

Stellar performance, Upgrade to ACCUMULATE

July 22, 2011

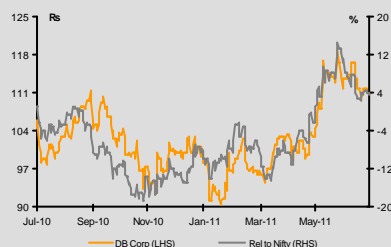
Reco	Previous Reco
Accumulate	Hold
CMP	Target Price
Rs238	Rs271
EPS change FY12E/13E (%)	NA/ 4.0
Target Price change (%)	NA
Sensex	18,722
Nifty	5,634

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	(6)	(1)	(0)
Rel. to Nifty	(5)	(2)	(0)	(4)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Print Media
Bloomberg	DBCL@IN
Equity Capital (Rs mn)	1833
Face Value(Rs)	10
No of shares o/s (mn)	183
52 Week H/L	307/222
Market Cap (Rs bn/USD mn)	44/992
Daily Avg Volume (No of sh)	27418
Daily Avg Turnover (US\$m)	0.1

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	86.1	86.3	86.3
FII/NRI	8.9	9.0	8.8
Institutions	3.2	3.1	3.1
Private Corp	0.9	0.6	0.6
Public	0.9	1.0	1.2

Source: Capitaline

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- Robust ad revenue of Rs2.8bn (our estimate of 12.0%), growing by 20.2% yoy. Print revenues grew 20.3% yoy to Rs2.7bn, driven by volumes while yields remain stable
- EBITDA at Rs1003mn declined 11.7% yoy. EBITDA margin declined 966bps to 28.4%, on account of high opex pertaining to new launches (Maharashtra and Jharkhand)
- Q1FY12 PAT at Rs611mn (above our est. of Rs510mn) was driven by higher revenue realization. However, it declined 16.7% yoy led by expansion in newer territories
- Revise our revenue est. upward for FY12E/13E by 3.2%/4.3% and EPS est. by 4.0% for FY13E. Upgrade to ACCUMULATE from HOLD with target price Rs271

Strong set of numbers

DB Corp reported better than expected results for Q1FY12. Consolidated revenue was at Rs3537mn up 18.4% yoy, growth driven by strong ad revenue growth of 20.2% yoy to Rs2.8bn (Our est. 12% growth yoy). Print revenue grew by 20.3% yoy v/s our estimate of 12%. On the back of new launches and increase in circulation in existing markets, circulation revenue grew 5.8% yoy to Rs 568mn. Radio revenue stood at Rs125mn growing 17.5% with EBITDA margin of 14%. Con. EBITDA declined by 11.7% yoy to Rs 1003mn and EBITDA margins declined by 966bps yoy to 28.4%. Despite of strong revenue growth, margin decline was attributed to launches in Maharashtra and Jharkhand market. PAT for the quarter stood at Rs 611mn down 16.7% yoy but above our est. of Rs510mn.

New editions to weigh on profitability during FY12E & newsprint prices also topping it up

During the quarter DB Corp launched it Dhanabad and Aurgangabad editions. Company's EBITDA declined 11.7% yoy to Rs1003mn primarily due to higher increase of 36.9% in expenditure v/s revenue growth of 18.4%. As the management is aggressive in expanding its footprint in Maharashtra, we believe the cost escalation would continue in coming quarters. Employee and raw material cost saw 16.7% and 13.6% sequential increase, respectively. Losses from the emerging market during the quarter stood at Rs170mn. Management guided to invest 18-22% of the matured market EBITDA in the newer territories.

Outlook

DB Corp has reported better than expected results with robust ad revenue growth. With higher ad revenue growth in Q1FY12, we have revised ad revenue growth estimate from 14.5% and 17.5% to 18.4% and 18.8% for FY12E and FY13E, respectively. Increase in local ad volumes and stable yields would keep the ad revenue growth on track. Unlike its peer (HMLV) DB Corp has not felt any significant slowdown from education ads. Concern about expansion in newer markets seems to be overstated by street, looking at the DB Corp's successful track record.

Upgrade to ACCUMULATE with target price of Rs271

We have revised our EPS estimated upwards for FY13E by 4.0% to Rs17.3 and maintain for FY12E. At CMP of Rs238, the stock trades at 17.4x and 13.8x our estimated EPS for FY12E and FY13E, respectively.

Financial Snapshot

	Rs Mn									
Y/E -	Net	EBITDA	PAT	EPS	EPS	ROE		EV/		
Mar	Sales	(Core)	(%)	(Rs)	(Rs)	%chg	(%)	P/E	EBITDA	P/BV
FY10	10630	3429	32.3	1828	10.0	283.8	28.2	20.7	13.1	6.8
FY11	12652	4031	31.9	2585	14.1	41.4	31.2	16.9	11.2	5.3
FY12E	14701	4166	28.3	2505	13.7	-3.1	25.2	17.4	10.6	4.4
FY13E	17012	5242	30.8	3166	17.3	26.4	26.5	13.8	8.4	3.7

DB Corp also announced the acquisition of Divya Prabhat Publications Pvt. Ltd, 60% of which is presently held by Mr. Sudhir Agarwal, one of the promoters of DB Corp, for INR12 Million. It publishes an afternoon newspaper in Indore (M.P), for valuation of Rs12mn. Prabhat Kiran reported revenues of Rs54mn, EBITDA of Rs3mn and PAT of Rs2mn in FY11.

EPS estimates revised by 4.0% for FY13E

We have revised our ad revenue growth for FY12E and FY13E to 18.4% and 18.8%, respectively. However, we believe the slight margin contraction would be there as the costs would further escalate with further expansion in Maharashtra market. We have maintained our EPS estimate for FY12E but revised FY13E EPS estimate upwards to the tune 4.0% to Rs17.3.

	FY12E			FY13E		
	Old	New	Chg %	Old	New	Chg %
Revenue	14,250.9	14700.9	3.2%	16,308.1	17011.8	4.3%
EBIDTA	4,241.4	4166.0	-1.8%	5,092.3	5241.9	2.9%
EBIDTA %	29.8	28.3	-142 bps	31.2	30.8	-41 bps
PAT	2506.0	2505.3	0.0%	3045.3	3165.9	4.0%
EPS	13.7	13.7	0.0%	16.6	17.3	4.0%

Quarterly financials

Rs mn	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Sales	2,987	3,010	3,482	3,174	3,537	18.4	11.5	3,537	2,987	18.4
Raw Material	831.8	901.2	1064.5	1041.6	1183.6	42.3	13.6	1,184	832	42.3
as % of sales	27.8	29.9	30.6	32.8	33.5			33.5	27.8	
Employee Cost	410.5	458.7	484.5	492.0	575.0	40.1	16.9	575	411	40.1
as % of sales	13.7	15.2	13.9	15.5	16.3			16.3	13.7	
SG&A expenses	285.9	336.7	399.1	436.0	383.9	34.3	(11.9)	384	286	34.3
as % of sales	9.6	11.2	11.5	13.7	10.9			10.9	9.6	
Other operating expenses	322.7	362.2	385.9	408.3	391.5	21.3	(4.1)	391	323	21.3
as % of sales	10.8	12.0	11.1	12.9	11.1			11.1	10.8	
Total Expenditure	1850.8	2058.7	2334	2378	2534	36.9	6.6	2534	1851	36.9
EBITDA	1135.9	951.3	1148	796	1003	(11.7)	26.1	1,003	1,136	(11.7)
Depreciation	104.2	107.0	110.2	111.4	117.1	12.4	5.2	117.1	104.2	12.4
EBIT	1031.7	844.3	1037.8	684.6	886.4	(14.1)	29.5	886	1032	(14.1)
Other Income	43.4	32.0	30.0	36.4	36.6	(15.7)	0.7	36.6	43.4	(15.7)
Interest	47.0	37.7	34.1	34.2	26.9	(42.8)	(21.3)	26.9	47.0	(42.8)
PBT	1028.1	838.6	1033.7	686.8	896.1	(12.8)	30.5	896.1	1028.1	(12.8)
Tax	310.8	307.7	381.6	235.5	284.4	(8.5)	20.8	284.4	310.8	(8.5)
PAT before MI	717.3	530.9	652.1	451.3	611.7	(14.7)	35.5	611.7	717.3	(14.7)
Minority interest	-15.8	-19.8	-7.3	1.4	0.7			0.7	-15.8	(104.4)
PAT	733.1	550.7	659.4	449.9	611.0	(16.7)	35.8	611.0	733.1	(16.7)

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	38.0	31.6	33.0	25.1	28.4	(966)	329	28.4	38.0	(966)	
EBIT	34.5	28.1	29.8	21.6	25.1	(949)	349	25.1	34.5	(949)	
EBT	34.4	27.9	29.7	21.6	25.3	(909)	369	25.3	34.4	(909)	
PAT	24.5	18.3	18.9	14.2	17.3	(727)	310	17.3	24.5	(727)	
Effective Tax rate	30.2	36.7	36.9	34.3	31.7	150	(255)	31.7	30.2	150	

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	10,630	12,652	14,701	17,012
<i>Growth (%)</i>	25.0	48.7	72.8	100.0
Raw material	3,279	3,839	4,778	5,092
Employee cost	1,318	1,846	2,366	2,621
SG&A expenses	1,170	1,458	1,693	2,058
Other operating expenses	1,433	1,479	1,698	1,999
Total operating expenditure	7,200	8,621	10,535	11,770
EBITDA	3,429	4,031	4,166	5,242
<i>Growth (%)</i>	-97.0	-96.5	-96.3	-95.4
Depreciation	378	433	496	552
<i>EBIT</i>	3,051	3,598	3,670	4,690
EBIT margin (%)	28.7	28.4	25.0	27.6
Other Income	112	142	196	207
Interest expenses	357	153	125	167
PBT	2,806	3,587	3,741	4,730
Tax	1,057	1,000	1,235	1,561
<i>Effective tax rate (%)</i>	37.7	27.9	33.0	33.0
PAT before MI	1,748	2,587	2,506	3,169
Minority interest	-79	3	1	3
Adjusted PAT after MI	1,828	2,585	2,505	3,166

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PBT	2,694	3,445	3,545	4,523
Depreciation	378	433	496	552
Interest	357	153	125	167
Other Non-Cash items	2,582	119	0	-300
Chg in working cap	-244	-406	-1,096	-445
Tax paid	-1,057	-1,000	-1,235	-1,561
Operating Cashflow	4,710	2,744	1,835	2,936
Capital expenditure	-382	-1,317	-1,025	-810
Free Cash Flow	4,328	1,427	810	2,126
Other income	112	142	196	207
Investments	33	42	0	0
Investing Cashflow	-238	-1,133	-829	-603
Equity Capital Raised	231	6	-9	4
Loans Taken / (Repaid)	-2,424	-835	-100	-100
Interest Paid	-357	-153	-125	-167
Dividend paid (incl tax)	-424	-849	-849	-849
Financing Cashflow	-2,973	-1,831	-1,084	-1,112
Net chg in cash	1,498	-220	-78	1,221
Opening cash position	452	1,950	1,730	1,652
Closing cash position	1,950	1,730	1,652	2,873

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	1,815	1,833	1,833	1,833
Reserves & surplus	4,672	6,456	8,096	10,113
Net worth	6,487	8,289	9,929	11,946
Secured Loans	2,966	2,082	1,982	1,882
Unsecured Loans	241	290	290	290
Loan Funds	3,207	2,372	2,272	2,172
Net deferred tax liability	609	695	695	695
Minority Interest	44	4	4	5
Total Liabilities	10,347	11,359	12,900	14,818
Gross Block	7,165	8,408	9,499	10,299
Less: Depreciation	1,305	1,729	2,225	2,777
Net block	5,861	6,678	7,274	7,522
Capital work in progress	614	681	614	624
Investment	205	163	163	163
Current Assets	5,614	5,917	7,225	9,099
Inventories	722	728	1,028	1,104
Sundry debtors	1,934	2,401	2,916	3,237
Cash & bank balance	1,950	1,730	1,652	2,873
Loans & advances	1,008	1,058	1,629	1,885
Current lia & Prov	2,073	2,189	2,479	2,688
Current liabilities	1,706	1,648	2,057	2,231
Provisions	367	541	422	457
Net current assets	3,542	3,728	4,746	6,411
Misc. exp & Def. Assets	126	110	103	97
Total Assets	10,347	11,359	12,900	14,818

Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	32.3	31.9	28.3	30.8
Net Margin	17.9	20.5	16.7	18.5
ROCE	31.5	33.8	30.1	33.2
ROE	28.2	31.2	25.2	26.5
RoIC	50.4	46.1	39.8	45.0
Per Share Data (Rs)				
EPS (adjusted)	10.0	14.1	13.7	17.3
CEPS	12.0	16.5	16.4	20.3
BVPS	34.9	44.6	53.6	64.7
DPS	2.0	4.0	4.0	4.0
Valuations (x)				
PER	20.7	16.9	17.4	13.8
P/CEPS	19.8	14.5	14.6	11.7
P/BV	6.8	5.3	4.4	3.7
EV / Sales	4.2	3.6	3.0	2.6
EV / EBITDA	13.1	11.2	10.6	8.4
Dividend Yield (%)	0.8	1.7	1.7	1.7
Gearing Ratio (x)				
Net Debt/ Equity	0.2	0.0	0.0	-0.1
Net Debt/EBIDTA	0.3	0.1	0.1	-0.2

Recommendation History: D B Corp – DBCL IN

Date	Reports	Reco	CMP	Target
19/05/2011	DB Corp Q4FY11 Result Update	Hold	240	271
03/02/2011	DB Corp Event Update	Hold	253	284
25/01/2011	DB Corp Q3FY11 Result Update	Hold	260	284
27/10/2010	DB Corp Q2FY11 Result Update	Hold	284	284

Recent Research Reports

Date	Reports	Reco	CMP	Target
20/07/2011	Dish TV Q1FY12 Result Update	Accumulate	89	99
18/07/2011	HT Media Q1FY12 Result Update	Buy	159	183
21/06/2011	Dish TV Initiating Coverage Report	Accumulate	79	93
14/06/2011	Idea Cellular Q4FY11 Result Update	Hold	73	72

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