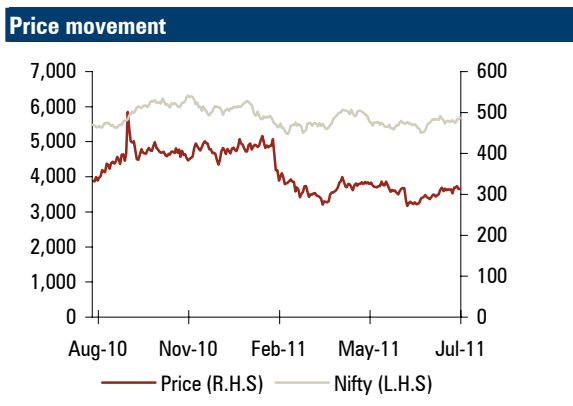


Rating matrix	
Rating	: BUY
Target	: Rs. 280
Target Period	: 12 months
Potential Upside	: 16 %

Key financials				
₹ Crore	FY10	FY11	FY12E	FY13E
Net Sales	1,051	1,250.8	1,466.1	1,643.7
EBITDA	342.9	403.1	396.9	493.5
Net Profit	182.8	258.5	240.2	301.8
EPS (₹)	10.1	14.2	13.1	16.5

Valuation summary				
	FY10	FY11	FY12E	FY13E
P/E	23.9	16.9	18.4	14.6
Target P/E	27.8	19.7	21.4	17.0
EV / EBITDA	13.1	11.0	10.7	8.0
P/BV	6.7	5.3	4.3	3.4
RoNW	28.2	31.2	23.4	23.5
RoCE	31.3	33.7	27.8	29.3

Stock data	
Market Capitalization	₹ 4366.4 Crore
Total Debt (FY11)	₹ 237.2 Crore
Cash and Investments (FY11)	₹ 180.5 Crore
EV	₹ 4423.1 Crore
52 week H/L	502 / 272
Equity capital	₹ 181.5 Crore
Face value	₹ 10
MF Holding (%)	3.2
FII Holding (%)	5.3



Analyst's name	
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DB Corp Limited (DBCORP)

₹ 242

WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 259 to ₹ 280
EPS (FY12E)	Changed from ₹ 12.5 to ₹ 12.6
EPS (FY13E)	Changed from ₹ 15.2 to ₹ 15.6
RATING	Unchanged

Ad revenues continue to grow handsomely...

DB Corp reported its Q1FY12 numbers that have surpassed our expectations. The revenues for the quarter stood at ₹ 352.7 crore against our estimate of ₹ 334.4 crore, growing 18.1% YoY led by 20.2% ad revenue growth. EBITDA for the quarter stood at ₹ 102.4 crore against our estimate of ₹ 80.4 crore. The EBITDA margin stood at 29.0%, which represents an 899 bps fall YoY primarily on account of a significant (42.3% YoY) rise in newsprint prices. PAT for the quarter stood at ₹ 63.4 crore against our estimate of ₹ 47.0 crore due to a better-than-expected operational performance. However, PAT for this quarter de-grew by 33.5% but showed growth of 40.5% QoQ.

■ Highlights for the quarter

Beating our expectations, DB Corp managed to post a robust ad growth of 20.2% YoY to ₹ 283.2 crore. Print ad revenues showed a growth of 20.0% YoY to ₹ 270.7 crore whereas the radio business also saw good traction with ad growth of 13.6% YoY to ₹ 12.5 crore. The circulation revenue also grew 5.8% YoY and 6.4% QoQ to ₹ 56.8 crore. The overall EBITDA margin, however, contracted by 899 bps to 29.0% primarily due to high input prices, which rose to ₹ 118.4 crore from ₹ 83.2 crore.

Valuation

The company has posted robust growth, thus far. We expect the story to continue further. However, recent launches and new launches in the coming quarters are expected to put pressure on margins. At the CMP of ₹ 242, DB Corp is currently trading at 19.2x FY 12E EPS and 15.5x FY 13E EPS. We value the stock at 17x FY 13E EPS to arrive at a target price of ₹ 280. This implies an upside of 16%. We continue to rate the stock as **BUY**.

Exhibit 1: Key Financials

(₹ Crore)	Q1FY12	Q1FY12E	Q1FY11	Q4FY11	QoQ (Chg %)	YoY (Chg %)
Total Operating Income	352.7	334.4	298.7	317.4	11.1	18.1
EBITDA	102.4	80.4	113.6	79.6	28.7	-9.8
EBITDA Margin (%)	29.0	24.1	38.0	25.1	397 bps	-899 bps
Depreciation	11.6	10.7	10.4	11.1	4.1	11.2
Interest	2.7	5.3	4.7	3.4	-21.3	-42.8
Other Income	3.6	5.8	4.3	3.6	-0.9	-17.0
Reported PAT	63.4	47.0	95.3	45.1	40.5	-33.5
EPS (₹)	3.5	2.6	5.3	2.5	39.1	-34.1

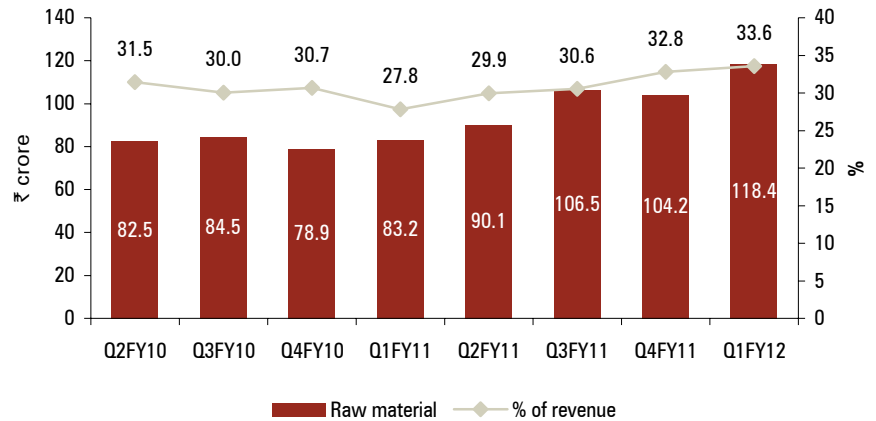
Source: Company, ICICIdirect.com Research

Result Analysis

■ **Newsprint cost**

The newsprint cost for DB Corp stayed in line with our expectations for this quarter. Newsprint cost for DB Corp increased to ₹ 118.4 crore against ₹ 83.2 crore in Q1FY11 due to the rise in the newsprint prices and higher circulation. On a QoQ basis, input costs also grew 13.6% from ₹ 104.2 crore owing to increased circulation in this quarter.

Exhibit 2: Raw material price trend

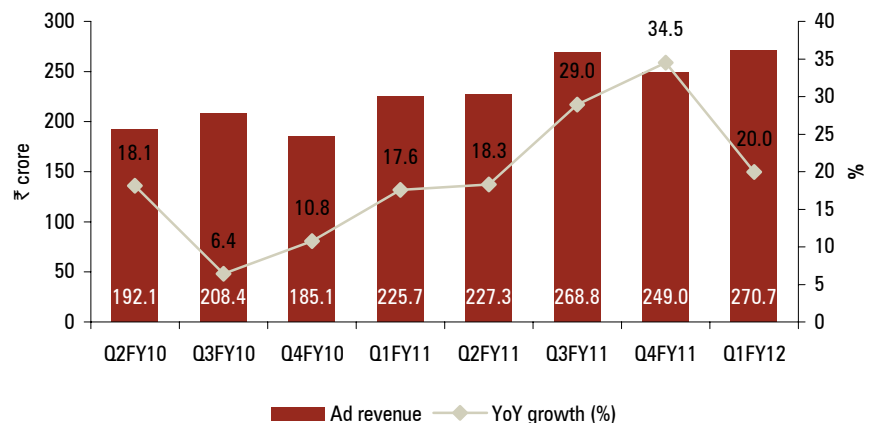


Source: Company, ICICIdirect.com Research

■ **Ad revenue growth continues to impress**

Beating our expectations, DB Corp posted a robust ad growth of 20.2% YoY to ₹ 283.2 crore. The print media contributed ₹ 270.7 crore, growing 20.0% YoY while the radio business also had good traction with growth of 13.6% to ₹ 12.5 crore.

Exhibit 3: Print ad revenue and growth rate



Source: Company, ICICIdirect.com Research

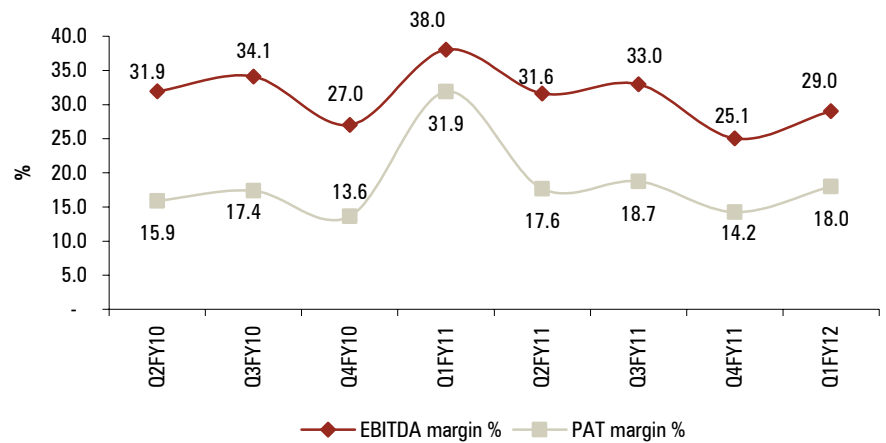
■ Profitability margins

The EBITDA margin for the quarter stood at 29.0% contracting by 893 bps YoY, primarily due to a rise in the raw material costs to ₹ 118.4 crore from ₹ 83.2 crore. The rise in newsprint prices has been the prime cause for the surge in the raw material costs. However, on a QoQ basis, the EBITDA margin showed an increase of 397 bps from 25.1% in Q4FY11.

Newsprint prices are expected to stabilise in the coming quarters. The management hinted that international newsprint prices have reached their peak and are not expected to go further north whereas domestic newsprint prices could see a marginal rise in the subsequent quarters.

PAT margins for the quarter stood at 18.0%, down from 31.9% in Q1FY12. However, it showed an increase of 375 bps from 14.2% in Q4FY11.

Exhibit 4: EBITDA and PAT margin trend



Source: Company, ICICIdirect.com Research

Outlook and Valuation

DB Corp has shown robust growth, thus far, and we expect the story to continue further. The company is expected to launch in new geographies in the coming quarters. With the launch of Dainik Divya Marathi, DB Corp has extended its presence to four languages and 60 editions. The launch in Bihar has been deferred to FY13 owing to sluggish market conditions. The company is also closing in on the acquisition of 60% of paid up share capital of Divya Prabhat Publications Pvt. Ltd. However, these new launches are expected to put pressure on margins in the initial years of their launch. We expect the print ad revenues to grow 18.5% in FY12 to ₹ 1150.5 crore and 14.6% in FY13 to ₹ 1318.3 crore.

At the CMP of ₹ 242, DB Corp is trading at 19.2x FY12 EPS and 15.5x FY13 EPS. We have valued the stock at 17x FY13 EPS to arrive at a target price of ₹ 280 implying an upside potential of 16%. We continue to rate the stock as **BUY**.

Exhibit 5: Valuation table

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY10	1050.5		10.1		23.9	13.1	28.2	31.3
FY11	1250.8	19.1	14.2	41.4	16.9	11.0	31.2	33.7
FY12E	1466.1	17.2	13.1	-8.0	18.4	10.7	23.4	27.8
FY13E	1643.7	12.1	16.5	25.7	14.6	8.0	23.5	29.3

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Print media companies)

Jagran Prakashan				Sales (₹ Cr)	EPS (₹)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)	
Idirect Code	JAGPRA			FY10	941.9	5.8	20.0	13.2	28.7	31.5
		CMP	117	FY11E	1115.2	6.6	17.7	10.6	27.9	33.2
		Target	133	FY12E	1238.4	6.1	19.2	10.8	22.2	27.3
MCap (₹ Cr)	3,694.0	% Upside	14.0%	FY13E	1410.7	8.3	14.0	7.5	25.0	32.6
DB Corp										
Idirect Code	DBCORP			FY10	1050.5	10.1	23.9	13.1	28.2	31.3
		CMP	241	FY11	1250.8	14.2	16.9	11.0	31.2	33.7
		Target	280	FY12E	1466.1	13.1	18.4	10.7	23.4	27.8
MCap (₹ Cr)	4,366.4	% Upside	16.4%	FY13E	1643.7	16.5	14.6	8.0	23.5	29.3
Deccan Chronicle										
Idirect Code	DECCHR			FY10	1033.8	9.5	7.5	3.9	19.1	20.1
		CMP	71	FY11E	976.2	6.7	10.6	6.2	12.7	12.3
		Target	69	FY12E	971.8	4.2	16.9	6.7	7.9	10.1
MCap (₹ Cr)	1,741.3	% Upside	-2.9%	FY13E	1042.3	5.8	12.4	5.5	10.4	12.7
HT Media										
Idirect Code	HTMED			FY10	1411.7	5.8	27.8	15.6	14.0	14.1
		CMP	161	FY11E	1764.6	7.7	20.9	11.9	13.0	14.5
		Target	188	FY12E	2036.5	8.9	18.2	9.4	13.0	16.6
MCap (₹ Cr)	3,782.7	% Upside	16.9%	FY13E	2234.2	11.8	13.7	7.2	14.7	18.1

Source: Company, ICICIdirect.com Research

Exhibit 6: Recommendation history



Source: Reuters, ICICIdirect.com Research

Exhibit 7: Recent releases

Date	Event	CMP	Target Price	Rating
8-Oct-10	Q2FY11 Preview	276	279	ADD
26-Oct-10	Q2FY11 Result Update	293	298	ADD
10-Jan-11	Q3FY11 Preview	255	295	BUY
25-Jan-11	Q3FY11 Result Update	252	289	BUY
8-Apr-11	Q4FY11 Preview	256	283	BUY
20-May-11	Q4FY11 Result Update	244	283	BUY
5-Jul-11	Q1FY12 Result Preview	232	259	BUY

Source: ICICIdirect.com Research

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Strong Buy: > 15%/20% for large caps / midcaps, respectively;
 Buy: Between 10% and 15%/20% for large caps / midcaps, respectively;
 Hold: Up to +/-10%;
 Sell: -10% or more;

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