

October 27, 2010

Reco	Previous Reco
Hold	Accumulate
CMP	Target Price
Rs284	Rs284

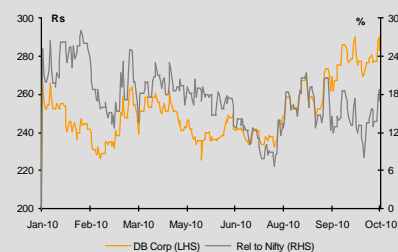
EPS change FY11E/12E (%)	-10/-2
Target Price change (%)	-
Sensex	20,005
Nifty	6,013

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	21	11	
Rel. to Nifty	(0)	10	(4)	

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	307/207
Market Cap (Rs bn/USD mn)	51/1,147
Daily Avg Volume (No of sh)	103730
Daily Avg Turnover (US\$m)	0.6

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 20.8% yoy to Rs550mn, below our estimate of Rs770mn impacted by sharp rise in opex towards new launches**
- **Advertisement revenues grew by 16% yoy to Rs3bn equally led by volume and price growth**
- **Cut EPS estimate by 10% /2% to Rs13.6 /14.6 for FY11E/12E due to higher than expected opex on new launches**
- **Downgrade rating from ACCUMULATE to HOLD with target price Rs284**

Reported 34.9% growth in PAT to Rs 695 mn - above estimates

DB Corp reported Q2FY11 PAT of Rs550mn, below our estimate of Rs770mn. Net sales grew by 16% yoy to Rs3bn led by advertisement revenue growth of 17.8% yoy. EBIDTA grew by 15.6% yoy to Rs 951mn with EBIDTA margins declining by 10bps yoy and 650bps qoq. Margin decline was primarily due to 46% yoy rise in employee expenses. PAT grew by 20.8% yoy to Rs550mn on fall in interest expenses.

New launches and newsprint prices put cost pressure

During Q2FY11, DBCL launched Ranchi edition in Jharkhand, Bhatinda edition in Punjab and Nagaur in Rajasthan. It further plans to launch Jamshedpur edition in Q3FY11 and Dhanbad edition in Q4FY11. Further, as per management, the newsprint prices have risen by ~10% from Q2FY11 average cost of Rs26.2/kg to Rs28.8 now. Considering the operating cost pressure on new launches which would further increase going forward considering new launch pipeline and rising newsprint price trend, we have cut our earnings estimate.

EPS estimates cut by 9.9%/2.2% to Rs13.6/14.6 for FY11E/12E

Considering management outlook on ad-revenue growth in the earnings call, we have increased our ad-revenue growth estimate resulting in increase in revenue estimates by 2% /4.4% for FY11E/ FY12E. However, factoring the above mentioned cost pressures; we have cut our earnings estimate by 9.9% /2.2% to Rs13.6 /14.6 for FY11E /12E. Our revised estimate, imply 40% yoy earnings growth for H2FY11, which we believe would be achievable considering strong seasonal quarter.

Rating cut to HOLD, retain target price of Rs284

Considering higher than expected cost pressures, we have cut our EPS estimates by 9.9% /2.2% for FY11E/12E. Our revised EPS estimates imply EPS CAGR of 20% over FY10-12E. We downgrade our rating on the stock to HOLD (from ACCUMULATE) considering lack of upside to our target price of Rs284 on the stock. At CMP of Rs284, the stock trades at 20.9x and 19.5x our estimated EPS for FY11E and FY12E respectively.

We however highlight that, although the expansions undertaken by the company would impact financial performance in the medium-term, the same would have significant long-term benefits which not only enhances the strength of the company but also provide growth visibility. Hence we believe that any correction in the stock should be used as an opportunity to buy.

Financial Snapshot

Rs Mn

Y/E -	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	EV/EBITDA	P/BV	P/E
Mar										
FY09	9,610	1,473	15.3	477	2.6	-37.2	21.1	38.5	21.8	108.1
FY10	10,630	3,430	32.3	1,829	10.1	283.4	41.9	15.4	8.1	28.2
FY11E	12,278	3,788	30.8	2,467	13.6	34.9	33.1	13.5	6.0	20.9
FY12E	13,918	4,389	31.5	2,642	14.6	7.1	27.3	11.1	4.7	19.5

EPS estimates cut by 9.9%/-2.2% to Rs13.6/14.6 for FY11E/12E

	FY11E			FY12E		
	Old	New	Chg %	Old	New	Chg %
Net sales	12,034	12,278	2.0	13,334	13,918	4.4
EBIDTA	4,158	3,788	(8.9)	4,480	4,389	(2.0)
EBIDTA%	34.6	30.8	(10.7)	33.6	31.5	(6.1)
PAT	2,737	2,467	(9.9)	2,702	2,642	(2.2)
EPS	15.1	13.6	(9.9)	14.9	14.6	(2.2)

Source: Emkay Research

Quarterly financials

	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	YoY chg	QoQ chg	YTD '10	YTD '11	YoY chg
Revenue	2,593	2,814	2,572	2,987	3,010	16.06	0.78	5,215	5,997	14.99
Expenditure	1,771	1,855	1,876	1,851	2,059		11.26	3,455	3,910	13.16
as% of sales	68.3	65.9	73.0	62.0	68.4			66.3	65.2	
Consumption of RM	825	845	789	832	901	9.25	8.34	1,645	1,733	5.33
as% of sales	31.8	30.0	30.7	27.8	29.9			31.5	28.9	
Employee Cost	315	495	360	411	459	45.68	11.74	621	869	40.05
as% of sales	12.1	17.6	14.0	13.7	15.2			11.9	14.5	
Other expenditure	631	515	727	609	699	10.78	14.93	1,189	1,308	9.95
as% of sales	24.3	18.3	28.3	20.4	23.2			22.8	21.8	
EBIDTA	822	959	695	1,136	951	15.62	(16.30)	1,760	2,087	18.59
Depreciation	91	106	105	104	107	17.58	2.66	168	211	25.95
EBIT	731	853	591	1,032	844	15.37	(18.21)	1,592	1,876	17.82
Other Income	31	22	44	43	32	4.10	(26.38)	54	75	38.73
Interest	80	89	87	47	38	(52.86)	(19.84)	158	85	(46.47)
PBT	682	786	547	1,028	838	22.86	(18.48)	1,488	1,866	25.42
Tax	251	297	197	349	308	22.82	(11.75)	563	656	16.61
PAT	432	489	350	679	530	22.89	(21.94)	925	1,210	30.78
Minority interest	24	17	17	16	20	(17.42)	25.13	46	36	(22.48)
Reported PAT	456	506	367	695	550	20.76	(20.87)	971	1,245	28.26
Reported EPS	2.5	2.8	2.0	3.8	3.0	20.88	(20.79)	5.3	6.9	28.31

Margins (%)						bps	bps			bps
EBIDTA	31.7	34.1	27.0	38.0	31.6	-12	-645	33.7	34.8	106
EBIT	28.2	30.3	23.0	34.5	28.0	-17	-651	30.5	31.3	75
EBT	26.3	27.9	21.3	34.4	27.8	154	-658	28.5	31.1	259
PAT	16.6	17.4	13.6	22.7	17.6	98	-513	17.7	20.2	244
Effective Tax rate	36.7	37.8	36.1	33.9	36.7	-1	280	37.8	35.2	-266

Financials

Income statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	9,610	10,630	12,278	13,918
Growth (%)	13.0	10.6	15.5	13.4
Expenditure	8,137	7,200	8,491	9,529
Materials Consumed	4,075	3,279	3,886	4,532
Employee Cost	1,331	1,318	1,780	2,004
Other Exp	2,731	2,603	2,824	2,992
EBITDA	1,473	3,430	3,788	4,389
Growth (%)	-13.8	132.8	10.4	15.9
EBITDA margin (%)	15.3	32.3	30.8	31.5
Depreciation	290	378	464	498
EBIT	1,183	3,051	3,324	3,892
EBIT margin (%)	12.3	28.7	27.1	28.0
Other Income	109	112	175	200
Interest expenses	510	357	142	89
PBT	782	2,806	3,357	4,003
Tax	423	1,057	906	1,361
Effective tax rate (%)	0.5	0.38	0.3	0.3
Adjusted PAT	359	1,749	2,450	2,642
Growth (%)	(48.6)	387.2	40.1	7.8
Net Margin (%)	3.7	16.5	20.0	19.0
(Profit)/loss from JVs/Ass/MI	118	80	16	0
APAT After JVs/Ass/MI	477	1,829	2,467	2,642
E/o item	0	0	0	0
Reported PAT	477	1829	2467	2642
Growth %	-37.2	283.4	34.9	7.1

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	782	2,806	3,357	4,003
Depreciation	290	378	464	498
Interest Expenses	296	245	142	89
Chg in working cap	122	(174)	(259)	(247)
Tax paid	(357)	(1,013)	(906)	(1,361)
Others	16	142	(175)	(200)
Operating Cashflow	1,149	2,384	2,622	2,781
(inc)/dec in fixed assets	(2,954)	(596)	(610)	(360)
Free cash flow	(1,805)	1,787	2,012	2,421
(inc)/dec in investments	(178)	(13)	-	-
Others	455	(1,286)	-	-
Investing Cashflow	277	(1,298)	-	-
Equity Capital Raised	-	2,690	(13)	-
Loans Taken / (Repaid)	2,195	(2,268)	(1,100)	(1,000)
Interest Paid	(395)	(396)	(142)	(89)
Dividend paid (incl tax)	(99)	(258)	(289)	(309)
others	(184)	(155)	175	200
Financing Cashflow	1,517	(388)	(1,369)	(1,198)
Net Inc/(Dec) in Cash	(11)	101	644	1,223
Opening Balance	374	452	1,951	2,594
Others	89	1397	0	0
Closing Balance	452	1,951	2,594	3,818

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity Capital	1,688	1,815	1,815	1,815
Reserves	889	4,672	6,837	9,170
Miscellaneous exp	-217	-126	-126	-126
Net worth	2,360	6,361	8,526	10,859
Minority Interest	124	44	28	28
Loan Funds	5,631	3,207	2,107	1,107
Deferred Tax Liabilities	393	609	609	609
Total Liabilities	8,508	10,222	11,271	12,604
Gross Block	4,695	7,165	7,319	7,587
Less Depreciation	932	1,305	1,769	2,266
Net block	3,763	5,861	5,551	5,321
CWIP	2,708	614	1,071	1,163
Investments	238	205	205	205
Inventory	711	722	1,009	1,144
Debtors	1,774	1,934	2,187	2,479
Cash and Bank	452	1,951	2,594	3,818
Loans & Advances	1,052	1,008	1,346	1,525
Current liabilities	1817	1706	2187	2479
Provisions	372	367	505	572
Cur Liab & Prov.	2,189	2,073	2,691	3,051
Net Current Assets	1,799	3,542	4,444	5,915
Total Assets	8,508	10,222	11,271	12,604

Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	15.3	32.3	30.8	31.5
Net Margin	3.7	16.5	20.0	19.0
ROCE	16.1	32.6	30.9	32.6
ROE	21.1	41.9	33.1	27.3
ROIC	19.7	41.5	43.6	49.3
Per Share Data (Rs)				
EPS	2.6	10.1	13.6	14.6
CEPS	5	12	16	17
BVPS	13.0	35.0	47.0	59.8
DPS	0.5	2.0	1.4	1.5
Valuations (x)				
PER	108.1	28.2	20.9	19.5
P/CEPS	62.5	23.4	17.6	16.4
P/BV	21.8	8.1	6.0	4.7
EV / Sales	5.9	5.0	4.2	3.5
EV / EBITDA	38.5	15.4	13.5	11.1
Dividend Yield (%)	0.2	0.7	0.5	0.5
Gearing Ratio (x)				
Net Debt/ Equity	2.1	0.2	(0.1)	(0.3)
Net Debt/EBITDA	3.4	0.3	(0.2)	(0.7)
Working Cap Cycle (days)	25	33	30	30

Recommendation History: D B Corp – DBCL IN

Date	Reports	Reco	CMP	Target
03/08/2010	DBCL Q1FY11 Result Update	Accumulate	248	284
31/05/2010	DBCL Q4FY10 Result Update	Hold	240	284
05/05/2010	Print Media Sector Report	-	-	-

Recent Research Reports

Date	Reports	Reco	CMP	Target
10/26/2010	Idea Cellular Q2FY11 Result Update	Sell	72	60
10/26/2010	LMW Q2FY11 Result Update	Hold	2,766	2,660
21/10/2010	Sterlite Tech Q2FY11 Result Update	Hold	92	100
27/08/2010	Bharti Airtel Company Update	Hold	316	345

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