

DB Corp.

Performance Highlights

(₹ cr)	1QFY12	1QFY11	% yoy	4QFY11	%qoq
Revenue	353.7	298.7	18.4	317.4	11.5
EBITDA	100.3	113.6	(11.7)	79.6	26.1
OPM (%)	28.4	38.0	(966bp)	25.1	329bp
PAT	61.1	71.7	(14.8)	45.0	35.8

Source: Company, Angel Research

DB Corp. (DBCL) reported a mixed performance on the revenue and earnings front. The company's top-line growth was driven by impressive ad and circulation revenue. Earnings for the quarter declined due to losses because of the new launches. **We maintain our Buy recommendation on the stock.**

Top-line growth steady led by ad revenue growth and impressive circulation revenue growth: DBCL reported steady top-line growth of 18.4% yoy, driven by 20% yoy growth in print ad revenue and 18% yoy growth in radio ad revenue. Circulation revenue was higher by 5.8% yoy and 6.4% qoq on account of new launches in Jharkhand with Dhanbad edition and the company's foray into Maharashtra with the launch of Aurangabad and Nasik editions.

Earnings down by 14.7% yoy because of losses due to aggressive expansion: In terms of earnings, DBCL posted a decline of 14.8% yoy on a recurring basis and 14.8% yoy growth on a reported basis, primarily due to losses in new edition launches. Gross margin contracted by 561bp yoy due to heavy consumption of newsprint towards the launch of the new editions. On a sequential basis, earnings grew strongly by 35.8% with a mere 64bp qoq gross margin contraction.

Outlook and valuation: We maintain our earnings estimate and have factored in the increase in newsprint price and higher number of loss-making editions. At the CMP of ₹224, DBCL is trading at 13.4x FY2013E consolidated EPS of ₹16.8. **We maintain our Buy view on the stock with a target price of ₹302**, based on 18x FY2013E earnings, which is in-line with its historical trading average since the company's listing. Downside risks to our estimates include – 1) any further rise in newsprint prices, 2) competition becoming fierce and 3) higher-than-expected losses/increase in the breakeven period of its new launches.

Key financials (Consolidated)

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
Net sales	1,051	1,251	1,413	1,586
% chg	10.7	19.1	13.0	12.2
Net profit (Adj.)	183	258	259	308
% chg	283.9	41.4	0.2	18.8
EBITDA margin (%)	31.5	31.1	29.5	30.8
EPS (₹)	10.0	14.1	14.1	16.8
P/E (x)	22.5	15.9	15.9	13.4
P/BV (x)	6.3	5.0	4.3	3.5
RoE (%)	40.3	35.0	29.0	28.7
RoCE (%)	30.7	31.8	31.3	32.8
EV/Sales (x)	4.0	3.3	2.9	2.5
EV/EBITDA (x)	12.8	10.8	9.7	8.0

Source: Company, Angel Research

BUY

CMP	₹224
Target Price	₹302

Investment Period	12 Months
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Stock Info	
Sector	MEDIA
Market Cap (₹cr)	4,116
Beta	0.4
52 Week High / Low	307/222
Avg. Daily Volume	17,929
Face Value (₹)	10
BSE Sensex	18,436
Nifty	5,542
Reuters Code	DBCL.BO
Bloomberg Code	DBCL@IN

Shareholding Pattern (%)	
Promoters	86.1
MF / Banks / Indian Fls	4.1
FII / NRIs / OCBs	8.9
Indian Public / Others	0.9

Abs. (%)	3m	1yr	3yr
Sensex	(6.0)	(2.6)	33.1
DBCORP*	(11.7)	(4.6)	-

* DBCL listed on Jan 6 2010

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Exhibit 1: Quarterly performance (Consolidated)

Y/E March (₹ cr)	1QFY12	1QFY11	% yoy	4QFY11	% qoq	FY2011	FY2010	% chg
Net Sales	353.7	298.7	18.4	317.4	11.5	1,265.2	1,063.0	19.0
Consumption of RM	118.4	83.2	42.3	104.2	13.6	383.8	327.9	17.1
(% of Sales)	33.5	27.8		32.8		30.3	30.8	
Staff Costs	39.1	32.3	21.1	40.8	(4.1)	148.0	143.4	3.2
(% of Sales)	11.1	10.8		12.9		11.7	13.5	
Advertising	57.5	41.1	40.1	49.2	16.9	184.6	131.8	40.0
(% of Sales)	16.3	13.7		15.5		14.6	12.4	
Other Expenses	38.4	28.5	34.6	43.6	(11.9)	145.7	116.9	24.6
(% of Sales)	10.9	9.5		13.7		11.5	11.0	
Total Expenditure	253.4	185.1	36.9	237.8	6.6	862.1	720.0	19.7
Operating Profit	100.3	113.6	(11.7)	79.6	26.1	403.1	342.9	17.5
OPM (%)	28.4	38.0		25.1		31.9	32.3	
Interest	2.7	4.7	(42.8)	3.4	(21.3)	15.3	35.7	(57.1)
Depreciation	11.7	10.4	12.5	11.1	5.2	43.3	37.8	14.4
Other Income	3.7	4.3	(15.7)	3.6	0.7	14.2	11.2	27.1
PBT (excl. Ext Items)	89.6	102.8	(12.8)	68.7	30.5	358.7	280.6	27.9
Ext Income/(Expense)	-	-		-		-	-	
PBT (incl. Ext Items)	89.6	102.8		68.7	30.5	358.7	280.6	
(% of Sales)	25.3	34.4		21.6		28.4	26.4	
Provision for Taxation	28.4	31.1	(8.5)	23.5	20.8	100.0	105.7	(5.4)
(% of PBT)	31.7	30.2		34.3		27.9	37.7	
Recurring PAT	61.2	71.7	(14.7)	45.1	35.5	258.7	174.9	48.0
PATM	17.3	24.0		14.2		20.4	16.4	
Minority Interest	(0.1)	(0.0)	86.5	(0.1)	(48.9)	(0.3)	7.9	(103.3)
Reported PAT	61.1	71.7	(14.8)	45.0	35.8	258.5	182.8	41.4
Equity shares (cr)	18.3	18.2		18.3		18.3	18.2	
EPS (₹)	3.3	3.9	(14.8)	2.5	35.8	14.1	10.0	41.4

Source: Company, Angel Research

Exhibit 2: Revenue highlights (Consolidated)

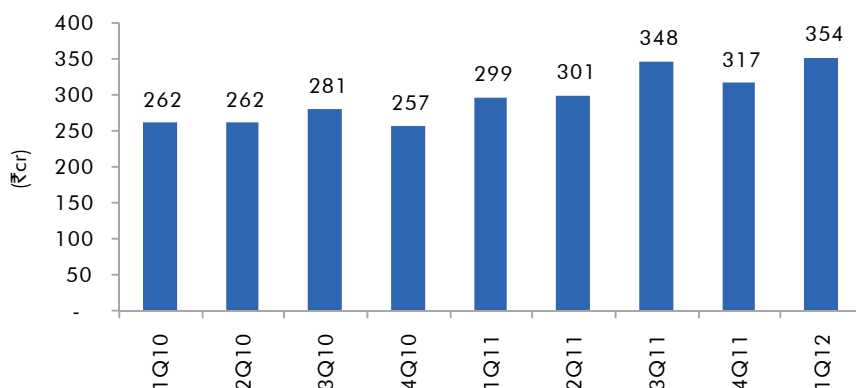
(₹ cr)	1QFY12	1QFY11	% yoy	4QFY11	% qoq
Circulation sales	56.8	53.7	5.8	53.4	6.4
Advertising income	283.2	235.7	20.2	249.0	13.8
Print advertising income	270.7	225.1	20.3	235.7	14.9
Radio advertising income	12.5	10.6	17.6	13.3	(6.1)
Core revenue	340.1	289.4	17.5	302.4	12.5
Event management/others	8.9	7.5	17.7	9.5	(6.5)
Other operating income	4.8	1.7	180.3	5.5	(12.0)
Total revenue	353.7	298.7	18.4	317.4	11.5

Steady top-line growth at 18.4% yoy and 11.5% qoq

DBCL reported steady top-line growth of 18.4% yoy and 11.5% qoq to ₹353.7cr (₹298.7cr/₹317.4cr), driven by 20.3% yoy growth in print ad revenue; on a sequential basis, ad revenue grew by 14.9%. Circulation revenue grew by 5.8% yoy and 6.4% qoq, primarily aided by increased circulation due to new launches – Dhanbad edition in Jharkhand and Aurangabad and Nasik editions in Maharashtra.

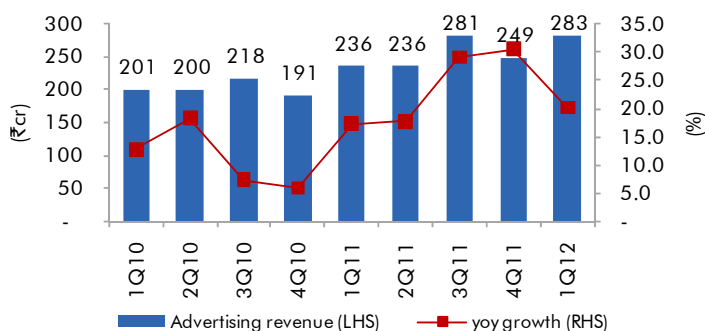
During the quarter, DBCL maintained its strong foothold in Madhya Pradesh, Chandigarh, Punjab, Rajasthan, Punjab and Chhattisgarh. Amongst other segments, the company's radio business reported modest growth of 17.6% yoy in ad revenue to ₹12.5cr, though it declined sequentially by 6.1%.

Exhibit 3: Top-line growth (Consolidated)



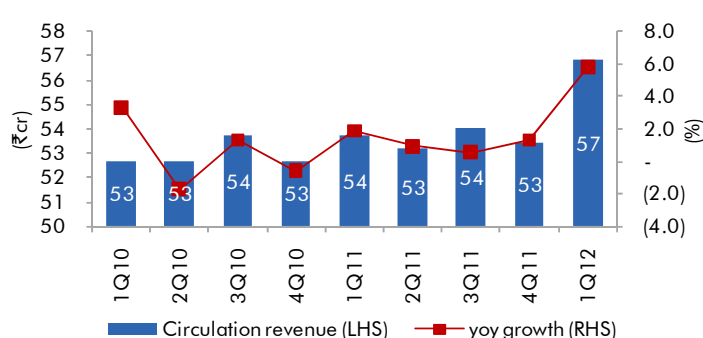
Source: Company, Angel Research

Exhibit 4: English/Hindi ad rev. up yoy and qoq...



Source: Company, Angel Research

Exhibit 5: Circulation revenue also grew by yoy/qoq

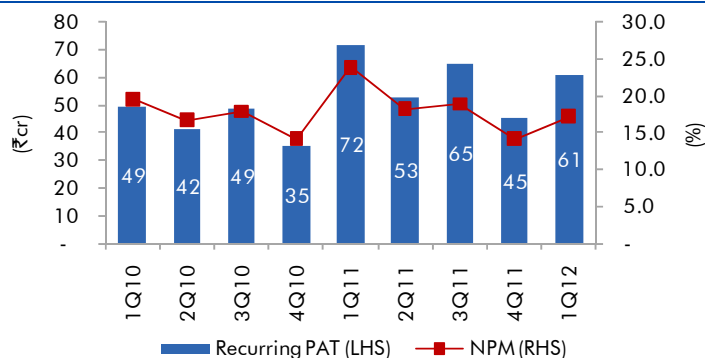


Source: Company, Angel Research

Recurring earnings decline on account of aggressive launches...

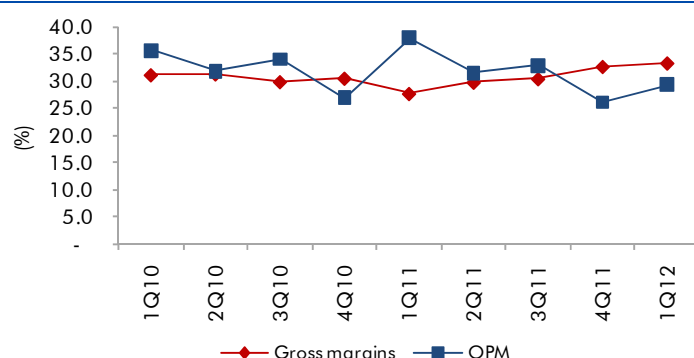
In terms of earnings, DBCL posted a decline of 14.7% yoy on a recurring basis and 14.8% yoy growth on a reported basis, primarily due to losses because of new edition launches. The company reported strong earnings growth of 35.5% on a recurring basis sequentially. For 1QFY2012, recurring earnings stood at ₹61.2cr.

Exhibit 6: Recurring PAT reports strong growth...



Source: Company, Angel Research

Exhibit 7: ...despite under-pressure OPM and GM



Source: Company, Angel Research

OPM declines yoy due to new edition launches...

At the operating level, DBCL faced margin pressure (margin contracted by 966bp yoy) on account of increased circulation volumes due to new edition launches resulting in gross margin contraction of 561bp yoy/64bp qoq, increase in staff cost by 251bpyoy/75bp qoq due to annual increment and increase in number of employees due to new editions, higher SG&A expense by 130bp yoy (though down 288bp qoq). On a sequential basis, the company reported a healthy margin expansion of 329bp and the operating profit came in at ₹100.3cr. Radio business reported an EBITDA profit of ₹1.7cr for the quarter. During the quarter, mature editions reported healthy 37.1% growth. Newsprint cost for the company stood at ₹30,516/MT. the company.

Investment rationale

- **Well planned aggression in business edges DBCL over peers:** DBCL, though a dominant No. 2 player in the overall regional print space (trailing behind Jagran Prakashan), enjoys a premium valuation to its peers Jagran Prakashan (flagship daily *Dainik Jagran*) and Hindustan Media Ventures (flagship daily *Hindustan*). We attribute the reason for this trend to DBCL's business model (which is primarily driven by ad revenue) and well thought-out launches in new markets. We believe the company's continuous endeavour to diversify its print business coupled with aggressive expansion into new markets (urban towns beyond metros) backed by exhaustive market research and focus on achieving leadership is the key differentiating factor compared to its peers. The company plans to further extend its footprint in the state of Maharashtra with Jalgaon launch. It has postponed the launch in Bihar to 2012 or 2013.
- **Peg a 15% CAGR in ad revenue, new launches to contribute 2–3%:** We expect ~15% yoy growth in ad revenue over FY2012E/FY2013E for DBCL (lower than the FY2011 ad revenue growth to factor in a slump in the macroeconomic environment and high base of FY2011).

Outlook and valuation

We maintain our earnings estimate and have factored in the increase in newsprint price and higher number of loss-making editions. **At the CMP of ₹224, DBCL is trading at 13.4x FY2013E consolidated EPS of ₹16.8. We maintain our Buy recommendation on the stock with a target price of ₹302, based on 18x FY2013E earnings, which is in-line with its historical trading average since its listing.** We believe that the aggressive expansion plans would restrict the company's earnings growth. Downside risks to our estimates include – 1) any further rise in newsprint prices, 2) competition becoming fierce and 3) higher-than-expected losses/increase in the breakeven period of its new launches.

Exhibit 8: Peer valuation

Company	Reco	Mcap (₹ cr)	CMP (₹)	TP (₹)	Upside (%)	P/E (x)		EV/Sales (x)		RoE (%)		CAGR #	
						FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	Sales	PAT
HT Media	Accumulate	3,824	163	177	8.8	19.0	17.0	2.0	1.8	14.7	14.4	12.9	13.0
Jagran	Buy	3,488	110	161	46.0	15.2	13.7	2.7	2.5	33.2	34.4	9.1	10.1
DB Corp.	Buy	4,116	225	302	34.5	15.9	13.4	2.9	2.5	29.0	28.7	12.6	8.7

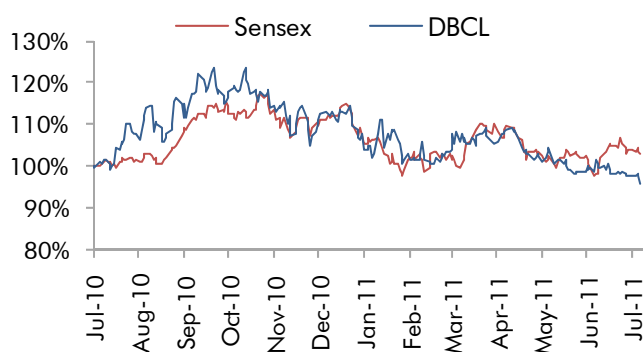
Source: Company, Angel Research

Exhibit 9: Angel vs. Consensus estimates

Top line (₹ cr)	FY2012E	FY2013E	EPS (₹)	FY2012E	FY2013E
Angel estimates	1,413	1,586	Angel estimates	14.1	16.8
Consensus	1,458	1,684	Consensus	14.5	16.7
Diff (%)	(3.08)	(5.82)	Diff (%)	(2.50)	0.54

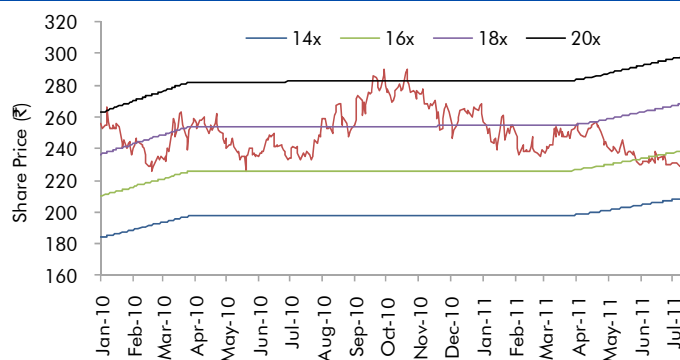
Source: Company, Angel Research

Exhibit 10: Return of DBCL vs. Sensex



Source: Company, Angel Research

Exhibit 11: One-year forward P/E band



Source: Company, Angel Research

Profit & Loss Statement (Consolidated)

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
Gross sales	851	949	1,051	1,251	1,413	1,586
Less: Excise duty	-	-	-	-	-	-
Net Sales	851	949	1,051	1,251	1,413	1,586
Total operating income	851	949	1,051	1,251	1,413	1,586
% chg	27.9	11.6	10.7	19.1	13.0	12.2
Total Expenditure	680	814	720	862	996	1,098
Cost of Materials	336	407	328	378	422	458
SG&A	245	266	249	284	349	374
Personnel	94	133	132	185	212	254
Others	4	7	12	16	12	11
EBITDA	171	135	331	389	418	489
% chg	102.3	(20.8)	144.2	17.6	7.5	17.0
(% of Net Sales)	20.1	14.3	31.5	31.1	29.5	30.8
Depreciation & Amortisation	22	29	38	43	50	59
EBIT	149	106	293	345	368	430
% chg	105.2	(28.5)	175.2	18.0	6.5	16.8
(% of Net Sales)	17.5	11.2	27.9	27.6	26.0	27.1
Interest & other Charges	28	40	25	1	(2)	(11)
Other Income	12	12	12	14	17	19
(% of PBT)	9.1	15.3	4.4	4.0	4.4	4.1
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	133	78	281	359	387	459
% chg	117.5	(41.1)	258.9	27.8	7.8	18.8
Extraordinary Expense/(Inc.)	-	0	0	2	-	-
PBT (reported)	133	78	280	357	387	459
Tax	63	42	106	98	128	152
(% of PBT)	47.5	54.1	37.6	27.4	33.0	33.0
PAT (reported)	70	36	175	259	259	308
Add: Share of associates	-	-	-	-	-	-
Less: Minority interest (MI)	(6)	(12)	(8)	0.3	-	-
PAT after MI (reported)	76	48	183	258	259	308
ADJ. PAT	76	48	183	260	259	308
% chg	58.1	(37.1)	283.5	42.2	(0.4)	18.8
(% of Net Sales)	8.9	5.0	17.4	20.8	18.3	19.4
Basic EPS (₹)	4.5	2.8	10.1	14.1	14.1	16.8
Fully Diluted EPS (₹)	4.1	2.6	10.0	14.1	14.1	16.8
% chg	58.1	(37.3)	283.9	41.4	0.2	18.8

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY2008	FY2009	FY2010E	FY2011	FY2012E	FY2013E
SOURCES OF FUNDS						
Equity Share Capital	169	169	182	183	183	183
Preference Capital	0	-	1	3	-	-
Reserves & Surplus	51	89	466	643	774	1,000
Shareholders' Funds	220	258	649	829	958	1,184
Minority Interest	24	12	4	0	0	0
Total Loans	344	563	321	237	187	149
Deferred Tax Liability	35	39	61	69	69	69
Total Liabilities	622	872	1,035	1,136	1,215	1,403
APPLICATION OF FUNDS						
Gross Block	347	413	660	807	831	906
Less: Acc. Depreciation	59	81	112	173	223	282
Net Block	288	331	547	634	609	625
Capital Work-in-Progress	24	271	61	68	125	136
Goodwill	51	45	39	33	33	33
Investments	7	24	21	16	16	16
Current Assets	421	399	561	592	697	879
Cash	81	45	193	173	231	359
Loans & Advances	98	105	103	106	120	133
Other	243	248	266	313	347	387
Current liabilities	171	219	207	219	277	298
Net Current Assets	250	180	354	373	421	581
Misc Exp	3	22	13	11	11	11
Total Assets	622	872	1,035	1,136	1,215	1,403

Cash Flow Statement (Consolidated)

Y/E March (₹ cr)	FY2008	FY2009	FY2010E	FY2011	FY2012E	FY2013E
Profit before tax	133	78	281	359	387	459
Depreciation	22	29	38	43	50	59
Change in Working Capital	74	13	(14)	(37)	14	(31)
Interest / Dividend (Net)	27	30	25	1	(2)	(11)
Direct taxes paid	35	36	101	98	128	152
Others	2	(16)	2	20	(58)	(2)
Cash Flow from Operations	223	98	229	288	264	324
(Inc.)/ Dec. in Fixed Assets	(108)	(295)	(38)	(154)	(81)	(86)
(Inc.)/ Dec. in Investments	(7)	(18)	3	4.22	-	-
Cash Flow from Investing	(115)	(313)	(34)	(150)	(81)	(86)
Issue of Equity	14	(1)	251	2	-	-
Inc./(Dec.) in loans	(34)	219	(242)	(84)	(50)	(38)
Dividend Paid (Incl. Tax)	0	10	42	75	77	81
Interest / Dividend (Net)	27	29	13	1	(2)	(11)
Cash Flow from Financing	(48)	180	(48)	(157)	(125)	(109)
Inc./(Dec.) in Cash	61	(36)	147	(20)	58	128
Opening Cash balances	20	81	45	193	173	231
Closing Cash balances	81	45	193	173	231	359

Key Ratios

Y/E March	FY2008	FY2009	FY2010E	FY2011	FY2012E	FY2013E
Valuation Ratio (x)						
P/E (on FDEPS)	54.2	86.4	22.5	15.9	15.9	13.4
P/CEPS	38.7	49.5	18.5	13.6	13.3	11.2
P/BV	17.3	14.7	6.3	5.0	4.3	3.5
Dividend yield (%)	0.2	0.2	0.9	1.6	1.6	1.7
EV/Sales	5.1	4.9	4.0	3.3	2.9	2.5
EV/EBITDA	25.6	34.2	12.8	10.8	9.7	8.0
EV / Total Assets	7.0	5.3	4.1	3.7	3.4	2.8
Per Share Data (₹)						
EPS (Basic)	4.5	2.8	10.1	14.1	14.1	16.8
EPS (fully diluted)	4.1	2.6	10.0	14.1	14.1	16.8
Cash EPS	5.8	4.5	12.2	16.5	16.9	20.0
DPS	0.5	0.5	2.0	3.5	3.6	3.8
Book Value	13.0	15.3	35.7	45.2	52.2	64.6
DuPont analysis						
EBIT margin	17.5	11.2	27.9	27.6	26.0	27.1
Tax retention ratio	0.5	0.5	0.6	0.7	0.7	0.7
Asset turnover (x)	1.6	1.4	1.3	1.4	1.5	1.6
ROIC (Post-tax)	14.3	7.1	21.9	27.8	25.3	28.4
Cost of Debt (Post-tax)	0.1	0.1	0.0	0.0	(0.0)	(0.0)
Leverage (x)	1.7	1.5	1.0	0.1	(0.0)	(0.1)
Operating ROE	37.9	18.1	44.6	30.9	25.3	24.8
Returns (%)						
RoCE	24.9	14.2	30.7	31.8	31.3	32.8
Angel RoIC (Pre-tax)	27.5	12.9	34.8	35.9	37.4	41.2
RoE	39.3	20.0	40.3	35.0	29.0	28.7
Turnover ratios (x)						
Asset Turnover	2.5	2.3	1.6	1.5	1.7	1.8
Inventory / Sales (days)	29	27	25	21	24	26
Receivables (days)	75	68	67	70	65	63
Payables (days)	59	70	59	48	55	53
Net Working capital (days)	72	52	56	58	49	51
Solvency ratios (x)						
Net Debt to equity	1.2	1.9	0.2	0.1	(0.1)	(0.2)
Net Debt to EBITDA	1.5	3.7	0.3	0.1	(0.1)	(0.5)
Interest Coverage	5.3	2.6	11.9	306.5	(184.5)	(40.5)

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Disclosure of Interest Statement	DB Corp
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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