

NEUTRAL

Price	Rs143
Target Price	-
Investment Period	-

Stock Info

Sector	Media
Market Cap (Rs cr)	3552
Beta	0.9
52 Week High / Low	271/134
Avg Daily Volume	203816
Face Value (Rs)	10

BSE Sensex	15,588
Nifty	4,710

BSE Code	532608
NSE Code	DCHL
Reuters Code	DCHL.BO
Bloomberg Code	DECH IN

Shareholding Pattern (%)

Promoters	68.7
MF / Banks / Indian FIs	9.7
FII / NRIs / OCBs	19.2
Indian Public / Others	2.4

Abs.	3m	1yr	3yr
Sensex (%)	(24.5)	22.6	143.2
DCHL (%)	(41.1)	2.3	445.5

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Deccan Chronicle (DCHL), the fourth largest English Daily in India, is primarily based in Andhra Pradesh (AP) and is a dominant player in South India. It has publication in AP and in Chennai, Tamil Nadu. The company has plans to launch a new edition in Bangalore as well. We believe that Margins have peaked and going ahead are likely to decline as competition is set to intensify with the TOI set to launch its Chennai edition and the inordinate delays in the launch of DCHL's Bangalore edition. Hence, we downgrade the stock to Neutral from a Buy.

■ **New Bangalore edition dogged by inordinate delays:** DCHL had announced launch of its Bangalore edition in FY2007. But, the edition has been constantly delayed. In fact, management had stated the edition would be launched during 4QFY2008. But, the publication has still to be launched. Further, management has not even notified the further likely launch date.

■ **Readership, Circulation expected to trend downwards:** Launch of the new TOI edition in Chennai along with DCHL's new Bangalore edition getting delayed is expected to result in DCHL's circulation and readership declining, which could impact advertisement realisations and circulation revenue adversely going ahead. As a result, DCHL would register a decline in Margins and Profitability.

■ **Value unlocking of Sieger, Odyssey businesses delayed:** DCHL had announced private placement of its subsidiary, Sieger Solutions during 2QFY2008. The company had intended to dilute 24% stake at an enterprise value of Rs1,200-1,500cr. DCHL also proposed to unlock value in its subsidiary, Odyssey, by making an IPO. However, a lot of time has elapsed since the fund raising announcements were made by the company and fears are being expressed that the proposals are unlikely to fructify.

■ **No development on share buyback front:** DCHL had announced buy back of shares towards end of 2QFY2008 at a price up to Rs250/share for a maximum of 5% of its Equity. However, post that announcement there has been no development on that front.

■ **Margins, Profitability to be adversely impacted:** Newsprint prices have increased from \$600 per tonne levels and are currently ruling in the range of \$670-700 per tonne. Importantly, an increase in newsprint prices results in printing costs escalating consequently leading to a decline in Margins and Profits thereof.

Note: Detailed Company Update to follow shortly.

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