

DB Corp (DBCORP)

₹ 232

WHAT'S CHANGED...

PRICE TARGET	Changed from ₹ 210 to ₹ 274
EPS (FY13E)	Changed from ₹ 10.9 to ₹ 11.5
EPS (FY14E)	Changed from ₹ 14.0 to ₹ 14.1
EPS (FY15E)	Introduced at ₹ 17.1
RATING	Changed from Hold to Buy

Finally, impressive ad growth!!!

DB Corp reported its Q3FY13 numbers, which were considerably better than our estimates thanks to double digit ad growth for the first time since Q2FY12. Print ad revenues grew 10.9% YoY to ₹ 318.4 crore. Also, the circulation revenue, driven by a price hike and increased circulation, grew 15.7% YoY to ₹ 72.9 crore. The overall topline grew 11.0% YoY to ₹ 438.9 crore against our estimate of ₹ 407.9 crore. Though newsprint prices rose YoY, the superior ad growth pulled up EBITDA margins by 142 bps YoY to 27.2%. The PAT for the quarter stood at ₹ 70.6 crore, beating our estimate of ₹ 56.5 crore. Though the ad growth was driven by the festival season, we expect the situation to remain pleasant even subsequently, led by an improving macroeconomic scenario. We have introduced the FY15E EPS at ₹ 17.1 and valued the stock at 16x FY15E EPS to arrive at a target price of ₹ 274. We upgrade the stock to BUY.

Ad growth cheers!!!

After reporting modest ad growth in single digits since Q2FY12, the company reported handsome growth of 10.9% in Q3FY13 led by the additional three days of festivity in the quarter. Going forward, though we may see subdued ad growth for some time in the future due to the challenging macroeconomic situation, we believe, sooner or later, the scenario will improve for companies across the media industry driven by possible monetary easing by the RBI. We have factored in a modest ad growth of 4.5% for FY13 due to weak H1FY13 and 10.1% and 11.7% for FY14 and FY15, respectively.

Stock to re-rate with improving ad growth

The company has traded at an average one year rolling forward PE of 20.2x in FY11 and 20.0x in FY12, when ad growth was in high double digits. We believe with improving ad growth subsequently, DB Corp will inch towards the multiples seen in FY11 and FY12. We have valued the stock at 16x FY15 EPS to arrive at a target price of ₹ 274. We upgrade DB Corp from HOLD to BUY.

Exhibit 1: Valuation Metrics

(₹ Crore)	Q3FY13	Q3FY13E	Q3FY12	Q2FY13	QoQ (Chg %)	YoY (Chg %)
Total Operating Income	438.9	407.9	395.6	378.4	16.0	11.0
EBITDA	119.2	99.2	101.8	86.1	38.5	17.1
EBITDA Margin (%)	27.2	24.3	25.7	22.7	441 bps	142 bps
Depreciation	15.1	14.6	13.4	14.3	5.4	12.4
Interest	1.9	2.4	8.1	1.9	-1.7	-76.9
Other Income	3.8	3.0	2.5	3.8	1.5	54.5
Reported PAT	70.6	56.5	55.4	48.6	45.3	27.6
EPS (₹)	3.9	3.1	3.0	2.7	45.3	27.5

Source: Company, ICICIdirect.com Research

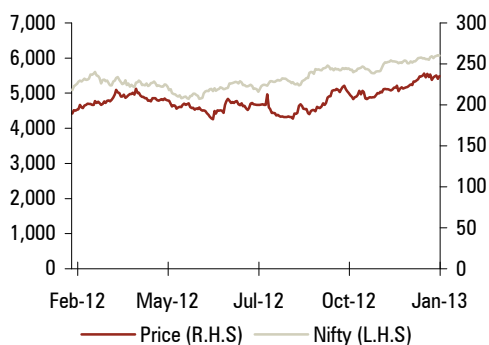
Rating matrix	
Rating	: Buy
Target	: ₹ 274
Target Period	: 12 months
Potential Upside	: 18%

Key Financials				
₹ Crore	FY12	FY13E	FY14E	FY15E
Net Sales	1,371	1,488.7	1,620.5	1,795.2
EBITDA	355.0	366.8	441.4	531.6
Net Profit	202.1	210.5	255.7	311.1
EPS (₹)	11.0	11.5	14.1	17.1

Valuation summary				
	FY12	FY13E	FY14E	FY15E
P/E	21.0	20.2	16.5	13.5
Target P/E	24.9	23.9	19.5	16.0
EV / EBITDA	12.0	11.2	8.9	6.9
P/BV	4.6	4.0	3.4	2.9
RoNW	21.7	20.0	20.9	21.5
RoCE	26.6	26.0	29.3	30.4

Stock data	
Market Capitalization	₹ 4212.1 Crore
Total Debt (FY12)	₹ 213 Crore
Cash and Investments (FY12)	₹ 160.9 Crore
EV	₹ 4264.2 Crore
52 week H/L	238 / 182
Equity capital	₹ 181.5 Crore
Face value	₹ 10
MF Holding (%)	6.5
FII Holding (%)	13.3

Price movement



Analyst's name

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Exhibit 2: Assumption Table

	Unit	FY12	FY13E	FY14E	FY15E
Print Ad Growth	%	11.4	4.5	10.1	11.7
Circulation revenue growth	%	13.0	16.4	6.6	6.1

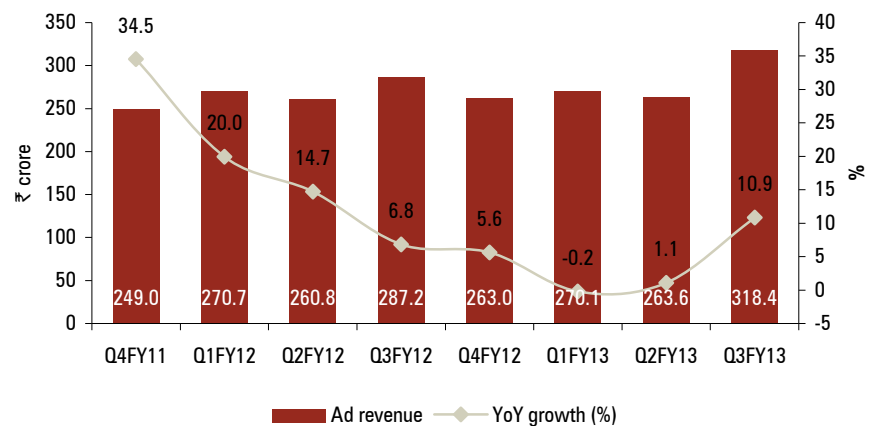
Source: Company, ICICIdirect.com Research

Result analysis

Ad growth finally impresses!!!

After reporting modest ad growth in single digits since Q2FY12, including marginal de-growth in Q1FY13, DB Corp showed signs of improvement in the ad environment led by additional three days of festivity in Q3FY13. Ad revenues for the print business grew 10.9% YoY beating our estimate of 3.0% to ₹ 318.4 crore. The radio business, though on a very small base, also grew 21.7% to ₹ 19.1 crore. The management indicated that after about five quarters, national ad revenues showed strong growth while retail ad revenues continued their trend of strong growth. The mix of retail to national ad revenue was at 36:64 in Q3FY13 as compared to 33:67 in Q2FY13. Also, January has been strong for the company in line with Q3FY13. Due to a weak H1FY13, we have factored in modest ad growth of 4.5% for FY13 in our estimates. However, we expect the situation to improve subsequently and have factored in ad growth of 10.1% and 11.7% for FY14 and FY15, respectively.

Exhibit 3: Ad revenue growth trend

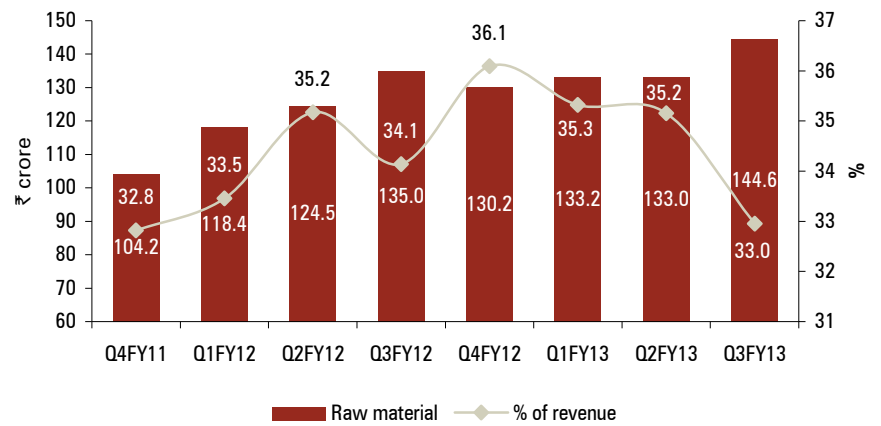


Source: Company, ICICIdirect.com Research

Newsprint cost remains stable...

Raw material costs for the company increased YoY from ₹ 135.0 crore to ₹ 144.6 crore owing to a surge in newsprint prices and increasing circulation especially in the new markets of Jharkhand and Maharashtra. Newsprint costs rose marginally on a QoQ basis. According to the company presentation, blended newsprint prices increased from ₹ 31.7/kg in Q3FY12 to ₹ 33.5/kg in Q3FY13. However, as a percentage of revenue, raw materials costs witnessed a decline from 34.1% to 33.0%, largely due to strong ad growth.

Exhibit 4: Newsprint cost trend

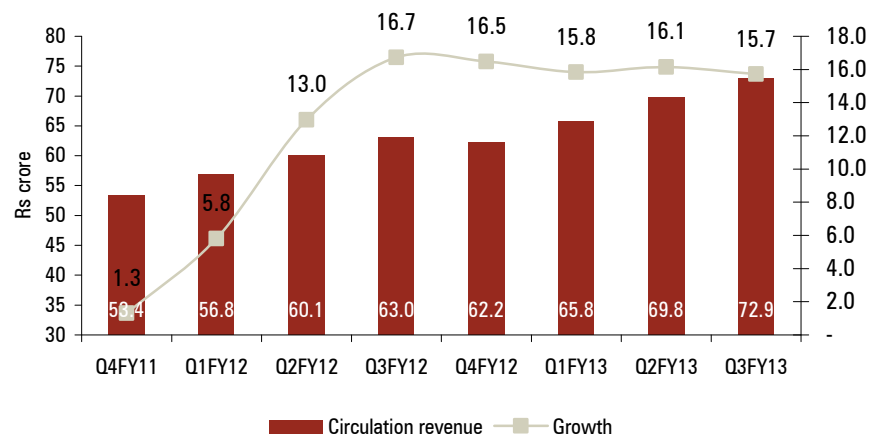


Source: Company, ICICIdirect.com Research

Circulation revenue posts robust growth...

Circulation revenues also posted robust growth of 15.7% YoY to ₹ 72.9 crore reflecting the impact of new launches during the year and a cover price hike. The average cover price for the company remained largely stable QoQ at ₹ 2.7. The management indicated that the company circulated 47.0 lakh copies per day in Q3FY13.

Exhibit 5: Circulation revenue trend



Source: Company, ICICIdirect.com Research

New markets continue to grow...

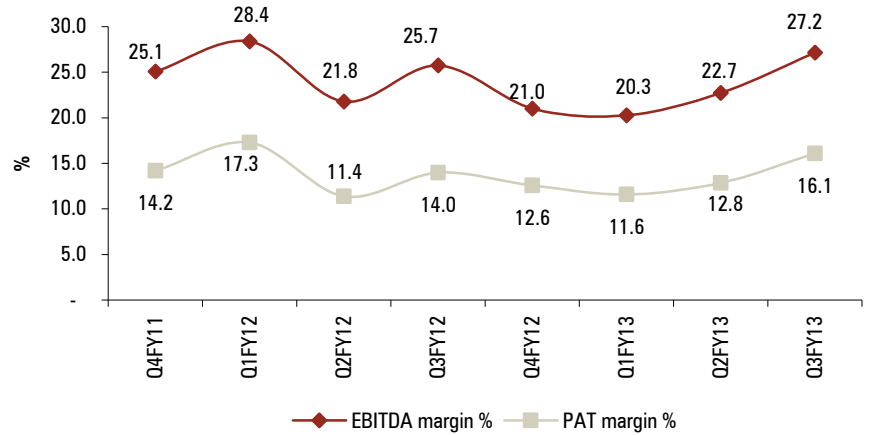
The new markets in Jharkhand and Maharashtra have continued to exhibit strong growth of 32.2% YoY to post revenue of ₹ 49.7 crore in Q3FY13. EBITDA losses in the new markets reduced to ₹ 5.7 crore from ₹ 14.4 crore in Q3FY12. The management indicated that, following Aurangabad and Nasik, even Jalgaon saw above 100% subscription post one year of operations even at increased subscription prices.

Margins improve...

EBITDA margins for the quarter stood at 27.2%, expanding by 142 bps YoY and 441 bps QoQ, due to strong ad growth, which more than compensated for the rise in raw material costs. The company reported a forex loss of ₹ 3.6 crore without which the margins would have been 28.0%.

PAT margins for the quarter stood at 16.1%, up from 14.0% in Q3FY12 and 12.8% in Q2FY13 due to higher profitability.

Exhibit 6: EBITDA and PAT margin trend



Source: Company, ICICIdirect.com Research

Outlook & valuation

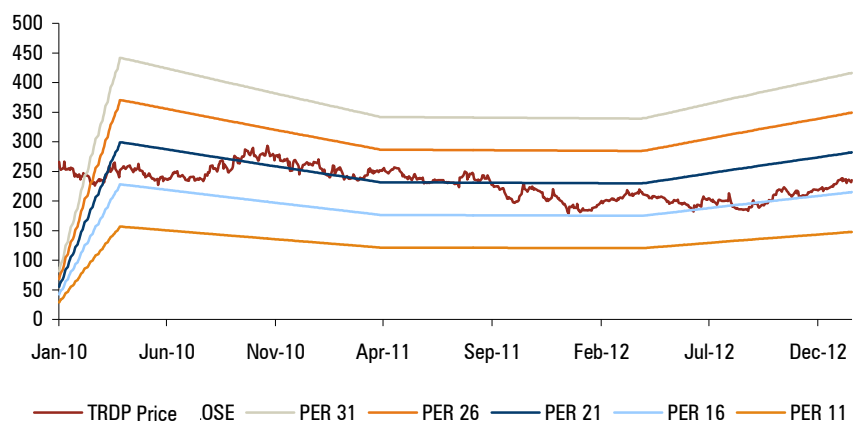
Led by the festive season, the company posted robust ad growth in Q3FY13. Going forward, we may see subdued ad growth for some time in the future due to the challenging macro economic situation. However, we believe, sooner or later, the scenario will improve for companies across the media industry driven by possible monetary easing by the RBI. Also, the latest set of reforms by the government would be a sentiment booster in the markets.

Due to a weak H1FY13, we have factored in modest ad growth of 4.5% for FY13 in our estimates. However, we expect the situation to improve subsequently and have factored in ad growth of 10.1% and 11.7% for FY14 and FY15, respectively.

The company has traded at an average one year rolling forward PE of 20.2x in FY11 and 20.0x in FY12, when ad growth was in high double digits. We believe, with the increasing likelihood of rate cuts by the RBI and improving macroeconomic scenario, ad growth would touch high double digits again. This would prompt the stock to inch towards the multiples seen in FY11 and FY12. We have valued the stock at 16x FY15 EPS to arrive at a target price of ₹ 274. We upgrade the stock from HOLD to **BUY**.

The board of the company has proposed an interim dividend of ₹ 2/share.

Exhibit 7: One year rolling forward PE chart



Source: Company, ICICIdirect.com Research

Exhibit 8: Valuation table

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY12	1371.3	8.4	11.0	-22.6	21.0	12.0	21.7	26.6
FY13E	1488.7	8.6	11.5	4.1	20.2	11.2	20.0	26.0
FY14E	1620.5	8.9	14.1	22.7	16.5	8.9	20.9	29.3
FY15E	1795.2	10.8	17.1	21.7	13.5	6.9	21.5	30.4

Source: Company, ICICIdirect.com Research

Financial summary

Profit and loss statement

	(₹ Crore)			
(Year-end March)	FY12	FY13E	FY14E	FY15E
Total operating Income	1,463.8	1,586.5	1,720.5	1,895.2
Growth (%)	15.7	8.4	8.5	10.2
Raw Material Expenses	508.0	547.3	555.2	580.4
Employee Expenses	242.9	282.9	311.0	343.8
Other Expenses	357.8	389.5	412.9	439.5
Total Operating Expenditure	1,108.8	1,219.7	1,279.1	1,363.7
EBITDA	355.0	366.8	441.4	531.6
Growth (%)	(11.9)	3.3	20.4	20.4
Depreciation	50.6	56.8	63.5	70.1
Interest	15.5	7.8	4.4	4.4
Other Income	11.5	15.2	12.0	12.0
Exceptional Items	-	-	-	-
PBT	300.5	317.2	385.6	469.1
MI/PAT from associates	0.2	0.6	2.6	3.1
Total Tax	98.2	106.2	127.2	154.8
PAT	202.1	210.5	255.7	311.1
Growth (%)	NM	4.1	21.5	21.7
EPS (₹)	11.0	11.5	14.1	17.1

Source: Company, ICICIdirect.com Research

Cash flow statement

	(₹ Crore)			
(Year-end March)	FY12	FY13E	FY14E	FY15E
Profit after Tax	202.1	210.5	255.7	311.1
Add: Depreciation	50.6	56.8	63.5	70.1
(Inc)/dec in Current Assets	-89.0	-0.1	-40.8	-57.2
Inc/(dec) in CL and Provisions	74.2	25.1	28.2	37.3
Others	7.8	4.4	4.4	0.0
CF from operating activities	245.7	296.7	311.0	361.4
(Inc)/dec in Investments	-29.7	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-115.4	-40.0	-40.0	-40.0
Others	11.3	-1.0	2.4	1.0
CF from investing activities	-133.8	-41.0	-37.6	-39.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-24.2	-75.0	-75.0	0.0
Dividend paid & dividend tax	-102.6	-85.8	-84.9	-84.9
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	-4.8	-10.4	-4.4	0.0
CF from financing activities	-131.5	-171.2	-164.4	-84.9
Net Cash flow	-19.6	84.5	109.1	237.5
Opening Cash	180.5	160.9	245.4	354.5
Closing Cash	160.9	245.4	354.5	592.0

Source: Company, ICICIdirect.com Research

Balance sheet

	(₹ Crore)			
(Year-end March)	FY12	FY13E	FY14E	FY15E
Liabilities				
Equity Capital	183.3	183.3	183.3	183.3
Reserve and Surplus	748.2	866.9	1,037.7	1,263.9
Total Shareholders funds	931.5	1,050.3	1,221.1	1,447.2
Total Debt	213.0	138.0	63.0	63.0
Others	79.2	79.8	82.3	85.5
Total Liabilities	1,223.7	1,268.0	1,366.4	1,595.7
Assets				
Gross Block	956.2	996.2	1,036.2	1,076.2
Less: Acc Depreciation	224.3	281.2	344.6	414.7
Net Block	731.9	715.0	691.6	661.5
Capital WIP	61.4	61.4	61.4	61.4
Total Fixed Assets	793.3	776.5	753.0	722.9
Investments	46.0	46.0	46.0	46.0
Inventory	118.6	109.8	121.0	134.7
Debtors	248.1	269.3	293.1	324.7
Loans and Advances	139.4	126.8	132.5	144.0
Other Current Assets	1.6	1.9	1.9	2.3
Cash	160.9	245.4	354.5	592.0
Total Current Assets	668.6	753.2	903.1	1,197.7
Creditors	244.2	265.1	288.6	319.7
Provisions	48.9	53.1	57.8	64.0
Total Current Liabilities	293.1	318.2	346.4	383.7
Net Current Assets	375.4	435.0	556.7	814.0
Other non current assets	9.0	10.5	10.7	12.8
Application of Funds	1,223.7	1,268.0	1,366.4	1,595.7

Source: Company, ICICIdirect.com Research

Key ratios

(Year-end March)	FY12	FY13E	FY14E	FY15E
Per share data (₹)				
EPS	11.0	11.5	14.1	17.1
Cash EPS	13.5	16.3	17.1	19.9
BV	50.8	57.3	67.3	79.7
DPS	5.0	4.0	4.0	4.0
Cash Per Share	8.8	13.4	19.5	32.6
Operating Ratios (%)				
EBITDA Margin	24.3	23.1	25.7	28.0
PBT / Total Operating income	21.9	21.3	23.8	26.1
PAT Margin	14.7	14.1	15.8	17.3
Inventory days	25.5	28.0	26.0	26.0
Debtor days	66.0	66.0	66.0	66.0
Creditor days	65.0	65.0	65.0	65.0
Return Ratios (%)				
RoE	21.7	20.0	20.9	21.5
RoCE	26.6	26.0	29.3	30.4
RoIC	19.4	20.4	25.3	31.2
Valuation Ratios (x)				
P/E	21.0	20.2	16.5	13.5
EV / EBITDA	12.0	11.2	8.9	6.9
EV / Net Sales	3.1	2.8	2.4	2.1
Market Cap / Sales	3.1	2.8	2.6	2.3
Price to Book Value	4.6	4.0	3.4	2.9
Solvency Ratios				
Debt/EBITDA	0.6	0.4	0.1	0.1
Debt / Equity	0.2	0.1	0.1	0.0
Current Ratio	2.3	2.4	2.6	3.1
Quick Ratio	1.7	1.6	1.6	1.6

Source: Company, ICICIdirect.com Research

Company Description

DB Corp is a leading company in the regional print media industry commanding a readership of 1.96 crore. Its flagship Hindi newspaper – *Dainik Bhaskar* – runs across 11 states with 36 editions and is the second most read daily in India with a readership of 1.44 crore. *Dainik Bhaskar* boasts of being the most read daily in four regions viz. Madhya Pradesh, Chhattisgarh, Chandigarh and Haryana. Apart from Hindi dailies, DB Corp also has a presence in the Gujarati and Marathi space, with *Divya Bhaskar* and *Dainik Divya Marathi*, respectively. The company also runs a Hindi business daily *Business Bhaskar* and an FM radio station My FM.

Exhibit 9: Recommendation History



Source: Reuters, ICICIdirect.com Research

Exhibit 10: Recent Releases

Date	Event	CMP	Target Price	Rating
25-Jan-12	Q3FY12 Result Update	188	230	BUY
4-Apr-12	Q4FY12 Result Preview	215	230	HOLD
20-Apr-12	Company Update	205	230	BUY
7-May-12	Q4FY12 Result Update	206	225	HOLD
5-Jul-12	Q1FY13 Result Preview	202	210	HOLD
20-Jul-12	Q1FY13 Result Update	202	188	HOLD
8-Oct-12	Q2FY13 Result Preview	211	227	HOLD
19-Oct-12	Q2FY13 Result Update	223	210	HOLD
8-Jan-13	Q3FY13 Result Preview	235	210	HOLD

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Media companies)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E
Cinemax (CINMAX)	198	NA	NR	554		15.4	13.9		12.8	14.3		6.9	6.9		25.2	21.0		25.8	18.8
DB Corp (DBCORP)	232	274	Buy	4,212	11.0	11.5	14.1	24.9	23.9	19.5	14.2	13.3	10.6	26.6	26.0	29.3	21.7	20.0	20.9
DISH TV (DISHTV)	77	85	Buy	8,227	-1.3	-0.1	0.2	NM	NM	345.8	18.2	14.1	10.8	NM	NM	0.6	NM	NM	NM
ENIL (ENTNET)	227	266	Buy	1,084	11.8	12.3	15.1	19.3	18.4	15.0	8.6	7.6	5.5	15.3	13.8	15.9	12.8	11.8	12.7
Eros (EROINT)	204	267	Buy	1,872	16.1	19.8	22.2	12.7	10.3	9.2	9.5	8.0	6.4	16.2	17.0	17.9	17.7	17.9	16.7
Hathway Cables (HATCAB)	279	250	Sell	3,575	-3.8	-2.8	0.1	NM	NM	NM	25.3	21.6	15.1	1.8	2.4	5.8	NM	NM	0.1
HT Media (HTMED)	106	112	Hold	2,495	7.0	7.1	9.3	15.1	14.9	11.4	9.4	9.5	6.7	10.1	8.4	10.9	11.4	10.5	12.1
Jagran Prakashan (JAGPRA)	110	111	Hold	3,498	5.6	8.3	7.9	19.4	13.2	13.9	11.7	10.6	8.2	23.1	22.0	26.9	23.7	30.3	25.8
PVR (PVRLIM)	264	282	Hold	684	9.8	16.4	21.7	26.9	16.1	12.2	11.5	6.7	4.9	9.0	11.1	12.6	9.1	12.4	14.1
Sun TV (SUNTV)	424	498	Buy	19,626	17.6	16.8	21.4	24.1	25.2	19.8	11.6	10.9	8.9	35.7	32.6	35.7	26.6	23.2	25.7
ZEE Ent. (ZEE TEL)	221	268	Buy	21,194	6.1	7.1	8.6	36.0	31.2	25.7	28.2	23.6	18.9	20.5	21.2	22.4	17.1	17.2	17.9

Source: Company, ICICIdirect.com Research

RATING RATIONALE

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Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



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