

Strong growth on washout base...

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

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

Q2FY22 Results:

- DB Corp reported strong performance on a depressed base
- Revenues at ₹ 446.8 crore, were up ~29% on depressed base (Q2FY21 revenues were down ~35%). Print & digital ad revenue was up ~32% YoY on base of 38% decline while subscription revenues remained resilient and were up 12.1% YoY driven by cover price hike. Radio ad revenue registered growth of 58% YoY (base had ~42% decline)
- EBITDA was at ₹ 100.9 crore, up ~42% with margins at 22.6%, up 207 bps
- Reported PAT was at ₹ 53.8 crore was up ~89% YoY

What should investors do? DB Corp's share price has declined by ~74% over the past five years, owing to print/radio sector weakness.

- We maintain our HOLD rating as growth trajectory of print post normalisation is does not have the visibility while higher newsprint prices risks on margins remain

Target Price and Valuation: We value DB Corp at ₹ 100 i.e. 6x FY23E P/E

Key triggers for future price performance:

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

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

- A play on reopening and improving market share of multiplexes
- BUY with a target price of ₹ 495



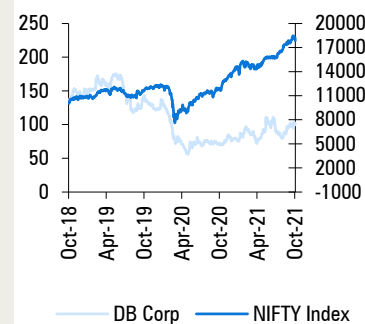
Particulars

Particular	Amount
Market Capitalization (₹ Crore)	1,855.9
Total Debt (FY21) (₹ Crore)	56.3
Cash (FY21) (₹ Crore)	312.5
EV (₹ Crore)	1,599.7
52 week H/L	125/ 73
Equity Capital (₹ crore)	175.0
Face value	10.0

Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	71.8	71.8	71.8	71.8
DII	3.9	3.9	3.9	3.9
FII	14.8	13.2	12.5	12.2
Other	9.5	11.1	11.8	12.1

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)	1,808.0	2,078.4	17.4
EBITDA (₹ crore)	504.2	481.5	304.8	(10.6)	407.7	512.1	29.6
Net Profit (₹ crore)	273.8	275.0	141.4	(13.5)	214.1	291.4	43.5
EPS (₹)	15.7	15.7	8.1		12.2	16.7	
P/E (x)	6.4	6.4	12.5		8.2	6.1	
Price / Book (x)	1.0	1.1	1.0		0.9	0.9	
EV/EBITDA (x)	3.5	3.9	5.2		3.6	2.6	
RoCE (%)	21.0	19.3	10.4		15.8	19.9	
RoE (%)	15.0	16.4	7.2		11.5	14.7	

Key performance highlight and outlook

Management expects strong ad traction in festive season

We highlight that print+digital revenues were at ~82% of pre-Covid levels in Q2FY22. As per the company, the recovery rate was at ~95%, excluding government ad. We note that company continues to face no advertisements from certain state governments. The company indicated that during festive period it has witnessed ad recovery ranging from single to double digit growth over pre-pandemic revenues and therefore **expects single digit growth in Q3 over pre-pandemic ad revenues**. The cover prices were up ~9% YoY as the company took circulation pricing hike to counter the rising newsprint. We now bake in print+digital ad revenue at ₹ 1344 crore in FY23E with 20.5% CAGR in FY21-23E on depressed base. We estimate circulation revenue CAGR of ~11% in FY21-23E with circulation reaching pre-covid levels in FY23.

Higher newsprint remains a key monitorable

The management indicated that newsprint prices were up 16% YoY. **The company continued to benefit from forward contracts in imported newspaper. Therefore, in Q3 it expects 7-8% higher newsprint costs QoQ.** Continued higher newsprint will be key risk, in our view, to the overall margins ahead. On the cost saving front, it expects half of savings of ₹ 195 crore seen in FY21 to sustain. We are baking in 22.6% and 24.6% margins in FY22E and FY23E, respectively.

The impact of rising newsprint prices remains a concern. We would also monitor how advertisement growth recovery happens, especially government ad pie. Clarity over tax raid is also awaited. We maintain HOLD rating and value the stock at 6x FY23E EPS with a target price of ₹ 100.

Exhibit 1: Variance Analysis

₹ crore	Q2FY22	Q2FY21	Q1FY22	YoY (%)	QoQ (%)	Comments
Revenue	446.8	346.4	304.3	29.0	46.8	
Other Income	4.5	3.4	3.7	30.6	19.8	
Raw Material Expenses	128.4	98.6	109.6	30.2	17.2	
Employee Expenses	95.2	89.9	88.1	5.9	8.0	
(Increase) / Decrease in Stock of Finished Goods	-0.1	0.7	-0.1	-106.8	-38.6	
Other operating Expenses	122.3	86.0	105.2	42.2	16.2	
EBITDA	101.0	71.1	1.4	42.0	7,065.6	
EBITDA Margin (%)	22.6	20.5	0.5	207 bps	2213 bps	EBITDA margins improve on account of revenues recovery and cost control initiatives
Depreciation	27.6	28.8	27.8	-4.2	-0.7	
Interest	4.7	6.9	5.5	-31.1	-14.0	
Total Tax	19.3	10.3	-6.0	NM	NM	
PAT	53.8	28.5	-22.3	NM	NM	

Key Metrics

Print+ Digital revenue growth	31.8%	-37.9%	57.5%		
Circulation Revenue Growth	12.1%	-19.7%	19.3%		
Newsprint Costs (₹ crore)	128.4	98.6	109.6	30.2	17.2

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,755.3	1,808.0	3.0	2,024.2	2,078.4	2.7	
EBITDA	360.2	407.7	13.2	466.4	512.1	9.8	
EBITDA Margin (%)	20.5	22.6	203 bps	23.0	24.6	160 bps	Raise margins estimates on effective cost control
PAT	179.6	214.1	19.2	255.8	291.4	13.9	
EPS (₹)	10.3	12.2	19.2	14.6	16.7	13.9	

Source: Company, ICICI Direct Research

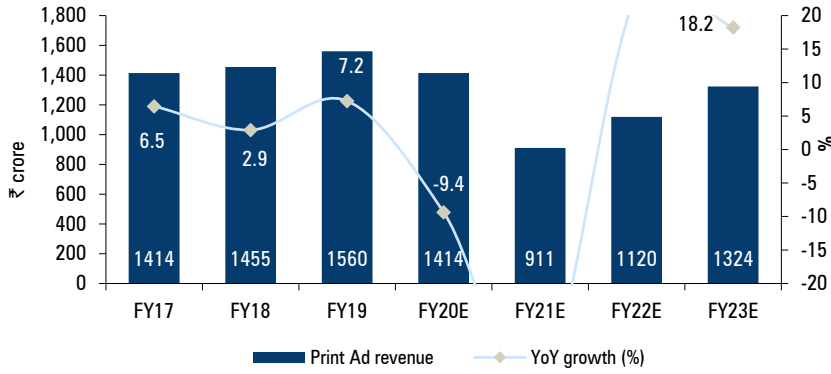
Exhibit 3: Assumptions

	Current				Earlier		
	FY19	FY20	FY21E	FY22E	FY23E	FY22E	FY23E
Print+ Digital revenue growth	6.7%	-11.4%	-35.1%	22.9%	18.1%	18.4%	18.1%
Circulation Revenue Growth	3.4%	-2.2%	-19.0%	11.3%	11.6%	10.5%	12.4%
Newsprint Costs (₹ Crore)	922.6	766.4	421.4	528.8	647.4	548.9	658.8

Source: Company, ICICI Direct Research

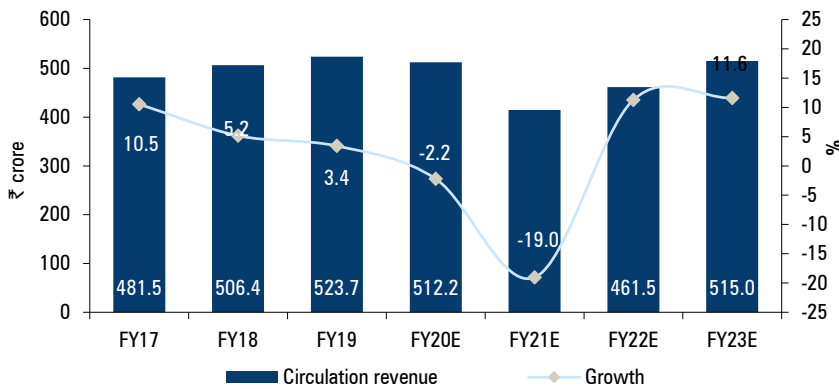
Story in Charts

Exhibit 4: Print & digital ad revenue trend



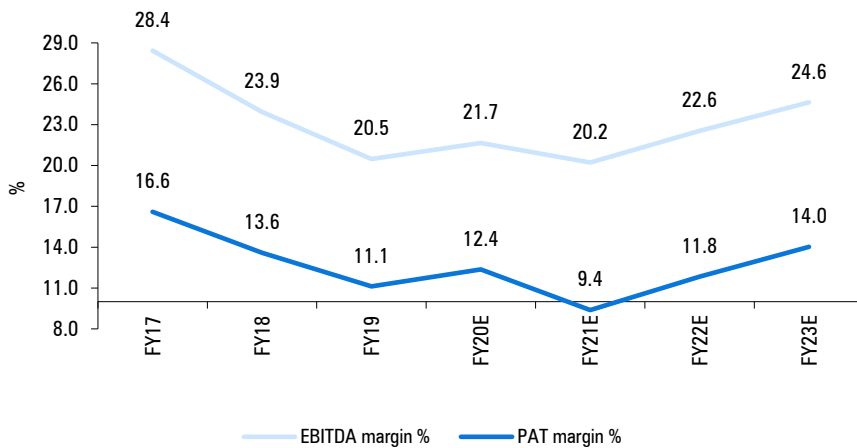
Source: Company, ICICI Direct Research

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	1,808.0	2,078.4
Growth (%)	-9.7	-32.2	19.9	15.0
Raw Material Expenses	766.2	421.4	528.7	647.4
Employee Expenses	418.1	379.4	388.1	419.9
Other Operating Expenses	557.8	401.9	483.6	499.0
Other expenses	0.2	0.3	(0.1)	-
Total Operating Expenditure	1,742.3	1,202.9	1,400.2	1,566.3
EBITDA	481.5	304.8	407.7	512.1
Growth (%)	-4.5	-36.7	33.8	25.6
Depreciation	120.7	114.9	112.1	120.5
Interest	25.1	24.3	20.3	20.0
Other Income	12.5	14.5	16.2	18.0
Exceptional Items	-	(13.2)	-	-
PBT	348.2	193.2	291.5	389.6
MI/PAT from associates	-	-	-	-
Total Tax	73.2	51.8	77.5	98.2
PAT	275.0	141.4	214.1	291.4
Growth (%)	0.4	-48.6	51.4	36.1
EPS (₹)	15.7	8.1	12.2	16.7

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	214.1	291.4
Add: Depreciation	120.7	114.9	112.1	120.5
Add: Interest Paid	25.1	24.3	20.3	20.0
(Inc)/dec in Current Assets	11.2	162.6	0.7	-115.0
Inc/(dec) in CL and Provisions	-10.0	-47.0	60.5	53.1
Others	0.0	0.0	0.0	0.0
CF from operating activities	422.0	396.2	407.6	370.0
(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	20.3	20.0
Others	-94.8	6.9	-40.5	-40.0
CF from financing activities	-331.2	-133.1	-245.2	-244.9
Net Cash flow	2.3	177.3	92.4	55.1
Opening Cash	132.9	135.2	312.5	405.0
Closing Cash	135.2	312.5	405.0	460.1

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	1687.1	1803.6
Total Shareholders funds	1678.4	1822.9	1862.1	1978.5
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	2161.8	2248.3
Assets				
Gross Block	1713.2	1770.1	1820.1	1870.1
Less: Acc Depreciation	908.9	1023.8	1135.9	1256.4
Net Block	804.3	746.4	684.3	613.7
Capital WIP	0.9	0.4	0.4	0.4
Total Fixed Assets	805.2	746.8	684.7	614.1
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	208.0	239.2
Debtors	630.6	496.9	510.2	586.5
Loans and Advances	30.7	25.3	30.3	34.8
Other Current Assets	85.0	81.0	87.4	90.5
Cash	135.2	312.5	405.0	460.1
Total Current Assets	1134.4	1149.2	1240.9	1411.1
Creditors	276.8	230.2	276.1	317.4
Provisions	26.2	27.3	32.7	37.6
Other Current Liabilities	67.4	65.8	75.0	81.9
Total Current Liabilities	370.4	323.4	383.8	436.9
Net Current Assets	764.1	825.8	857.1	974.2
Other non current assets	111.0	109.9	109.9	109.9
Application of Funds	2115.5	2152.6	2161.8	2248.3

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	12.2	16.7
Cash EPS	22.6	14.7	18.6	23.6
BV	96.0	104.2	106.5	113.1
DPS	10.0	3.0	10.0	10.0
Cash Per Share	59.7	76.4	88.1	98.1
Operating Ratios (%)				
EBITDA Margin	21.7	20.2	22.6	24.6
EBIT / Total Operating income	16.2	12.6	16.4	18.8
PAT Margin	12.4	8.7	11.8	14.0
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	11.5	14.7
RoCE	19.3	10.4	15.8	19.9
RoIC	24.9	14.9	24.8	32.0
Valuation Ratios (x)				
P/E	6.4	12.5	8.2	6.1
EV / EBITDA	3.9	5.2	3.6	2.6
EV / Net Sales	0.8	1.1	0.8	0.7
Market Cap / Sales	0.8	1.2	1.0	0.9
Price to Book Value	1.1	1.0	0.9	0.9
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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