



NEUTRAL

Price	Rs102
Target Price	-
Investment Period	-

Stock Info

Sector	Print Media
Market Cap (Rs cr)	2,493
Beta	1.0
52 WK High / Low	134 / 26
Avg Daily Volume	462391
Face Value (Rs)	2

BSE Sensex	15,670
Nifty	4,636

BSE Code	532608
NSE Code	DCHL
Reuters Code	DCHL.BO
Bloomberg Code	DECH @IN

Shareholding Pattern (%)

Promoters	63.0
MF/Banks/Indian FIs	16.5
FII/ NRIs/ OCBs	14.7
Indian Public	5.8

Abs.	3m	1yr	3yr
Sensex (%)	37.4	9.2	45.9
DCHL (%)	67.0	(7.5)	31.7

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Performance Highlights

- Modest Top-line growth, up 12%:** For 1QFY2010, Deccan Chronicle Holdings (DCHL) reported modest 12% yoy growth to Rs216.6cr (Rs193.5cr) on a standalone basis, partially aided by higher Elections spend. Management has indicated that Top-line growth during the quarter was largely driven by rate hikes taken earlier (have started reflecting now), while volumes continue to be under pressure (fell yoy).
- Lower Interest costs boost Earnings, up 26%:** DCHL's Earnings for the quarter, on a standalone basis, registered a 26.3% yoy jump to Rs77cr (Rs61cr) despite modest Top-line growth and flattish Margins, largely aided by a 44% decline in Interest costs to Rs11.1cr (Rs19.8cr) and 19.4% rise in Other Income to Rs7.1cr (Rs5.9cr). While the Tax rate for the quarter remained flat in yoy terms, Depreciation charges increased by almost 30% yoy on account of higher capex.
- Operating Margins flat:** On the Operating front, DCHL registered a flattish performance with Operating Margins at 48.9% driving 11.9% yoy growth in EBITDA (driven by Top-line growth) to Rs105.9cr (Rs94.7cr). Newsprint costs remained flat (as a % of Net Sales), but increased 11.5% yoy in absolute terms owing to higher Circulation. We believe that full benefits of falling newsprint prices (have declined from peak of US \$950 to US \$600) has still not kicked in due to higher priced inventory. In terms of other costs, while Staff costs increased by 134bp yoy during the quarter, Other expenditure fell by 117bp yoy. Going ahead, we expect DCHL to benefit significantly from the decline in newsprint costs as full benefits of lower prices and Rupee appreciation kick in. However, stiffer competition in Chennai and initial losses on account of the Bangalore edition and Financial Chronicle are likely to keep the company's Margin expansion under check.

Key Financials (Standalone)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	782	815	901	1,035
% chg	41.5	4.2	10.6	14.8
Net Profit	271.9	140.1	208.8	276.0
% chg	68.5	(48.5)	49.1	32.2
OPM (%)	62.1	32.9	39.8	41.0
EPS (Rs)	11.1	5.7	8.5	11.3
P/E (x)	9.2	17.8	12.0	9.1
P/BV (x)	2.3	2.2	2.0	1.7
RoE (%)	25.5	12.4	16.4	18.5
RoCE (%)	23.7	14.0	19.7	21.1
EV/Sales (x)	3.1	3.2	2.9	2.5
EV/EBITDA (x)	5.0	9.7	7.3	6.0

Source: Company, Angel Research

Outlook and Valuation

We have marginally revised our Top-line estimates for DCHL to factor in higher-than-anticipated 1QFY2010 results. Going ahead, we expect Advertising Revenues to pick up in 2HFY2010 driven by the up-tick in economic activity and higher spend by Sectors like Real Estate, BFSI and Auto. During FY2009-11E, we expect DCHL to post a CAGR of 12.7% in Standalone Revenue aided by 13% CAGR in Advertising Revenue and 8.7% CAGR in Circulation Revenue (mainly driven by improved traction in Bangalore edition in FY2011E). However, a weak macro-economic environment, lower inventory utilisation, higher competitive pressures and inability to pass on rate hikes are likely to keep the company's Top-line growth under pressure in FY2010E.

In terms of Earnings, we have revised our estimates upwards by 24% and 21% for FY2010E and FY2011E respectively, to factor in the significant drop in newsprint costs (reflective in both 4QFY2009 and 1QFY2010 results). We expect Margins to improve by 800bp over FY2009-11E driven by lower newsprint costs, lower losses in new initiatives and higher operating leverage (as Ad-rate hikes get absorbed). However, stiffer competition in Chennai and initial losses on account of the Bangalore edition and Financial Chronicle are likely to keep Margin expansion under check. Overall, we expect DCHL to report CAGR of 40.4% in Bottom-line over FY2009-11E driven by higher Margins.

At Rs101, the stock is trading at 9.1x revised FY2011E standalone Earnings not factoring in upside from IPL's stake sale (management has indicated potential stake sale once the equity markets stabilise). However, **we believe DCHL's core Print Media business is in for tough times owing to stiffer competition from players like Times of India (TOI). Hence, we maintain a Neutral view on the stock.**

Exhibit 1: 1QFY2010 Performance (Standalone)

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
Net Sales	216.6	193.5	11.9	814.9	782.4	4.2
Consumption of RM	85.5	76.7	11.5	442.7	234.3	89.0
(% of Sales)	39.5	39.6		54.3	29.9	
Staff Costs	14.1	10.0	41.1	49.4	26.1	88.9
(% of Sales)	6.5	5.2		6.1	3.3	
Other Expenses	11.1	12.2	(8.8)	54.6	36.0	51.6
(% of Sales)	5.1	6.3		6.7	4.6	
Total Expenditure	110.7	98.8	12.0	546.7	296.4	84.4
Operating Profit	105.9	94.7	11.9	268.2	486.0	(44.8)
OPM (%)	48.9	48.9		32.9	62.1	
Interest	11.1	19.8	(44.1)	70.9	76.8	(7.6)
Depreciation	9.9	7.7	29.8	32.1	28.0	14.5
Other Income	7.1	5.9	19.4	42.7	37.9	12.7
PBT (excl. Ext Items)	92.0	73.2	25.7	207.9	419.1	(50.4)
Ext Income/(Expense)	-	-		-	-	
PBT (incl. Ext Items)	92.0	73.2	25.7	207.9	419.1	(50.4)
(% of Sales)	42.5	37.8		25.5	53.6	
Provision for Taxation	15.0	12.2	23.0	67.9	147.1	(53.9)
(% of PBT)	16.3	16.7		32.6	35.1	
Recurring PAT	77.0	61.0	26.3	140.1	271.9	(48.5)
PATM (%)	35.6	31.5		17.2	34.8	
Reported PAT	77.0	61.0	26.3	140.1	271.9	(48.5)
Equity shares (cr)	24.5	24.5		24.5	24.5	
EPS (Rs)	3.1	2.5		5.7	11.1	

Source: Company, Angel Research


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