

# DB CORP LTD

## MEDIA

### Ad revenue: Steady improvement likely

DB Corp (DBCL) recorded a revival in its ad revenue growth (up 11.5% YoY in Q3FY13 vs. 2% YoY growth in H1FY13) given higher consumer spend during the festive season. Management indicated a steady improvement in ad growth visibility driven by (a) gradual improvement in macro and (b) uptick in local and national ad revenue growth going forward.

We thus revise our target PE to 15x from 14x earlier. We roll forward our TP to FY15E and upgrade the stock to BUY with revised TP of Rs 267 (15x FY15E EPS of Rs 17.8) vs. Rs 210 earlier. Our TP implies 16% upside from CMP of Rs 230. The stock trades at PE of 15.3x FY14E EPS of Rs 15.0 and 13x FY15E EPS of Rs 17.8.

#### Key highlights:

- **Ad revenue (78% of total revenue) grew 11.5% YoY** to 3.4 bn, which was driven by both volumes (up 6-7% YoY) and improvement in ad yields (up 4-5% YoY). Growth was driven by real estate, auto and lifestyle sectors, while BFSI and Education remained lackluster. **Circulation revenue increased 15.7% YoY to Rs 729 mn** primarily driven by an increase in cover price in few mature and emerging markets.
- **Radio revenue grew 21.5% YoY to Rs 191 mn** (up 16.7% YoY in H1FY13). Growth was primarily driven by improvement in yields, while the utilization rate remained stable.
- Revenue from emerging editions grew 32% YoY to Rs 497 mn, while matured editions revenue was up 9.4% YoY at Rs 3.7 bn (~1% YoY growth in H1FY13)
- **Losses from emerging editions declined to Rs 57 mn** (vs. Rs 98 mn in Q2FY13), which led to EBITDA margin of 27.2% (21.8% in Q2FY13) as against 25.7% in Q3FY12. Mature editions margin was 33.2% in Q3 vs. 33.7% in Q3FY12 (29.6% in Q2)

#### FINANCIAL SUMMARY (Consolidated)

Y/E March	FY12	FY13E	FY14E	FY15E
Sales (Rs mn)	14,514	15,813	17,960	20,413
PAT (Rs mn)	2,022	2,162	2,753	3,258
Con. EPS* (Rs.)	-	11.8	14.6	17.2
EPS (Rs.)	11.0	11.8	15.0	17.8
Change YOY (%)	(23.4)	6.9	27.3	18.4
P/E (x)	19.9	19.5	15.3	13.0
RoE (%)	23.0	22.0	24.6	24.8
RoCE (%)	24.5	24.6	28.3	29.4
EV/EBITDA (x)	11.8	11.2	9.0	7.4
DPS	5.0	5.0	5.0	5.0

Source: \*Consensus broker estimates, Company, AXIS Capital estimates

# BUY

Target Price: Rs 267

CMP	: Rs 230
Potential Upside	: 16%
Relative to Sector	: Neutral

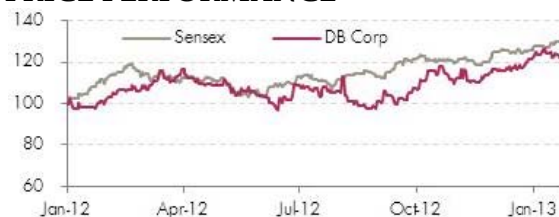
#### MARKET DATA

No. of Shares	: 183mn
Free Float	: 18%
Market Cap	: Rs42bn
52-week High / Low	: Rs245 / Rs181
Avg. Daily vol. (6mth)	: 78,719 shares
Bloomberg Code	: DBCL IB Equity
Promoters Holding	: 82%
FII / DII	: 10% / 6%
BSE Code	: 533151
NSE Code	: DBCORP

#### SEGMENTAL REVENUE GROWTH TREND

(Rsbn)	FY12		FY13		
	Q3	Q4	Q1	Q2	Q3
Ad Rev	3.06	2.63	2.86	2.83	3.41
%YoY growth	8.6	5.7	1.0	2.8	11.5
Circulation	0.63	0.64	0.66	0.70	0.73
% growth	16.7	19.9	16.0	16.1	15.7

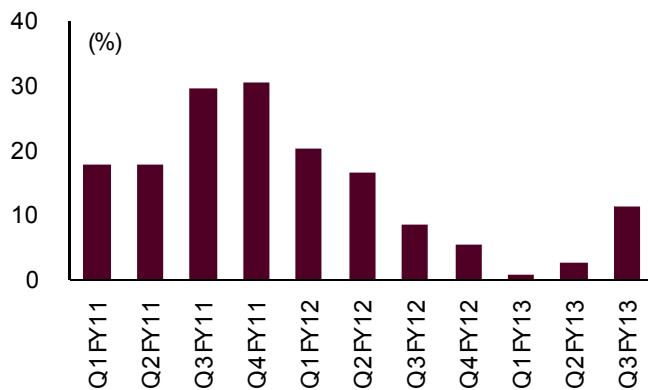
#### PRICE PERFORMANCE



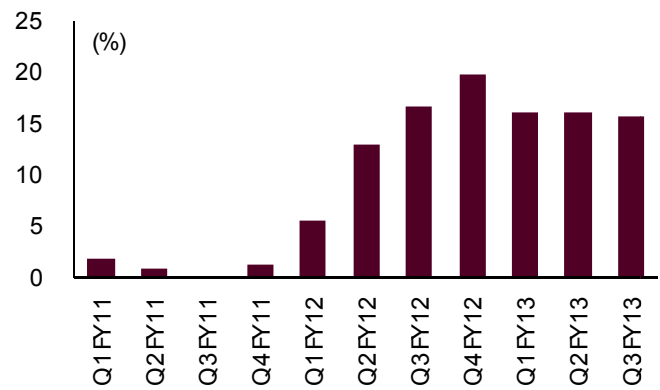
**Exhibit 1: Results update**

(Rsmn)	Quarter ended					12 months ended		
	Dec-12	Dec-11	% Chg	Sep-12	% Chg	Mar-13E	Mar-12	% Chg
Net Sales	4,389	3,955	11.0	3,784	16.0	15,813	14,514	9.0
EBITDA	1,192	1,016	17.3	825	44.5	3,682	3,363	9.5
Other income	38	25	NA	38	1.5	200	240	NA
<b>PBIDT</b>	<b>1,230</b>	<b>1,041</b>	<b>18.1</b>	<b>862</b>	<b>42.6</b>	<b>3,882</b>	<b>3,603</b>	<b>7.8</b>
Depreciation	151	134	12.4	143	5.4	545	506	7.9
Interest	19	81	(76.9)	19	(1.7)	110	92	19.1
<b>PBT</b>	<b>1,060</b>	<b>826</b>	<b>28.3</b>	<b>700</b>	<b>51.5</b>	<b>3,227</b>	<b>3,005</b>	<b>7.4</b>
Tax	352	271	29.9	251	40.7	1,065	983	8.3
Minority Interest	2	2	(18.5)	0	232.7	-	(2)	-
<b>Adjusted PAT</b>	<b>706</b>	<b>553</b>	<b>27.8</b>	<b>449</b>	<b>57.3</b>	<b>2,162</b>	<b>2,023</b>	<b>6.9</b>
Extra ordinary income/ (exp.)	0	0	-	36	-	0	0	-
<b>Reported PAT</b>	<b>706</b>	<b>553</b>	<b>27.8</b>	<b>485</b>	<b>45.6</b>	<b>2,162</b>	<b>2,023</b>	<b>6.9</b>
<b>No. of shares (mn)</b>	<b>184</b>	<b>183</b>	<b>0.73</b>	<b>183</b>	<b>1</b>	<b>183</b>	<b>183</b>	<b>-</b>
EBITDA margin (%)	27.2	25.7	-	21.8	-	23.3	23.2	-
PBIDT margin (%)	28.0	26.3	-	22.8	-	24.6	24.8	-
<b>EPS - annualized (Rs.)</b>	<b>15.3</b>	<b>12.1</b>	<b>26.8</b>	<b>9.8</b>	<b>56.5</b>	<b>11.8</b>	<b>11.0</b>	<b>6.9</b>

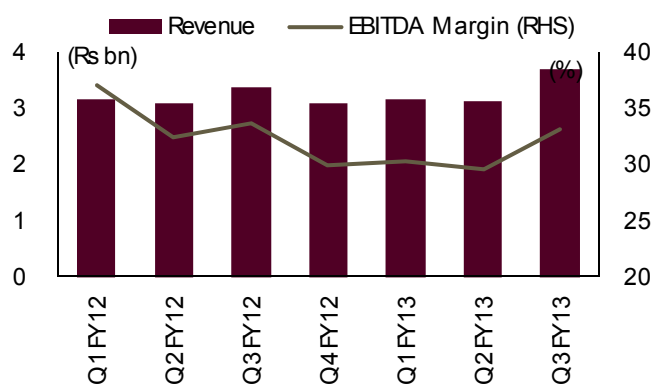
Source: Company, Axis Capital

**Exhibit 2: Ad revenue growth improving**


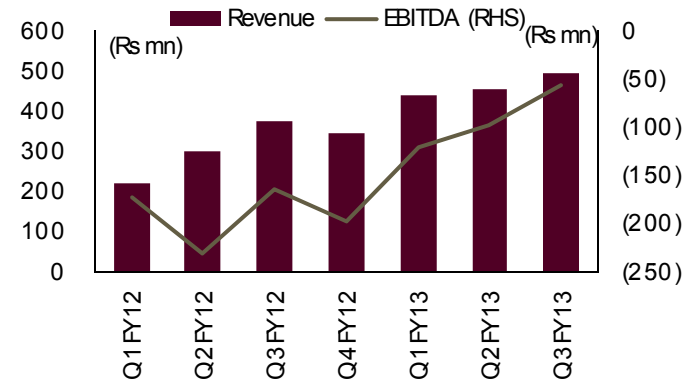
Source: Company, Axis Capital

**Exhibit 3: Circulation revenue remains steady QoQ**


Source: Company, Axis Capital

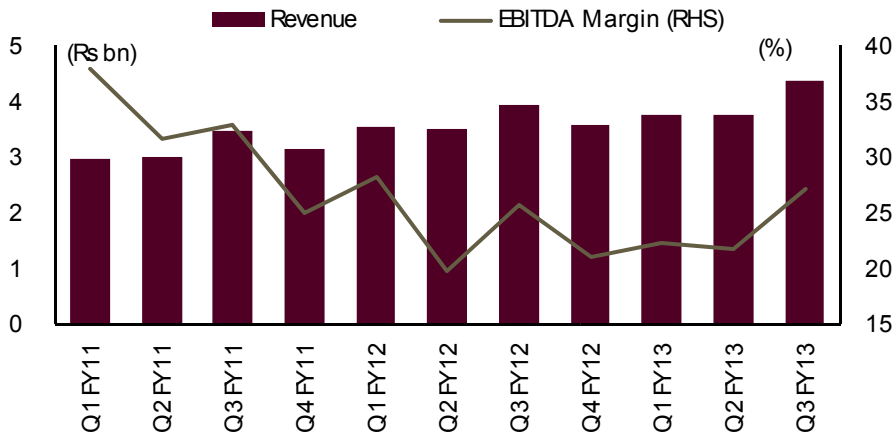
**Exhibit 4: Matured markets performance steady**


Source: Company, Axis Capital

**Exhibit 5: Emerging market edition losses declining**


Source: Company, Axis Capital

**Exhibit 6: Revenue and EBITDA margin performance**



Source: Company, Axis Capital

**FINANCIAL SUMMARY (Consolidated)**
**Profit & Loss (Rsmn)**

Y/E March	FY12	FY13E	FY14E	FY15E
Net sales	14,514	15,813	17,960	20,413
Other operating income	-	-	-	-
<b>Total operating income</b>	<b>14,514</b>	<b>15,813</b>	<b>17,960</b>	<b>20,413</b>
Cost of goods sold	(6,846)	(7,447)	(8,129)	(9,139)
Gross profit	7,668	8,366	9,832	11,274
Gross margin (%)	52.8	52.9	54.7	55.2
Total operating expenses	(4,305)	(4,684)	(5,234)	(5,872)
<b>EBITDA</b>	<b>3,363</b>	<b>3,682</b>	<b>4,597</b>	<b>5,402</b>
EBITDA margin (%)	23.2	23.3	25.6	26.5
Depreciation	(506)	(545)	(605)	(682)
<b>EBIT</b>	<b>2,857</b>	<b>3,137</b>	<b>3,993</b>	<b>4,720</b>
<b>Net interest</b>	<b>(92)</b>	<b>(110)</b>	<b>(100)</b>	<b>(90)</b>
Other income	240	200	216	233
<b>Profit before tax</b>	<b>3,005</b>	<b>3,227</b>	<b>4,109</b>	<b>4,863</b>
Total taxation	(983)	(1,065)	(1,356)	(1,605)
Tax rate (%)	32.7	33.0	33.0	33.0
Profit after tax	2,022	2,162	2,753	3,258
Minorities	2	-	-	-
Profit/ Loss associate co(s)	-	-	-	-
<b>Adjusted net profit</b>	<b>2,023</b>	<b>2,162</b>	<b>2,753</b>	<b>3,258</b>
Adj. PAT margin (%)	13.9	13.7	15.3	16.0
<b>Net non-recurring items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reported net profit</b>	<b>2,023</b>	<b>2,162</b>	<b>2,753</b>	<b>3,258</b>

**Balance Sheet (Rsmn)**

Y/E March	FY12	FY13E	FY14E	FY15E
Paid-up capital	1,833	1,833	1,833	1,833
Reserves & surplus	7,438	8,527	10,208	12,394
Net worth	9,286	10,376	12,056	14,242
Borrowing	1,325	1,325	1,325	1,325
Other non-current liabilities	1,586	1,580	1,580	1,580
<b>Total liabilities</b>	<b>15,452</b>	<b>16,618</b>	<b>17,953</b>	<b>20,078</b>
Gross fixed assets	9,701	10,501	11,901	12,901
Less: Depreciation	(2,218)	(2,764)	(3,369)	(4,051)
Net fixed assets	7,483	7,738	8,533	8,851
Add: Capital WIP	450	450	450	450
Total fixed assets	7,933	8,187	8,982	9,300
Other Investment	-	-	-	-
Inventory	1,186	1,148	1,198	1,298
Debtors	2,484	2,767	3,233	3,674
Cash & bank	1,884	2,405	2,312	3,496
Loans & advances	527	522	539	572
Current liabilities	3,254	3,337	2,991	2,931
Net current assets	2,843	3,522	4,307	6,125
Other non-current assets	962	1,112	1,212	1,262
<b>Total assets</b>	<b>15,452</b>	<b>16,618</b>	<b>17,953</b>	<b>20,078</b>

**Cash flow (Rsmn)**

Y/E March	FY12	FY13E	FY14E	FY15E
Profit before tax	3,005	3,227	4,109	4,863
Depreciation & Amortisation	(506)	(545)	(605)	(682)
Chg in working capital	506	(158)	(878)	(634)
<b>Cash flow from operations</b>	<b>3,034</b>	<b>2,550</b>	<b>2,541</b>	<b>3,306</b>
Capital expenditure	(1,331)	(800)	(1,400)	(1,000)
<b>Cash flow from investing</b>	<b>(1,629)</b>	<b>(800)</b>	<b>(1,400)</b>	<b>(1,000)</b>
Equity raised/ (repaid)	-	-	-	-
Debt raised/ (repaid)	(321)	(250)	(256)	(146)
Dividend paid	(12)	(62)	(61)	(60)
<b>Cash flow from financing</b>	<b>(1,249)</b>	<b>(1,229)</b>	<b>(1,233)</b>	<b>(1,122)</b>
Net chg in cash	157	521	(93)	1,184

**Key ratios**

Y/E March	FY12	FY13E	FY14E	FY15E
<b>OPERATIONAL</b>				
FDEPS (Rs)	11.0	11.8	15.0	17.8
CEPS (Rs)	8.3	8.8	11.7	14.1
DPS (Rs)	5.0	5.0	5.0	5.0
Dividend payout ratio (%)	45.3	42.4	33.3	28.1
<b>GROWTH</b>				
Net sales (%)	15.2	9.0	13.6	13.7
EBITDA (%)	(16.6)	9.5	24.8	17.5
Adj net profit (%)	(23.4)	6.9	27.3	18.4
FDEPS (%)	(23.4)	6.9	27.3	18.4
<b>PERFORMANCE</b>				
RoE (%)	23.0	22.0	24.6	24.8
RoCE (%)	24.5	24.6	28.3	29.4
<b>EFFICIENCY</b>				
Asset turnover (x)	1.7	1.8	1.8	1.8
Sales/ total assets (x)	1.0	1.0	1.0	1.1
Working capital/ sales (x)	0.1	0.1	0.1	0.1
Receivable days	62.5	63.9	65.7	65.7
Inventory days	38.8	34.6	32.7	31.6
Payable days	35.3	32.9	31.1	31.6
<b>FINANCIAL STABILITY</b>				
Total debt/ equity (x)	0.2	0.1	0.1	0.1
Net debt/ equity (x)	(0.1)	(0.1)	(0.1)	(0.2)
Current ratio (x)	1.9	2.1	2.4	3.1
Interest cover (x)	30.9	28.5	39.9	52.4
<b>VALUATION</b>				
PE (x)	19.9	19.5	15.3	13.0
EV/ EBITDA (x)	11.8	11.2	9.0	7.4
EV/ Net sales (x)	2.7	2.6	2.3	2.0
PB (x)	4.3	4.1	3.5	3.0
Dividend yield (%)	2.3	2.2	2.2	2.2
Free cash flow yield (%)	4.2	4.1	2.7	5.5

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