

January 25, 2011

<b>Reco</b>	Previous Reco
Hold	Hold
<b>CMP</b>	Target Price
Rs260	Rs284
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Sensex	19,151
Nifty	5,743

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(9)	7	(1)
Rel. to Nifty	0	(4)	1	(13)

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Print Media
Bloomberg	DBCL@IN
Equity Capital (Rs mn)	1815
Face Value(Rs)	10
No of shares o/s (mn)	182
52 Week H/L	307/224
Market Cap (Rs bn/USD mn)	46/1,008
Daily Avg Volume (No of sh)	65252
Daily Avg Turnover (US\$mn)	0.4

### Shareholding Pattern (%)

	S'10	J'10	M'10
Promoters	86.3	86.3	86.4
FII/NRI	8.8	8.4	8.7
Institutions	3.1	2.7	2.5
Private Corp	0.6	0.7	0.6
Public	1.2	1.8	1.8

Source: Capitaline

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- **Q2FY11 PAT grew by 30.4% yoy to Rs659mn, slightly below our estimate of Rs684mn impacted by sharp rise in opex towards newsprint cost and new launches**
- **Robust advertisement revenue of Rs2.8bn grew by 29% yoy led by volume and price growth**
- **Significant yoy increase of 26% and 34% in raw material and other operating cost dents EBITDA and profitability**
- **Robust revenue ad growth to continue but margin pressure to remain in short term. Maintain HOLD rating with target price Rs284**

### Robust ad revenue growth

DB Corp reported net sales growth of 25% yoy led by strong ad revenue growth of 29.1% yoy to Rs2.8bn (Our est. of Rs 2.6bn, 21% growth yoy), driven by robust volume growth and marginal from pricing growth. Circulation revenue remained flat at Rs 540mn yoy. Radio revenue stood at Rs128mn with EBITDA margin of 25%. Con. EBIDTA grew by 22.5% yoy to Rs 1148mn while EBIDTA margins declined by 60bps yoy. Despite of strong revenue growth, margin decline was primarily due to 34% and 26% yoy rise in SG&A and raw material expenses, respectively. PAT for the quarter stood at Rs 659mn up 30.4% yoy but below our estimates of Rs684mn.

### New launches and newsprint prices put cost pressure

Post the launch of Ranchi edition in Jharkhand, Bhatinda edition in Punjab and Nagaur in Rajasthan in Q2FY11, DB Corp added Jamshedpur and Jammu edition in Q3FY11 in its bouquet. It is expected to launch Dhanbad edition in Q4FY11. Newsprint print prices have increased from \$643/MT in Q2FY11 to \$664/MT in Q3FY11; however since then it has stabilized. Average newsprint cost for DB Corp increased by ~4% from Rs26835/MT in Q2FY11 to Rs27868/MT. With high newsprint prices we expect the operating cost pressure from new launches would further increase going forward.

### Outlook

The company has reported better than expected ad revenue growth for Q3FY11. The growth has been primarily led by the volume, which signals the improvement in the macro environment. The management has also indicated, going forward the growth would come from volumes rather than increase in ad rate. Given the increase in the ad spends across the sectors and improving ad volumes, we have maintained our ad revenue growth estimate of 14.1% yoy to Rs11.2bn for FY12E.

Newsprint price from the current levels is not expected to increase significantly; however, the raw material prices for DB Corp would increase due to increase in circulation of copies. This increase would get mitigated by ad revenue in long-term.

### Rating maintained at HOLD, target price of Rs284

We maintain our rating on the stock to HOLD considering the cost pressures due to rise in newsprint prices and aggressive launch of new additions would limit upside to our target price of Rs284 on the stock. At CMP of Rs260, the stock trades at 19.6x and 17.4x our estimated EPS for FY11E and FY12E respectively.

### Financial Snapshot

Rs Mn

Y/E -	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY09	9490	1353	14.3	476	2.6	-36.6	19.5	99.1	35.6	19.0
FY10	10630	3429	32.3	1828	10.1	283.8	39.5	25.8	14.2	7.0
FY11E	12373	3824	30.9	2406	13.3	31.6	30.3	19.6	12.7	5.2
FY12E	13912	4377	31.5	2716	15.0	12.9	26.0	17.4	10.6	4.0

## Quarterly financials

	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY chg	QoQ chg	YTD '10	YTD '11	YoY chg
Sales	2,792	2,572	2,987	3,010	3,482	24.7	15.7	9,479	8,008	18.4
Expenditure	1855.0	1876.1	1850.8	2058.7	2334	25.8	13.4	6244	5324	17.3
Raw Material	844.9	788.6	831.8	901.2	1064.5	26.0	18.1	2,798	2,490	12.3
<i>as % of sales</i>	<i>30.3</i>	<i>30.7</i>	<i>27.8</i>	<i>29.9</i>	<i>30.6</i>			<i>29.5</i>	<i>31.1</i>	
Employee Cost	337.1	360.4	410.5	458.7	484.5	43.7	5.6	1,354	958	41.4
<i>as % of sales</i>	<i>12.1</i>	<i>14.0</i>	<i>13.7</i>	<i>15.2</i>	<i>13.9</i>			<i>14.3</i>	<i>12.0</i>	
SG&A expenses	297.0	364.7	285.9	336.7	399.1	34.4	18.5	1,022	821	24.4
<i>as % of sales</i>	<i>10.6</i>	<i>14.2</i>	<i>9.6</i>	<i>11.2</i>	<i>11.5</i>			<i>10.8</i>	<i>10.3</i>	
Other operating expenses	376.0	362.4	322.7	362.2	385.9	2.6	6.6	1,071	1,055	1.5
<i>as % of sales</i>	<i>13.5</i>	<i>14.1</i>	<i>10.8</i>	<i>12.0</i>	<i>11.1</i>			<i>11.3</i>	<i>13.2</i>	
<b>EBITDA</b>	<b>937.4</b>	<b>695.6</b>	<b>1135.9</b>	<b>951.3</b>	<b>1148</b>	<b>22.5</b>	<b>20.7</b>	<b>3,235</b>	<b>2,684</b>	<b>20.6</b>
Depreciation	106.2	104.6	104.2	107.0	110.2	3.8	3.0	321.3	273.8	17.4
<b>EBIT</b>	<b>831.2</b>	<b>591.0</b>	<b>1031.7</b>	<b>844.3</b>	<b>1037.8</b>	<b>24.9</b>	<b>22.9</b>	<b>2914</b>	<b>2410</b>	<b>20.9</b>
Other Income	21.6	43.6	43.4	32.0	30.0	38.8	(6.0)	105.4	50.3	109.6
Interest	67.1	87.3	47.0	37.7	34.1	(49.1)	(9.4)	118.9	201.7	(41.1)
<b>PBT</b>	<b>785.7</b>	<b>547.4</b>	<b>1028.1</b>	<b>838.6</b>	<b>1033.7</b>	<b>31.6</b>	<b>23.3</b>	<b>2900.4</b>	<b>2258.3</b>	<b>28.4</b>
Tax	296.9	197.4	348.7	307.7	381.6	28.5	24.0	1037.9	859.8	20.7
<b>PAT before MI</b>	<b>488.9</b>	<b>350.0</b>	<b>679.4</b>	<b>530.9</b>	<b>652.1</b>	<b>33.4</b>	<b>22.8</b>	<b>1862.5</b>	<b>1398.5</b>	<b>33.2</b>
Minority interest	-16.7	-17.2	-15.8	-19.8	-7.3			-42.9	-62.3	(31.1)
<b>PAT</b>	<b>505.5</b>	<b>367.2</b>	<b>695.3</b>	<b>550.7</b>	<b>659.4</b>	<b>30.4</b>	<b>19.7</b>	<b>1905.4</b>	<b>1460.8</b>	<b>30.4</b>

Margins (%)	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	bps	bps	YTD '10	YTD '11	bps
EBIDTA	33.6	27.0	38.0	31.6	33.0	(60)	136	34.1	33.5	62
EBIT	29.8	23.0	34.5	28.1	29.8	4	175	30.7	30.1	65
EBT	28.1	21.3	34.4	27.9	29.7	155	183	30.6	28.2	240
PAT	18.1	14.3	23.3	18.3	18.9	83	64	20.1	18.2	186
Effective Tax rate	37.8	36.1	33.9	36.7	36.9	(87)	22	35.8	38.1	(229)

## Financials

## Income statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>9,490</b>	<b>10,630</b>	<b>12,373</b>	<b>13,912</b>
<i>Growth (%)</i>	11.6	25.0	45.5	63.6
	4,074	3,279	3,861	4,398
<i>Employee cost</i>	1,331	1,318	1,838	1,913
SG&A expenses	1,217	1,170	1,357	1,475
Other operating expenses	1,515	1,433	1,492	1,749
<b>Total operating expenditure</b>	<b>8,137</b>	<b>7,200</b>	<b>8,549</b>	<b>9,535</b>
<b>EBITDA</b>	<b>1,353</b>	<b>3,429</b>	<b>3,824</b>	<b>4,377</b>
<i>Growth (%)</i>	-20.8	-97.0	-96.6	-96.2
Depreciation	290	378	433	469
<b>EBIT</b>	<b>1,063</b>	<b>3,051</b>	<b>3,391</b>	<b>3,908</b>
<b>EBIT margin (%)</b>	<b>11.2</b>	<b>28.7</b>	<b>27.4</b>	<b>28.1</b>
Other Income	120	112	165	195
Interest expenses	402	357	150	109
<b>PBT</b>	<b>782</b>	<b>2,806</b>	<b>3,406</b>	<b>3,995</b>
Tax	423	1,057	1,049	1,318
<i>Effective tax rate (%)</i>	54.2	37.7	30.8	33.0
<b>PAT before MI</b>	<b>358</b>	<b>1,748</b>	<b>2,357</b>	<b>2,676</b>
Minority interest	-118	-79	-48	-40
<b>Adjusted PAT after MI</b>	<b>476</b>	<b>1,828</b>	<b>2,406</b>	<b>2,716</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	1,688	1,815	1,815	1,815
Reserves & surplus	889	5,035	7,426	10,128
<b>Net worth</b>	<b>2,577</b>	<b>6,850</b>	<b>9,241</b>	<b>11,943</b>
Secured Loans	5,412	2,966	2,066	866
Unsecured Loans	219	241	241	241
<b>Loan Funds</b>	<b>5,631</b>	<b>3,207</b>	<b>2,307</b>	<b>1,107</b>
Net deferred tax liability	393	609	609	609
Minority Interest	124	44	-4	-44
<b>Total Liabilities</b>	<b>8,724</b>	<b>10,710</b>	<b>12,153</b>	<b>13,615</b>
Gross Block	4,695	7,165	7,554	7,854
Less: Depreciation	932	1,305	1,738	2,207
<b>Net block</b>	<b>3,763</b>	<b>5,861</b>	<b>5,816</b>	<b>5,647</b>
Capital work in progress	2,708	614	614	614
<b>Investment</b>	<b>238</b>	<b>205</b>	<b>705</b>	<b>1,205</b>
<b>Current Assets</b>	<b>3,988</b>	<b>5,977</b>	<b>8,561</b>	<b>8,712</b>
Inventories	711	722	927	1,042
Sundry debtors	1,774	1,934	2,201	2,449
Cash & bank balance	452	2,313	4,062	3,679
Loans & advances	1,052	1,008	1,371	1,542
<b>Current lia &amp; Prov</b>	<b>2,189</b>	<b>2,073</b>	<b>3,663</b>	<b>2,675</b>
Current liabilities	1,817	1,706	3,040	2,220
Provisions	372	367	623	455
<b>Net current assets</b>	<b>1,799</b>	<b>3,905</b>	<b>4,899</b>	<b>6,037</b>
Misc. exp & Def. Assets	217	126	119	113
<b>Total Assets</b>	<b>8,724</b>	<b>10,710</b>	<b>12,153</b>	<b>13,615</b>

## Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>PBT</b>	<b>662</b>	<b>2,694</b>	<b>3,241</b>	<b>3,800</b>
Depreciation	290	378	433	469
Interest	402	357	150	109
Other Non-Cash items	-51	2,521	-14	-14
Chg in working cap	343	-244	755	-1,521
Tax paid	-423	-1,057	-1,049	-1,318
<b>Operating Cashflow</b>	<b>1,222</b>	<b>4,649</b>	<b>3,515</b>	<b>1,524</b>
Capital expenditure	-3,138	-382	-388	-300
<b>Free Cash Flow</b>	<b>-1,915</b>	<b>4,267</b>	<b>3,127</b>	<b>1,224</b>
Other income	120	112	165	195
Investments	-170	33	-500	-500
<b>Investing Cashflow</b>	<b>-3,188</b>	<b>-238</b>	<b>-723</b>	<b>-604</b>
Equity Capital Raised	-184	231	6	6
Loans Taken / (Repaid)	2,195	-2,424	-900	-1,200
Interest Paid	-402	-357	-150	-109
Dividend paid (incl tax)	0	0	0	0
<b>Financing Cashflow</b>	<b>1,609</b>	<b>-2,549</b>	<b>-1,043</b>	<b>-1,302</b>
<b>Net chg in cash</b>	<b>-356</b>	<b>1,861</b>	<b>1,749</b>	<b>-383</b>
Opening cash position	808	452	2,313	4,062
Closing cash position	452	2,313	4,062	3,679

## Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profitability (%)</b>				
Core EBITDA Margin	14.3	32.3	30.9	31.5
Net Margin	5.1	17.9	19.0	18.8
ROCE	16.6	33.9	32.1	32.8
ROE	19.5	39.5	30.3	26.0
RoIC	21.8	50.4	49.8	55.1
<b>Per Share Data (Rs)</b>				
EPS (adjusted)	2.6	10.1	13.3	15.0
CEPS	4.2	12.2	15.6	17.6
BVPS	13.7	37.3	50.2	64.9
DPS	0.5	0.0	0.0	0.0
<b>Valuations (x)</b>				
PER	99.1	25.8	19.6	17.4
P/CEPS	61.6	21.4	16.6	14.8
P/BV	19.0	7.0	5.2	4.0
EV / Sales	5.1	4.6	3.9	3.3
EV / EBITDA	35.6	14.2	12.7	10.6
Dividend Yield (%)	0.2	0.0	0.0	0.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	2.1	0.1	-0.2	-0.2
Net Debt/EBIDTA	3.7	0.2	-0.6	-0.9

**Recommendation History: D B Corp – DBCL IN**

Date	Reports	Reco	CMP	Target
27/10/2010	<a href="#">DB Corp Q2FY11 Result Update</a>	Hold	284	284
03/08/2010	<a href="#">DBCL Q1FY11 Result Update</a>	Accumulate	248	284
31/05/2010	<a href="#">DBCL Q4FY10 Result Update</a>	Hold	240	284
05/05/2010	<a href="#">Print Media Sector Report</a>	-	-	-

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
19/01/2011	<a href="#">HT Media Q3FY11 Result Update</a>	Buy	145	175
18/01/2011	<a href="#">Tulip Telecom Event Update</a>	Buy	168	240
19/11/2010	<a href="#">Reliance Communication Q2FY11 Result Update</a>	Reduce	154	135
16/11/2010	<a href="#">Deccan Chronicle Q2FY11 Result Update</a>	Buy	129	175

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