

Weak performance!

About the stock: DB Corp is India's largest print media company that publishes five newspapers in three languages (Hindi, Gujarati and Marathi) across 12 states in India.

- Other segments of the company include radio (MY FM) with a presence in seven states and 30 cities and digital business.

Q1FY22 Results: DB Corp reported a weak sequential performance.

- Revenues at ₹ 304.3 crore were up 45% on a depressed base but down 33% QoQ. Print & digital ad revenue was up 57% YoY (down 45% QoQ) on the base of 76% decline while subscription revenues remained resilient and were up 19.3% YoY and flattish QoQ at ₹ 110.6 crore. Radio ad revenue registered growth of 95% YoY (de-growth of 44% QoQ)
- EBITDA was at ₹ 1.4 crore while margins at 0.5% vs. loss in base quarter
- Reported losses were at ₹ 22.3 crore

What should investors do? DB Corp's share price has declined by ~78% over the past five years, owing to print/radio sector weakness.

- We maintain our HOLD rating as we believe that print growth recovery could be slow and higher newsprint prices could pose further risks on margins

Target Price and Valuation: We value DB Corp at ₹ 90 i.e. 6x FY23E P/E.

Key triggers for future price performance:

- Lowering of newsprint prices which is key to recovery of margins
- Recovery in print and radio ad
- Return of government ad, which forms key for news segment

Alternate Stock Idea: Besides DB Corp, we like PVR in the media space.

- A play on reopening and improving market share of multiplexes
- BUY with a target price of ₹ 1610



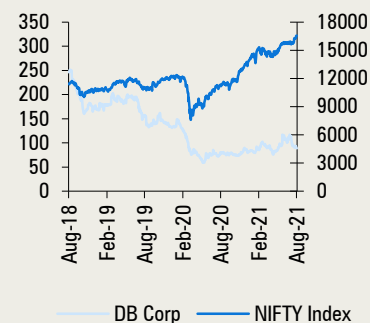
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	1,671.0
Total Debt (FY21) (₹ Crore)	56.3
Cash (FY21) (₹ Crore)	312.5
EV (₹ Crore)	1,414.7
52 week H/L	125/ 73
Equity Capital (₹ crore)	175.0
Face value	10.0

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	71.8	71.8	71.8	71.8
DII	3.9	3.9	3.9	3.9
FII	15.6	14.8	13.2	12.5
Other	8.7	9.5	11.1	11.8

Price Chart



Key risks

Key Risk: (i) Higher newsprint prices, (ii) Faster recovery

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Key Financial Summary

(Year-end March)	FY19	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	2 yr CAGR (FY20-23E)
Net Sales (₹ crore)	2,462.7	2,223.8	1,507.7	(6.0)	1,755.3	2,024.2	15.9
EBITDA (₹ crore)	504.2	481.5	304.8	(10.6)	360.2	466.4	23.7
Net Profit (₹ crore)	273.8	275.0	141.4	(13.5)	179.6	255.8	34.5
EPS (₹)	15.7	15.7	8.1		10.3	14.6	
P/E (x)	5.8	5.8	11.2		8.8	6.2	
Price / Book (x)	0.9	0.9	0.9		0.9	0.8	
EV/EBITDA (x)	3.2	3.5	4.6		3.6	2.6	
RoCE (%)	21.0	19.3	10.4		13.7	18.3	
RoE (%)	15.0	16.4	7.2		9.8	13.4	

Key performance highlight and outlook

Management expects ad recovery from festive season

We highlight that print+digital revenues were at ~39% of pre-Covid levels in Q1FY22. The company indicated that July recovery rate reached ~75% and festive season should driver further recovery. The company, however, has also been impacted by discontinuance of advertising by a few state governments. The management outlined four key categories – auto, education, real estate and FMCG as driver of ad growth, which are likely to remain the same. Cover prices were up 2% QoQ (at ₹ 2.9) and ~10% YoY as the company took circulation pricing hike to counter the rising newsprint. We now bake in lower print+digital ad revenue at ₹ 1296 crore in FY23E with 18.3% CAGR in FY21-23E on suppressed base. We estimate circulation revenue CAGR of ~11% in FY21-23E with circulation reaching pre-Covid levels in FY23.

Higher newsprint to restrict EBITDA growth

The management indicated that newsprint prices were up 14% QoQ. They are expected to rise further by 2-3% in Q1FY22. The major reasons for news print price rise has been a) higher demand from China, rise in logistics cost and higher cost of waste paper. The company also indicated imported newsprint mix has also increased for the company amid 35% YoY rise in domestic newsprint. It continues to benefit from forward contracts in imported newspaper. Continued higher newsprint will be key risk, in our view. We are baking in 20.5% and 23% margins in FY22E and FY23E, respectively. On the tax raid front, the company indicated that it is yet to receive observation from CBDT.

The impact of rising newsprint prices remains a concern. We would also monitor how advertisement growth recovery happens, especially government ad pie. We cut our FY22, FY23 earnings by 17%, 13%, respectively. We maintain HOLD rating and value the stock at 6x FY23E EPS with a target price of ₹ 90 (vs. earlier TP of ₹ 120).

Exhibit 1: Variance Analysis

₹ crore	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)	Comments
Revenue	304.3	210.4	456.6	44.6	-33.4	Weak sequential performance impacted by second wave
Other Income	3.7	5.3	3.5	-29.5	5.2	
Raw Material Expenses	109.6	80.2	121.3	36.7	-9.7	
Employee Expenses	88.1	92.3	106.1	-4.5	-16.9	
(Increase) / Decrease in Stock of Finished Goods	-0.1	0.1	-0.4	-266.0	-80.2	
Administrative Expenses	0.0	0.0	0.0	NA	NA	
Other operating Expenses	105.2	71.0	128.5	48.3	-18.1	
EBITDA	1.4	-33.1	101.1	PL	-98.6	
EBITDA Margin (%)	0.5	-15.7	22.1	1617 bps	-2168 bps	
Depreciation	27.8	28.9	28.2	-3.6	-1.2	
Interest	5.5	7.1	4.8	-22.1	15.1	
Total Tax	-6.0	-15.7	23.0	NM	-125.9	
PAT	-22.3	-48.0	61.9	NM	-135.9	
Key Metrics						
Print+ Digital revenue growth	57.5%	-75.6%	-5.7%			
Circulation Revenue Growth	19.3%	-29.4%	-8.0%			
Newsprint Costs (₹ crore)	109.6	80.2	121.3	36.7	-9.7	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,838.2	1,755.3	-4.5	2,054.0	2,024.2	-1.5	
EBITDA	404.9	360.2	-11.0	513.4	466.4	-9.1	
EBITDA Margin (%)	22.0	20.5	-151 bps	25.0	23.0	-195 bps	
PAT	216.5	179.6	-17.1	295.2	255.8	-13.3	
EPS (₹)	12.4	10.3	-17.1	16.9	14.6	-13.3	

Source: Company, ICICI Direct Research

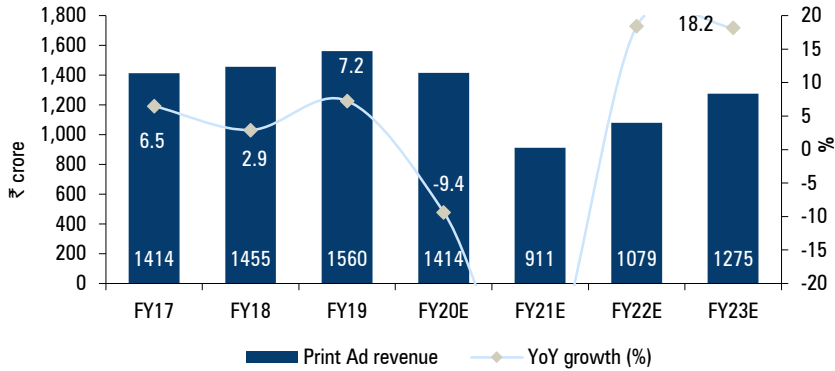
Exhibit 3: Assumptions

	Current				Earlier		
	FY19	FY20	FY21E	FY22E	FY23E	FY22E	FY23E
Print+ Digital revenue growth	6.7%	-11.4%	-35.0%	18.4%	18.1%	27.4%	10.1%
Circulation Revenue Growth	3.4%	-2.2%	-19.0%	10.5%	12.4%	7.1%	14.8%
Newsprint Costs (₹ Crore)	922.6	766.4	421.4	548.9	658.8	606.1	701.4

Source: Company, ICICI Direct Research

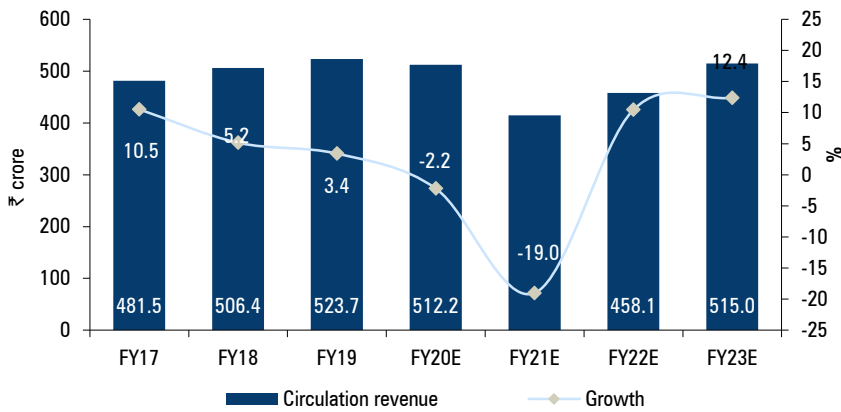
Story in Charts

Exhibit 4: Print & digital ad revenue trend



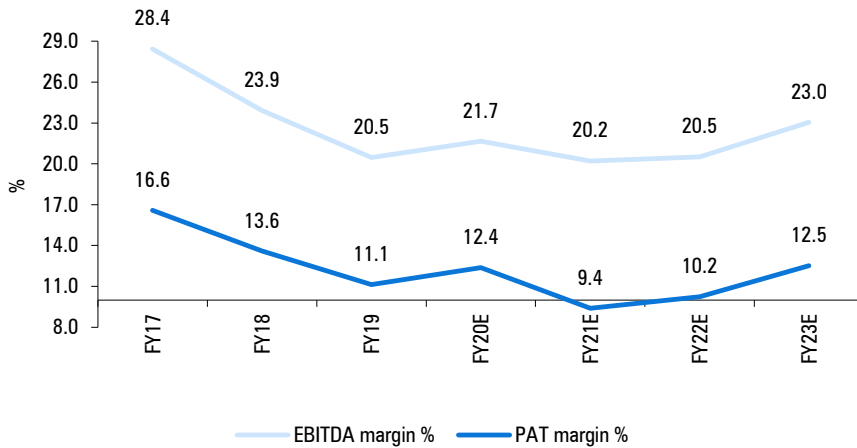
Source: Company, ICICI Direct Research

Exhibit 5: Circulation revenue trend



Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	2,223.8	1,507.7	1,755.3	2,024.2
Growth (%)	-9.7	-32.2	16.4	15.3
Raw Material Expenses	766.2	421.4	548.9	658.8
Employee Expenses	418.1	379.4	381.9	413.1
Other Operating Expenses	557.8	401.9	464.3	485.9
Other expenses	0.2	0.3	(0.1)	-
Total Operating Expenditure	1,742.3	1,202.9	1,395.1	1,557.8
EBITDA	481.5	304.8	360.2	466.4
Growth (%)	-4.5	-36.7	18.2	29.5
Depreciation	120.7	114.9	108.8	117.4
Interest	25.1	24.3	22.0	22.0
Other Income	12.5	14.5	14.8	15.0
Exceptional Items	-	(13.2)	-	-
PBT	348.2	193.2	244.2	342.0
MI/PAT from associates	-	-	-	-
Total Tax	73.2	51.8	64.6	86.2
PAT	275.0	141.4	179.6	255.8
Growth (%)	0.4	-48.6	27.0	42.5
EPS (₹)	15.7	8.1	10.3	14.6

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	275.0	141.4	179.6	255.8
Add: Depreciation	120.7	114.9	108.8	117.4
Add: Interest Paid	25.1	24.3	22.0	22.0
(Inc)/dec in Current Assets	11.2	162.6	25.1	-114.6
Inc/(dec) in CL and Provisions	-10.0	-47.0	49.3	52.9
Others	0.0	0.0	0.0	0.0
CF from operating activities	422.0	396.2	384.8	333.6
(Inc)/dec in Investments	18.4	3.8	-40.0	-40.0
(Inc)/dec in Fixed Assets	59.7	-56.5	-50.0	-50.0
Others	-166.5	-33.0	20.0	20.0
CF from investing activities	-88.4	-85.7	-70.0	-70.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	117.3	-111.9	-50.0	-50.0
Dividend paid & dividend tax	-378.9	-52.5	-174.9	-174.9
Interest Paid	25.1	24.3	22.0	22.0
Others	-94.8	6.9	-44.0	-44.0
CF from financing activities	-331.2	-133.1	-246.9	-246.9
Net Cash flow	2.3	177.3	67.8	16.7
Opening Cash	132.9	135.2	312.5	380.4
Closing Cash	135.2	312.5	380.4	397.1

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	175.0	175.0	175.0	175.0
Reserve and Surplus	1503.5	1647.9	1652.6	1733.5
Total Shareholders funds	1678.4	1822.9	1827.5	1908.5
Total Debt	168.2	56.3	6.3	-43.7
Others	268.9	273.4	293.4	313.4
Total Liabilities	2115.5	2152.6	2127.3	2178.2
Assets				
Gross Block	1713.2	1770.1	1820.1	1870.1
Less: Acc Depreciation	908.9	1023.8	1132.6	1250.0
Net Block	804.3	746.4	687.5	620.1
Capital WIP	0.9	0.4	0.4	0.4
Total Fixed Assets	805.2	746.8	688.0	620.6
Right of Use	415.2	453.8	453.8	453.8
Investments	18.2	14.3	54.3	94.3
Goodwill on consolidation	1.9	1.9	1.9	1.9
Inventory	252.9	233.5	202.0	232.9
Debtors	630.6	496.9	495.3	571.2
Loans and Advances	30.7	25.3	29.4	33.9
Other Current Assets	85.0	81.0	84.9	88.1
Cash	135.2	312.5	380.4	397.1
Total Current Assets	1134.4	1149.2	1192.0	1323.2
Creditors	276.8	230.2	268.0	309.1
Provisions	26.2	27.3	31.8	36.6
Other Current Liabilities	67.4	65.8	72.8	79.8
Total Current Liabilities	370.4	323.4	372.6	425.5
Net Current Assets	764.1	825.8	819.3	897.7
Other non current assets	111.0	109.9	109.9	109.9
Application of Funds	2115.5	2152.6	2127.3	2178.2

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	15.7	8.1	10.3	14.6
Cash EPS	22.6	14.7	16.5	21.3
BV	96.0	104.2	104.5	109.1
DPS	10.0	3.0	10.0	10.0
Cash Per Share	59.7	76.4	86.5	94.2
Operating Ratios (%)				
EBITDA Margin	21.7	20.2	20.5	23.0
EBIT / Total Operating income	16.2	12.6	14.3	17.2
PAT Margin	12.4	8.7	10.2	12.6
Inventory days	41.5	56.5	42.0	42.0
Debtor days	103.5	120.3	103.0	103.0
Creditor days	45.4	55.7	55.7	55.7
Return Ratios (%)				
RoE	16.4	7.2	9.8	13.4
RoCE	19.3	10.4	13.7	18.3
RoIC	24.9	14.9	21.3	28.7
Valuation Ratios (x)				
P/E	5.8	11.2	8.8	6.2
EV / EBITDA	3.5	4.6	3.6	2.6
EV / Net Sales	0.8	0.9	0.7	0.6
Market Cap / Sales	0.8	1.1	1.0	0.8
Price to Book Value	0.9	0.9	0.9	0.8
Solvency Ratios				
Debt/EBITDA	0.3	0.2	0.0	-0.1
Debt / Equity	0.1	0.0	0.0	0.0
Current Ratio	2.7	2.6	2.2	2.2
Quick Ratio	2.0	1.9	1.6	1.6

Source: Company, ICICI Direct Research

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