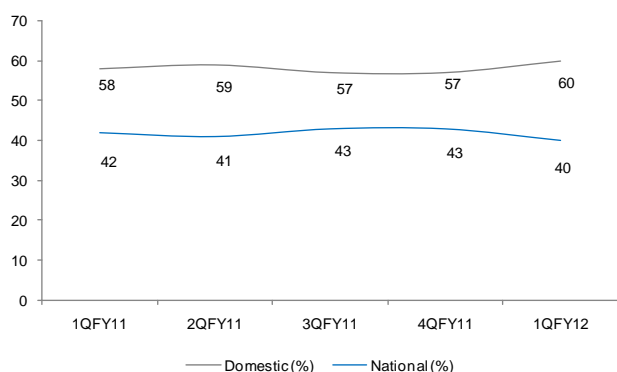
Volume led Ad revenue growth in 1QFY12

Domestic Ad environment firm; outperform peers

DB Corp reported better-than-expected Ad revenue growth in both Print and Radio segment in 1QFY12. Nearly 70% of the Ad revenue growth was led by increase in volume and the remaining due to higher yield. Skewed volume growth in 1QFY11 was mainly due to higher business from regional markets whereas the national Ad environment remained challenging. Stable economic activities across regions where DB Corp operates led to better growth in regional Ads (60%) over national Ads.

Domestic Ad contribution higher in 1QFY12

Volume higher on strong domestic contribution

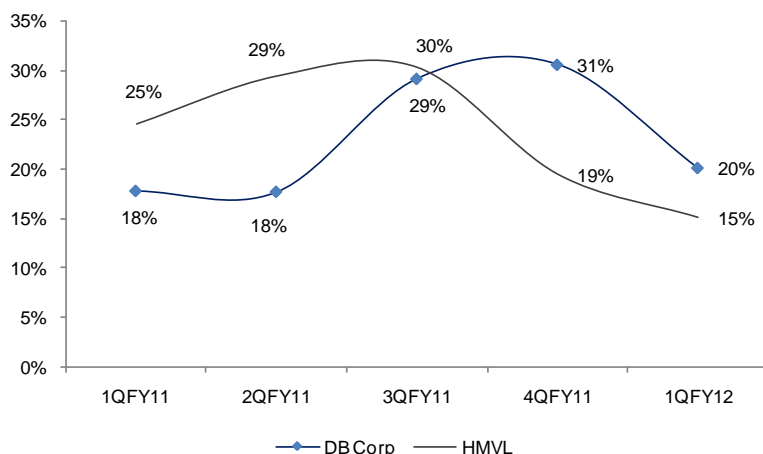


Source: Company, IFIN Research

1QFY12 Ad revenue growth was higher for DB Corp as compared to HMVL

Given stable consumption environment across tier-II and tier-III regions, we maintain our estimates for Ad revenue growth for DB Corp over next two years. Furthermore DB Corp outperformed HMVL and HT Media during 1QFY12 in Ad revenue growth.

Ad revenue outperformance – DB Corp v/s HMVL



Source: Company, IFIN Research

Newsprint prices for DB Corp increased 19% y-o-y in 1QFY12

Bihar delay assure stable margin in FY12

DB Corp postponed its plans to roll-out of Bihar market while the Ad and newsprint price environment remains negative for print media companies. Although the shift in launch may improve margin outlook for FY12, hardening of newsprint prices may put pressure on profitability. DB Corp’s newsprint costs increased ~19% y-o-y during 1QFY12. Moreover, prices are expected to harden further at 5-6% y-o-y over next three quarters. We believe DB Corp’s strategy would ensure stable profit margin during FY12.

Emerging market estimates	FY12E	FY13E
Revenues		
Jharhand	296	433
Maharashtra	207	558
Patna – Bihar	N.A	307
EBITDA		
Jharhand	(213)	(76)
Maharashtra	(296)	(368)
Patna – Bihar	N.A	(405)

Based on our estimates we expect the emerging markets to have a negative impact on profitability for FY12 and FY13 as shown in the table above. We estimate EBITDA margin at 28.7% and 27.8% in FY12 and FY13 respectively.

Radio expansion in existing markets

Radio business EBITDA was reported at Rs 17 mn in 1QFY12

Revenue from the Radio segment grew ~17% y-o-y to Rs 125 mn in 1QFY12. The segment also reported EBITDA of Rs 17 mn, representing 14% margin. With approval of phase III licensing of FM station in India, DB Corp is up for expansion into potential locations across the existing print regions. While the company is currently working on market feasibility, it will not venture into Metro markets.

Valuation & View

Long term outlook on the Ad revenue environment remains positive

Although 1QFY12 results were above our estimates, we have broadly maintained our estimates for FY12 and FY13, given the near-term weak 'national Ad' environment. We estimate revenue at Rs 14,802 mn and Rs 17,299 in FY12 and FY13 respectively. We maintain our positive outlook on Ad revenue over the long term. We expect the company to report EBITDA margin at 29% and 28% in FY12 and FY13 respectively. EPS is estimated at Rs 13.7 and Rs 15.6 for FY12 and FY13 respectively.

Change in FY12 and FY13 estimates

	Changes in estimates					
	FY12e			FY13e		
	Old	New	% Change	Old	New	% Change
Net Sales (Rs mn)	14,797	14,802	0.0	17,292	17,299	0.0
EPS (Rs)	13.6	13.7	1.0	15.6	15.6	0.2

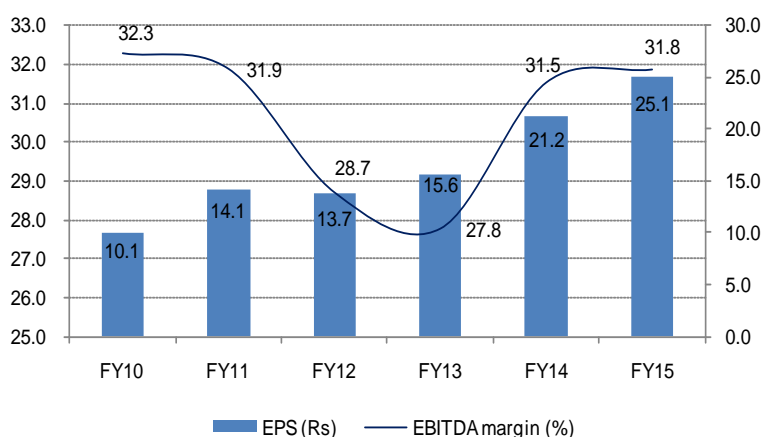
Source: IFIN Research

Valuation

We estimate an earning CAGR of ~22% over FY12-15E.

We value DB Corp on a target multiple of 21x on FY12E EPS of Rs 13.7. We have maintained our target multiple which is at a premium compared to its historical peer average of 18x. We believe the premium is justifiable given the relatively higher growth profile over the long run and good earnings visibility. We estimate earnings CAGR of ~22% over FY12-15. EBITDA margin is expected to expand to 31.8% in FY15 compared with an estimated EBITDA margin of 28% in FY13.

DB Corp – Long-term EPS and EBITDA margin trend



Source: Company, IFIN Research

PER for DB Corp has been in the range of 16.1 – 26.2x.

Furthermore, the company has a strong track record of executing new launches, which strengthens earnings visibility. Based on target multiple of 21x, we derive TP of Rs 289, representing potential upside of 22%. We maintain our HOLD rating.

DB Corp - PER Band – 1 year forward



DB Corp - EV/EBITDA Band – 1 year forward



Source: Bloomberg, IFIN Research

DB Corp			
Price/Earnings (P/E)	FY10	FY11	FY12
EPS (Rs)	10.1	14.1	13.7
Target multiple (x)			21.0x
Target price (Rs)			289
Current price (Rs)			237
Potential upside (%)			22%

Financials

Income Statement

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
Net Sales	10,630	12,652	14,802	17,299
Sales Growth (%)	12	19	17	17
Raw material cost	4,712	3,838	4,810	5,643
Employee cost	1,318	1,846	2,199	2,529
SG&A and Other cost	1,170	2,937	3,546	4,325
EBITDA	3,429	4,031	4,246	4,802
EBITDA (%)	32	32	29	28
Depreciation	378	433	529	552
Other Income	112	142	149	156
Tax	1,057	1,000	1,215	1,412
Tax Rate (%)	38	28	33	33
Adjusted PAT	1,828	2,591	2,519	2,864
Extraordinary Items	0	0	0	0
Reported PAT	1,828	2,591	2,519	2,864
PAT Growth (%)	283	42	(3)	14

Source: Company IFIN Research

Ratios

Y/E March	FY10	FY11	FY12E	FY13E
EPS (Rs)	10.1	14.1	13.7	15.6
CEPS (Rs)	12.2	16.5	16.6	18.6
BV (Rs.)	35.7	45.2	55.5	67.3
DPS	1.6	3.5	3.4	3.8
Payout %	15.7	24.5	24.6	24.6
Valuation (x)				
P/E	23.8	17.0	17.5	15.4
EV/EBITDA	13.1	11.0	10.0	8.4
EV/Sales	4.2	3.5	2.9	2.3
Price/Book Value	6.7	5.3	4.3	3.6
Dividend Yield (%)	0.7	1.4	1.4	1.6
Profitability Ratio (%)				
RoE	40.3	35.1	27.3	25.5
RoCE	32.8	34.3	31.5	30.8
Turnover Ratios				
Debtors (Days)	66.4	69.3	66.0	66.0
Fixed Asset Turnover (x)	1.6	1.8	2.0	2.4

Source: Company IFIN Research

Balance Sheet

(Rs Million)

Y/E March	FY10	FY11	FY12E	FY13E
Share Capital	1,815	1,833	1,833	1,833
Reserves	4,672	6,456	8,337	10,497
Net Worth	6,487	8,289	10,170	12,329
Debt	3,207	2,372	2,347	2,322
Total Current Liabilities	2,073	2,189	3,181	3,735
Total Equity & Liabilities	12,551	13,548	16,390	19,078
Net Block	5,861	6,744	6,809	6,657
CWP	614	614	614	614
Investments	205	163	163	163
Curr. Assets				
Debtors	1,934	2,401	2,676	3,128
Cash & Bank Balance	1,951	1,731	3,621	5,603
Loans & Advance	1,008	1,058	1,419	1,659
Other Current Assets	722	728	994	1,161
Total Assets	12,551	13,549	16,407	19,096

Source: Company IFIN Research

Cash Flow Statement

(Rs million)

Y/E March	FY10	FY11	FY12E	FY13E
Consolidated PAT	1,828	2,591	2,519	2,864
Depreciation	378	433	529	552
Deferred Tax	166	1,149	1,347	1,543
Cash Flow from Operation	2,372	4,173	4,395	4,958
Inc/(Dec) in WC	(238)	(1,281)	(1,127)	(1,716)
Operating Cash Flow	2,134	2,892	3,268	3,242
Capex	(377)	(1,115)	(800)	(400)
Free Cash Flow	1,757	1,777	2,468	2,842
Equity Raised	2,493	(148)	0	0
Debt Raised	(2,424)	(835)	(25)	(25)
Investment	33	42	0	0
Dividend Paid	(287)	(675)	(620)	(704)
Misc Expense	91	(380)	65	(130)
Net Cash Flow	1,663	(219)	1,889	1,983
Opening Cash Bal.	288	1,951	1,731	3,621
Add: Net Cash	1,663	(219)	1,889	1,983
Closing Cash Bal.	1,951	1,731	3,621	5,603

Source: Company IFIN Research

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Key ratings:

Rating	LARGE CAP	MID CAP
	Market Cap \geq Rs 100 bn	Market Cap $<$ Rs 100 bn
BUY (B)	$>$ 15%	$>$ 25%
Hold (H)	5-15%	10-25%
SELL (S)	$<$ 5%	$<$ 8%
Not Rated (NR)	Not initiated coverage on the stock	

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