

DB Corp Limited (DBCORP)

₹ 260

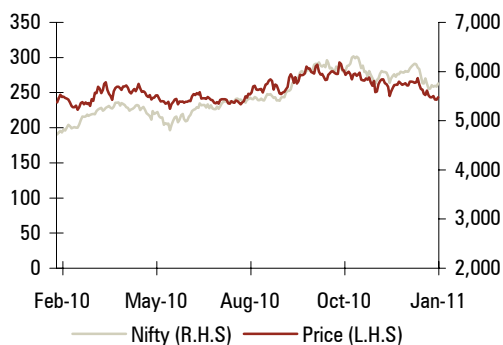
Rating matrix	
Rating	: Buy
Target	: ₹ 289
Target Period	: 12 months
Potential Upside	: 11 %

Key financials				
(₹ Crore)	FY09	FY10	FY11E	FY12E
Net Sales	949.0	1063.0	1241.9	1413.4
EBITDA	135.3	342.9	386.8	439.8
Net Profit	47.6	182.8	225.1	275.8
EPS (₹)	2.6	11.5	12.4	15.2

Valuation summary				
	FY09	FY10	FY11E	FY12E
PE (x)	99.3	22.6	21.0	17.1
EV/Sales (x)	5.5	4.5	3.7	3.1
EV/EBITDA (x)	38.6	14.1	11.7	10.0
P/BV (x)	18.3	7.3	5.5	4.2
RoNW (%)	18.5	28.2	26.1	24.4
RoCE (%)	13.0	31.5	31.1	31.5

Stock data	
Market Capitalization	₹ 4727.6 Crore
Debt-Cons. (FY10)	₹ 320.7 Crore
Cash & Invst.-Cons. (FY10)	₹ 195 Crore
EV	₹ 4542.8 Crore
52 week H/L	310 / 201
Equity capital	₹ 168.8 Crore
Face value	₹ 10
MF Holding (%)	5.3
FII Holding (%)	4.3

Price movement



Analyst's name

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WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 295 to ₹ 289
EPS (FY11E)	Changed from ₹ 12.5 to ₹ 12.4
EPS (FY12E)	Changed from ₹ 15.5 to ₹ 15.2
RATING.....	Unchanged

Impressive ad growth...

On a consolidated basis, DB Corp reported better than expected Q3FY11 results. Topline stood at ₹ 348.2 crore (I-direct estimates of ₹ 324.8 crore), growing 24.7% YoY on the back of 29.0% YoY print ad revenue growth. EBITDA for the quarter grew 22.5% YoY and 20.7% QoQ to ₹ 114.8 crore. The EBITDA margin at 33.0% declined 60 bps YoY on the back of the launch in Jharkhand. The company reported a PAT of ₹ 65.9 crore as compared to ₹ 50.6 crore in Q3FY10.

■ Highlights for quarter

The company commercially launched its Jamshedpur and Jammu edition in Q3FY11. The company also announced the launch of several new printing centres across India.

The print advertisement revenue posted a YoY growth of 29.0% to ₹ 268.8 crore, which included one-time net election billing of about ₹ 7.0 crore. The company also reported healthy circulation numbers of 43.5 lakh copies per day over 39.0 lakh copies per day in Q3FY10 on the back of launch in Jharkhand and Jammu. Circulation revenues at ₹ 54.0 crore improved from ₹ 53.7 crore in Q3FY10. Revenue from the radio business grew from ₹ 12.9 crore in Q2FY10 to ₹ 9.4 crore in Q3FY11. For FY10-11, the board of DB Corp has proposed an interim dividend of 20%.

Valuation

On the back of strong ad revenue growth, DB Corp has reported healthy revenue growth of 24.7%. However, going forward, we may see a decline in the growth rate for Q4FY11. Also, the margins could come under pressure on the back of high circulation in Jharkhand that led to increased newsprint consumption. At the CMP of ₹ 260, the stock is trading at 21.0x FY11E EPS of ₹ 12.4 and 17.1x FY12E EPS of ₹ 15.2. We value the stock at 19x FY12E EPS to arrive at a target price of ₹ 289. This implies an upside of 11%. We maintain our **BUY** rating on the stock.

Exhibit 1: Operational highlights

(₹ Crore)	Q3FY11	Q3FY11E	Q3FY10	Q2FY11	QoQ (Chg %)	YoY (Chg %)
Net Sales	348.2	324.8	279.2	301.0	15.7	24.7
EBITDA	114.8	104.0	93.7	95.1	20.7	22.5
EBITDA Margin (%)	33.0	32.0	33.6	31.6	136 bps	-60 bps
Depreciation	11.0	10.9	10.6	10.7	3.0	3.8
Interest	3.4	4.1	6.7	3.8	-9.4	-49.1
Reported PAT	65.9	64.4	50.6	55.1	19.7	30.4
EPS (₹)	3.6	3.5	2.8	3.0	19.7	30.4

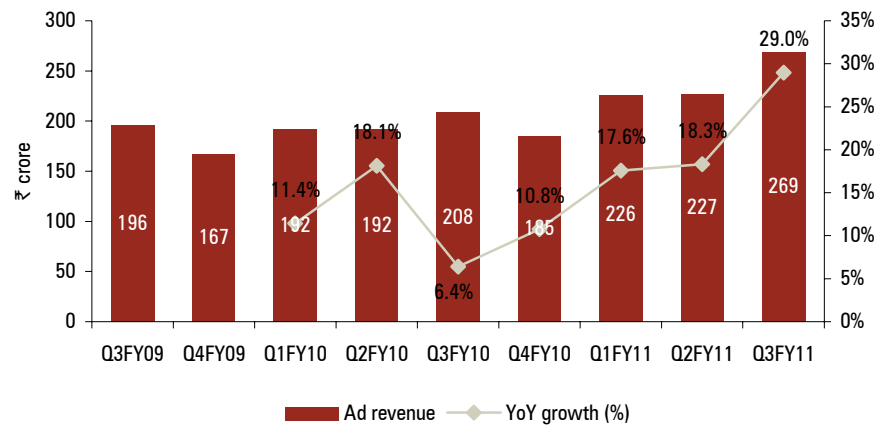
Source: Company, ICICIdirect.com Research

Result analysis

■ **Better than expected ad revenue growth**

The company reported 29.0% ad revenue growth in Q3FY11 to ₹ 268.8 crore backed by festive led strong demand in sectors like lifestyle, government, automobiles, electronics, real estate, education and BFSI. The management has indicated that about 70% of this growth is volume driven. Radio revenues grew by an impressive 37.2% YoY to ₹ 12.9 crore from ₹ 9.4 crore in Q3FY10. We expect the company to register a healthy ad revenue growth of about 20.9% for FY11E.

Exhibit 2: Print ad revenue and growth rate

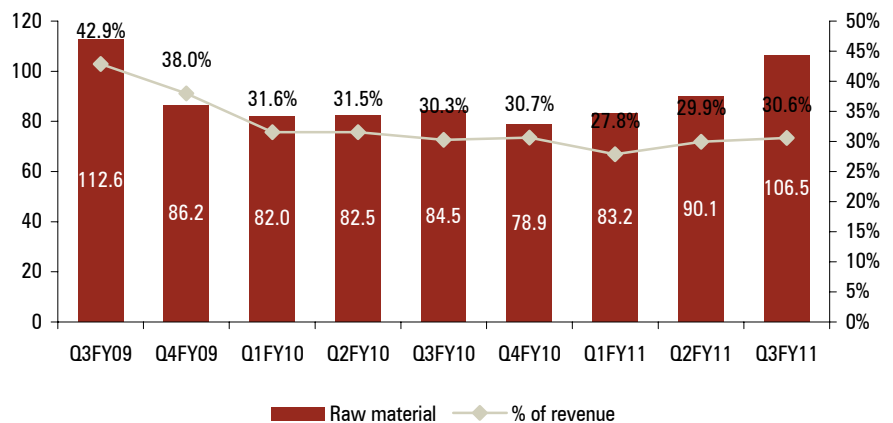


Source: Company, ICICIdirect.com Research

■ **Raw material prices trend**

The raw material price has seen an 11.1% increase YoY to ₹ 27868 per tonne from ₹ 25081 per tonne in Q3FY10. Raw material cost as a percentage of revenue has only marginally increased to 30.6% in Q3FY11 as compared to 30.3% in Q3FY10, primarily due to healthy ad revenue growth. Absolute raw material increased to ₹ 106.5 crore led by the steep increase in circulation and increase in newsprint prices.

Exhibit 3: Raw material expense



Source: Company, ICICIdirect.com Research

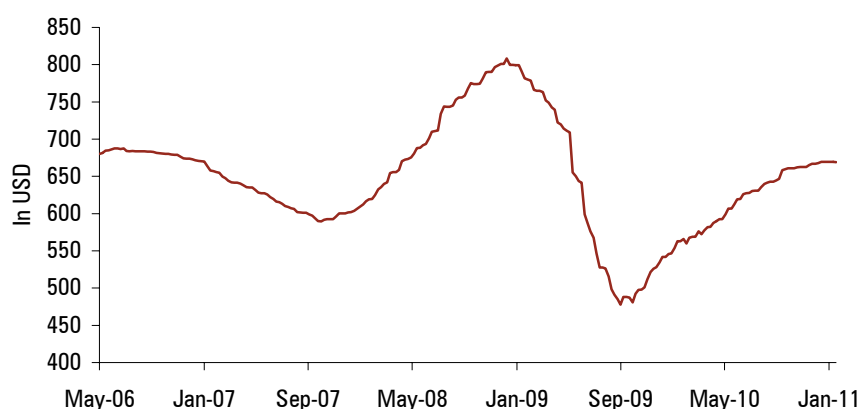
Outlook & Valuation

Outlook

The company has once again delivered better than expectations in Q3FY11. On the back of strong ad revenue growth, DB Corp has reported healthy revenue growth of 24.7%. However, going forward, we may see a decline in growth rate for Q4FY11. Also, the margins could come under pressure on the back of high circulation in Jharkhand led to increased newsprint consumption. We expect the company to end FY11E with EBITDA margins of ~31.1%.

We expect DB Corp to post revenue growth of 16.8% and 13.8% driven by robust ad revenue (print and radio) growth of 21.5% and 15.7% for FY11E and FY12E, respectively.

Exhibit 4: International newsprint prices



Source: Bloomberg, ICICIdirect.com Research

Valuation

At the CMP of ₹ 260, the stock is trading at 21.0x FY11E EPS of ₹ 12.4 and 17.1x FY12E EPS of ₹ 15.2. We have valued the stock at 19x FY12E EPS to arrive at a target price of ₹ 289. This implies an upside of 11%. We maintain our rating on the stock as **BUY**.

Exhibit 5: Valuation table

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY09	949.0	11.6	2.6	-36.6	99.3	38.6	18.5	13.0
FY10	1063.0	12.0	11.5	339.5	22.6	14.1	28.2	31.5
FY11E	1241.9	16.8	12.4	7.5	21.0	11.7	26.1	31.1
FY12E	1413.4	13.8	15.2	22.5	17.1	10.0	24.4	31.5

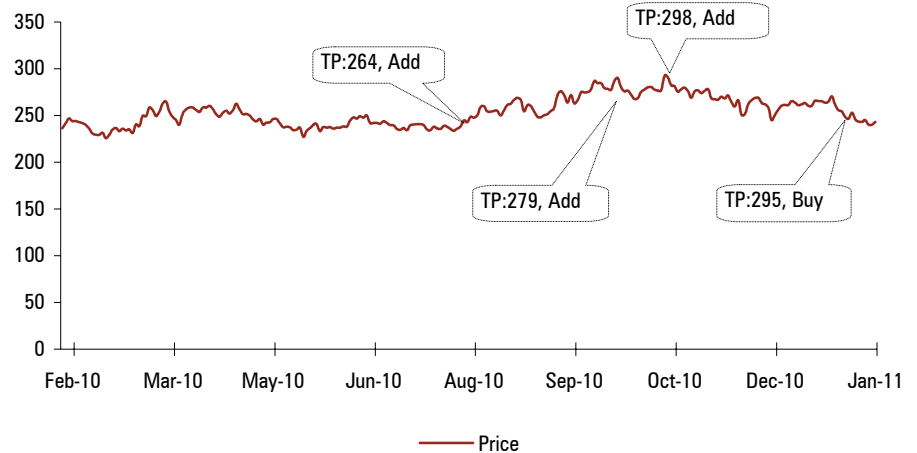
Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Print Media companies)

Jagran Prakashan				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	JAGPRA		FY09	823.4	3.0	40.5	23.1	16.4	16.9
		CMP	123.3	FY10	941.9	5.8	12.7	28.7	31.5
		Target	154.1	FY11E	1095.9	6.6	10.4	26.9	33.7
MCap (Rs Cr)	3,711.9	% Upside	25.0%	FY12E	1237.7	8.1	8.4	26.6	33.7
DB Corp				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	DBCORP		FY09	949.0	2.6	99.3	38.6	18.5	13.0
		CMP	260.5	FY10	1063.0	11.5	14.1	28.2	31.5
		Target	288.7	FY11E	1241.9	12.4	11.7	26.1	31.1
MCap (₹ Cr)	4,727.6	% Upside	10.8%	FY12E	1413.4	15.2	10.0	24.4	31.5
Deccan Chronicle				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	DECCHR		FY09	968.0	5.8	17.1	7.7	11.2	12.2
		CMP	99.2	FY10	1033.8	9.5	4.8	19.1	20.1
		Target	140.7	FY11E	1181.8	11.9	4.0	20.6	22.0
MCap (₹ Cr)	2,421.0	% Upside	41.8%	FY12E	1320.1	14.7	2.9	21.4	23.9
HT Media				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
Idirect Code	HTMED		FY09	1346.6	0.1	NA	41.9	0.1	1.6
		CMP	148.6	FY10	1412.9	5.8	14.1	14.0	14.4
		Target	169.7	FY11E	1775.3	7.1	10.0	12.0	15.0
MCap (₹ Cr)	3,490.9	% Upside	14.2%	FY12E	1959.8	9.9	7.0	12.4	15.6

Source: Company, ICICIdirect.com Research

Exhibit 6: Recommendation history



Source: Reuters, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Add, Reduce, and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

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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