



ENAM Securities
India Research

Rs 240

Target Price: Rs 278

Potential Upside: 16%

Sector avg. upside: 5% to 10%
(mkt cap wtd)

DB Corp

Relative to sector: **Outperformer**

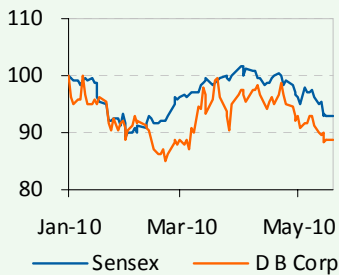
Chirag Negandhi

Executive Director – Infra, Realty & Media
Email: chirag.negandhi@enam.com
Tel: 9122 6754 7618

Sahil Desai

Asst VP – Media & Telecom
Email: sahil.desai@enam.com

Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 181.5 mn
Market cap	: Rs 43.6 bn
52 week high/low	: Rs 275/ Rs 207
Avg. daily vol. (1mth)	: 64,200 shares
Bloomberg code	: DBCL IB
Reuters code	: DBCL.BO

Shareholding (%)

	Mar-10
Promoters	: 86.4
FIs	: 5.0
MFs / UTI	: 2.5
Banks / FIs	: 0.0
Others	: 6.1

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)
2009	9,490	477	-	2.8	(37)	-	19.5	20.7	-
2010	10,505	1,827	-	10.1	256	-	38.0	35.8	-
2011E	12,111	2,114	12.8	11.6	16	20.6	25.8	31.3	11.8
2012E	13,873	2,499	15.0	13.8	18	17.4	23.8	30.3	10.4

Source: *Consensus broker estimates, Company, ENAM estimates

MARGINS SLIP ON HIGHER SG&A

DB Corp (DBCL) declared consolidated revenue of Rs 2.57 bn (up 9% YoY), EBITDA of Rs 696 mn (up 22% YoY) and adjusted PAT of Rs 367 mn (up 57% YoY) during Q4FY10. EBITDA margin improved YoY to 27% (24% in Q4FY09) owing to lower newsprint costs but slipped QoQ due to higher SG&A. **FY10 revenues:** Rs 10.5 bn; EBITDA Rs 3.3 bn; Adj PAT Rs 1.8 bn.

Key Highlights

- ❑ **Print Ad rev** grew 11% YoY to Rs 1.85 bn, driven primarily by 1) volume growth and 2) positive traction in national advertising which accounts for ~40% of ad revenues.
- ❑ **Circulation revenue** growth was muted at 2% YoY primarily due to lower volumes even as realizations improved.
- ❑ **Raw material** cost was lower at 31% of revenue (37% in Q4FY09) due to lower newsprint prices. Avg. cost of newsprint for FY10 was Rs 25.2/ kg vs. Rs 29.7/ kg in FY09.
- ❑ EBITDA margin at 27% is lower than Q3FY10 (34%) mainly due to 1) higher selling & distribution exp for promotional activities to gain market share and 2) higher personnel cost from provision of FBT and higher headcount for the expansion plans.
- ❑ Emerging editions have shown significant improvement, with EBITDA loss reduced to Rs 114 mn for FY10 (~Rs 530 mn in FY09) owing to EBITDA break-even achieved in Punjab.

Outlook and valuation

With growth in volumes having largely provided the impetus for growth so far, ad revenues will now have to be driven by yield improvements from successful implementation of the ad rate hikes announced. Also, with newsprint inventory in place for H1FY11, there may be cost pressures H2 onwards. **We revise our FY11E and FY12E EPS downwards** to Rs 11.6 (Rs 11.9) and Rs 13.8 (Rs 14.5) resp. and reduce our target price to **Rs 278** (Rs 290). **Sector Outperformer.**

Results update

(Rs mn)	Quarter ended					12 months ended		
	Mar-10	Mar-09	% Chg	Dec-09	% Chg	Mar-11E	Mar-10	% Chg
Net Sales	2,572	2,358	9.1	2,814	(8.6)	12,111	10,505	15.3
EBIDTA	696	569	22.3	959	(27.5)	3,634	3,305	10.0
Other income	44	-	-	22	101.5	331	236	40.0
PBIDT	739	569	30.0	981	(24.6)	3,965	3,541	12.0
Depreciation	105	74	42.2	106	(1.5)	402	379	6.0
Interest	87	108	(19.1)	89	(1.7)	385	357	7.8
PBT	547	387	41.3	786	(30.3)	3,178	2,805	13.3
Tax	197	180	9.9	297	(33.5)	1,080	1,057	2.2
Minority Interest	(17)	(27)	(35.6)	(17)	2.9	(16)	(80)	(79.9)
PAT	367	235	56.6	506	(27.4)	2,114	1,827	15.7
No. of shares (mn)	182	169	7.54	182	-	182	182	-
EBIDTA margin (%)	27.0	24.1	-	34.1	-	31.8	33.0	(3.8)
PBIDT margin (%)	28.7	24.1	-	34.8	-	34.7	35.4	(2.1)
EPS - annualized (Rs.)	8.1	5.6	45.6	11.1	(27.4)	11.6	10.1	15.7

Source: Company, ENAM Research

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