

**CMP: ₹238**
**Target: ₹301**
**Rating: BUY**

July 28, 2011

Stock Info	
Face Value (₹)	10
Shares O/S (mn)	183
Market Cap (₹ bn)	44
52-Week Range(H/L)	310.2 / 222
1-Year Avg Vol (mn)	0.1
Nifty	5633.95
Bloomberg Code	DBCL IN
Year End	March

### Robust ad revenue growth; maintain BUY

DB Corp's 1QFY12 revenues grew 18% to ₹3,537mn, ahead of our expectation of ₹3,338mn led by robust ad revenue growth. We expect EPS to be ₹14.9 in FY12 and ₹16.7 in FY13, a growth of 18% CAGR from the FY10 levels. At the CMP, the stock is trading at a P/E of 17x FY12E and 15x FY13E. The stock has traded at an average forward multiple of 18x in the last year. We maintain our BUY rating and value the stock at 18x FY013E earnings with a target price of ₹301.

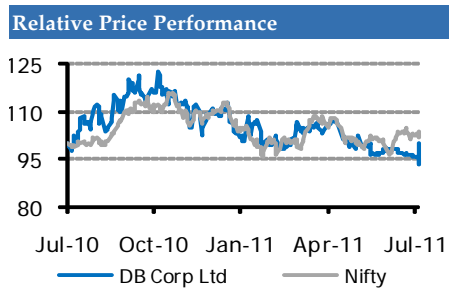
Share Holding Pattern (%)	Mar' 11
Promoters	86.1
FII	5.3
DII	3.2
Others	5.5

### Revenue growth above our expectation

DB Corp's 1QFY12 revenues grew 18% to ₹3,537mn against ₹2,987mn in 1QFY11. Advertising income grew 20%, to ₹2,832mn against ₹2,357mn in 1QFY11. Circulation revenues were ₹568mn, up 6% against ₹537mn. The radio business revenue was up by 18% to ₹125mn with EBITDA of ₹17mn and EBITDAM of 14% in 1QFY12.

### Segment-wise revenue

(₹ mn)	1QFY12	1QFY11	YoY (%)
Advertising revenue	3,537	2987	20
Circulation revenue	568	537	6
Radio business	125	106	18



Source: Bloomberg

### Operating profit margin down YoY basis at 28%

The company's operating profit margin was 28.4%, down 1,100bps YoY but up 330bps on QoQ basis. The mature edition registered an EBIDTA margin of 37.1%. Operating profit was down 12% at ₹1,003mn, raw material costs have moved up sharply by 42% at ₹1,184mn due to increase in newsprint prices and entry into new geographies. Selling and distribution expenses were at ₹174mn, up 52% YoY. Personnel cost was up 40% and total costs were ₹2,534mn, 37% increase from 1QFY11. Its tax rate was stable at 32% in 1QFY12. Adjusted PAT was ₹611mn down 12% YoY.

### Strong business dynamics

The company continues to be among the leading dailies in Madhya Pradesh, Chhattisgarh, Haryana, Chandigarh, Rajasthan (urban), Punjab (major cities) and Gujarat (circulation). In Madhya Pradesh and Chattisgarh, *Dainik Bhaskar* is in a dominating position with a market lead of 2.5 times over nearest competitor. The company launched its second Marathi edition from Nashik in July and it plans to launch in other cities of Maharashtra including Jalgaon over 2011-12. It has postponed its launch in Bihar to next fiscal. The company is looking to ramp up its digital business rapidly, which includes [dainikbhaskar.com](http://dainikbhaskar.com), [diyabhaskar.com](http://diyabhaskar.com), [divyamarathi.in](http://divyamarathi.in) and [dailbhaskar.com](http://dailbhaskar.com). Its page views have gone up from 8 million to over 100 million in the last 15 months. It has planned a capex of ₹900mn to ₹1bn for FY12E.

### Key Financials

Y/E Mar	Net Sales	Growth (%)	EBITDA	Margin (%)	PAT	Growth (%)	EPS (₹)	P/E (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY09	9,610	11.4	1,473	15.3	477	(31.7)	2.8	86.7	33.7	20.0	17.1
FY10	10,630	10.6	3,430	32.3	1,829	256.6	10.1	24.3	13.3	40.4	35.3
FY11	12,794	19.5	4,173	32.5	2,488	36.1	14.2	17.9	10.7	32.5	36.7
FY12E	14,776	16.3	4,497	30.4	2,696	8.4	14.9	16.5	9.7	29.1	36.6
FY13E	16,890	14.3	5,037	29.8	3,026	12.2	16.7	14.7	8.4	27.5	36.4

Source: SBICAP Securities Research

Analyst: Rahul Kundnani

Tel: 42273387

 E-mail: [rahul.kundnani@sbicapsec.com](mailto:rahul.kundnani@sbicapsec.com)

### Valuation

We expect EPS to be ₹14.9 in FY12E and ₹16.7 in FY13E, a growth of 18% CAGR from the FY10 levels. At the CMP, the stock is trading at a P/E of 17x FY12E and 15x FY13. The stock has traded at an average forward multiple of 18x in the last year. We maintain our **BUY** rating and value the stock at 18x FY013E earnings with a target price of ₹301.

### Quarterly Financials

Y/E March (₹ mn)	Q1FY12	Q1FY11	% change YoY	Q4FY11	% change QoQ
Net Sales	3,537	2,987	18	3,174	11
Other Income	37	36	3	36	2
Total Expenditure	2,534	1,851	37	2,377	7
OPM	28	39	(27)	25	
PBIDT	1,003	1,136	(12)	797	26
Interest	27	47	(43)	34	(21)
PBDT	976	1,132	(14)	763	28
Depreciation	117	104	12	111	5
PBT	896	1,028	(13)	688	30
Tax	284	362	(21)	236	21
TAX/PBT	32	35	(10)	34	(7)
Minority Interest After T	(1)	(16)	(96)	(1)	(31)
Net Profit after Minority	611	695	(12)	450	36
EPS	3.3	3.83	(14)	2.5	32

Source: SBICAP Securities Research