

DB CORP

Newsprint cost dampens margin; Ad recovery likely

India Equity Research | Media



DB Corp's (DBCL) Q1FY19 revenue came in line, while EBITDA and PAT surpassed estimates. Key positives: (i) ad revenue grew 5% YoY largely driven by volume (HMTL's fell 7% YoY); and (ii) circulation revenue jumped 10.3% YoY driven by the company's circulation expansion strategy. Key negative was the 479bps YoY slip in EBITDA margin. This was due to 27.7% YoY jump in raw material cost led by increase in newsprint price and expansion drive primarily across Bihar, Rajasthan, Madhya Pradesh and Gujarat. Going ahead, we envisage election benefit in core markets, IRS 2018 numbers and monetisation of expansion efforts to boost DBCL's ad revenue. However, spurt in newsprint cost remains an overhang. Factoring the same, we cut FY19/20E PAT 8.9%/6.4%, respectively, but retain 15x FY20 target PE to arrive at revised TP of INR319 (earlier INR341). Maintain 'BUY'.

Circulation expansion strategy yields results; ad growth to recover

DBCL's circulation growth sustained healthy run—up 10.3% YoY due to circulation expansion strategy (**our estimate: 9.7% YoY in FY19**). Print ad revenue grew 5% YoY. We estimate ad growth to pick up to 7% YoY in FY19 aided by Centre and state elections. Radio ad revenue disappointed—up mere 2% YoY.

Q1FY19 conference call: Key takeaways

(1) Circulation expansion strategy has delivered excellent growth of almost 12% since initiation from around 5.1mn copies in June 2017 to around 5.8mn copies in June 2018, an increase of almost 700,000 copies; (2) The company is focusing on real estate, automobile and FMCG sectors to drive ad growth.; and (3) Phase 3 stations turned EBITDA profitable on growing popularity and prudent cost controlling initiatives; and (4) Mix for the newsprint cost stands at 70% domestic and 30% imported.

Outlook and valuations: Positive; maintain 'BUY'

We expect elections in core markets & Centre, successful Bihar expansion drive, higher ad spends in the FMCG sector (led by volume growth recovery and innovations) and ad spends revival in real estate sector to aid DBCL. We cut FY19E and FY20E PAT 8.9% and 6.4%, respectively, due to higher COGS, but retain 15x FY20 target PE to arrive at revised TP of INR319 (earlier INR341). At CMP, the stock trades at 14.3x FY19E and 12.5x FY20E EPS. We maintain 'BUY/SP'.

Financials

| | (INR mn) | | | | | | | |
|------------------|----------|--------|----------|--------|----------|--------|--------|--------|
| Year to March | Q1FY19 | Q1FY18 | % change | Q4FY18 | % change | FY18 | FY19E | FY20E |
| Revenue | 6,324 | 5,943 | 6.4 | 5,673 | 11.5 | 23,285 | 25,154 | 27,523 |
| EBITDA | 1,680 | 1,864 | (9.8) | 979 | 71.6 | 5,638 | 6,155 | 6,907 |
| Adjusted Profit | 976 | 1,101 | (11.4) | 571 | 70.9 | 3,240 | 3,432 | 3,911 |
| Adj. Diluted EPS | 5.3 | 6.0 | (11.5) | 3.1 | 70.9 | 17.6 | 18.7 | 21.3 |
| Diluted P/E (x) | | | | | | 15.1 | 14.3 | 12.5 |
| EV/EBITDA (x) | | | | | | 18.4 | 16.9 | 17.5 |

EDELWEISS 4D RATINGS

| | |
|--------------------------------|------------|
| Absolute Rating | BUY |
| Rating Relative to Sector | Performer |
| Risk Rating Relative to Sector | Medium |
| Sector Relative to Market | Overweight |

MARKET DATA (R: DBCL.BO, B: DBCL IN)

| | |
|------------------------------|-------------|
| CMP | : INR 266 |
| Target Price | : INR 319 |
| 52-week range (INR) | : 393 / 235 |
| Share in issue (mn) | : 184.1 |
| M cap (INR bn/USD mn) | : 49 / 709 |
| Avg. Daily Vol.BSE/NSE('000) | : 125.7 |

SHARE HOLDING PATTERN (%)

| | Current | Q4FY18 | Q3FY18 |
|--|---------|--------|--------|
| Promoters * | 69.8 | 69.8 | 69.8 |
| MF's, FI's & BK's | 3.5 | 3.5 | 6.0 |
| FII's | 17.5 | 17.5 | 16.7 |
| Others | 9.1 | 9.1 | 7.4 |
| * Promoters pledged shares (% of share in issue) | : | NIL | |

PRICE PERFORMANCE (%)

| | Stock | Nifty | EW Media Index |
|-----------|--------|-------|----------------|
| 1 month | 4.4 | 1.1 | 4.8 |
| 3 months | (12.4) | 3.9 | 4.3 |
| 12 months | (27.3) | 10.6 | 63.1 |

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July 19, 2018

Table 1: Trends at a glance

| (INR mn) | Q1FY17 | Q2FY17 | Q3FY17 | Q4FY17 | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 | Q1FY19 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Print ad revenues | 3,734 | 3,303 | 4,006 | 3,097 | 3,903 | 3,503 | 3,775 | 3,370 | 4,110 |
| Circulation revenues | 1,176 | 1,179 | 1,243 | 1,217 | 1,220 | 1,273 | 1,319 | 1,320 | 1,345 |
| Mature edition revenues | 5,186 | 4,730 | 5,599 | 4,581 | 5,386 | 5,072 | 5,303 | 4,995 | 5,674 |
| Emerging editions revenues | 155 | 161 | 186 | 169 | 194 | 197 | 234 | 260 | 280 |
| Radio ad revenues | 281 | 299 | 363 | 330 | 312 | 349 | 336 | 362 | 317 |
| Digital revenues | 123 | 140 | 162 | 142 | 121 | 123 | 154 | 131 | 126 |
| EBITDA | 1,812 | 1,505 | 1,982 | 1,122 | 1,864 | 1,399 | 1,396 | 979 | 1,680 |
| Growth rate (%) | | | | | | | | | |
| Print ad growth | 20.2 | 7.3 | 2.4 | (2.7) | 4.5 | 6.1 | (5.8) | 8.8 | 5.3 |
| Circulation revenue growth | 15.1 | 11.5 | 8.9 | 7.1 | 3.7 | 8.0 | 6.1 | 8.5 | 10.2 |
| Mature edition revenues | 26.2 | 17.0 | 14.5 | 4.9 | 3.9 | 7.2 | (5.3) | 9.0 | 5.3 |
| Emerging editions revenues | (59.7) | (64.4) | (67.3) | (64.6) | 25.2 | 22.4 | 25.8 | 53.8 | 44.3 |
| Radio ad revenues | 30.7 | 24.6 | 12.4 | 10.7 | 11.0 | 16.7 | (7.4) | 9.7 | 1.6 |
| Digital revenues | 33.7 | 20.7 | 31.7 | 19.2 | (1.6) | (12.1) | (4.9) | (7.6) | 4.1 |
| EBITDA | 51.6 | 38.5 | 4.5 | (3.2) | 2.9 | (7.1) | (29.6) | (12.8) | (9.8) |
| % of revenue | | | | | | | | | |
| Raw material cost | 27.8 | 30.3 | 28.2 | 31.1 | 28.7 | 31.4 | 31.4 | 34.1 | 34.5 |
| EBITDA margins | 31.5 | 27.9 | 31.6 | 21.7 | 31.4 | 24.6 | 23.3 | 17.3 | 26.6 |
| PAT margins | 18.1 | 16.4 | 18.8 | 12.4 | 18.5 | 13.8 | 13.0 | 10.1 | 15.4 |

Source: Company, Edelweiss research

Q1FY19 conference call: Key highlights

Circulation revenue

- Circulation revenue grew 10.3% YoY largely an outcome of volume growth driven by the circulation expansion strategy.
- Circulation expansion strategy has delivered excellent growth of almost 12% since initiation from around 5.1mn copies in June 2017 to around 5.8mn copies in June 2018, an increase of almost 700,000 copies.
- Key additions have come from Gujarat, Bihar, Rajasthan and Madhya Pradesh.
- Continued with implementation of *Jeeto 15 crore Dobara* which has been an anchor effort in retaining and acquiring new readers.
- Average copies circulated during the quarter were 5.8mn.
- Average realisation per copy was INR2.59 for the quarter.
- Circulation expansion strategy is in final phase.
- Management expects double digit circulation revenue growth in FY19.

Print ad revenue

- Ad revenue grew 5% YoY largely driven by volume.
- Growth in circulated copies in Gujarat has given better bargaining power for ad rates.
- FMCG ad growth in Q1FY19 was at 8.5% and growth for education sector stands at 7%.
- Real estate and banking sectors were the dampeners during the quarter.
- Print ad growth for auto sector was flattish.

- Government advertising has picked up due to coming elections, which can aid ad revenue.
- Real estate sector has not shown any great sign of revival as of now.
- The company is focusing on real estate, automobile and FMCG sectors to drive ad growth.
- Management is guiding for high single digit ad growth for FY19.

Newsprint business

- Current newsprint cost is INR40,000 per tonne on consumed basis.
- Impact of higher newsprint price is 12%, but the overall impact is 14-15% due to higher circulation.
- Full impact of price will be seen in the coming quarter depending on consumption and management expects it to be ~20%.
- Cost of imported newsprint is USD750 per tonne.
- Domestic newsprint cost depends on quality. A graded quality newsprint cost is at par with imported newsprint cost.
- Mix for the newsprint cost stands at 70% domestic and 30% imported.
- DBCL believes newsprint cost will normalize after three-four quarters.

Radio

- Radio advertising revenue grew 2% YoY as central government ads clocked double digit decline.
- Corporate ads posted high double digit growth.
- Largest player in rest of Maharashtra & continues to be No. 1 in Chandigarh / Haryana / Punjab / Rajasthan / Madhya Pradesh & Chhattisgarh.
- Phase 3 stations turned EBITDA profitable on growing popularity and prudent cost controlling initiatives.
- Ad growth for legacy stations stood at strong double digit, but new stations' ad growth declined.
- Inventory utilisation for new stations stands at 50%.
- DBCL expects volume to increase for new stations over the next 18-24 months.

Digital

- www.Dainikbhaskar.com the largest Hindi news website continued to stand at the No. 1 spot.
- New look www.divyabhaskar.com: The world's largest Gujarati website has been relaunched as the global destination for Gujarati content with a new look and wide, exciting canvas of popular content.
- The company has changed its strategy and is looking to acquire direct traffic to its websites and apps and not through other social platforms.

- Introduced four new unique categories of content which will be seen first time ever in the industry.
- Divya Bhaskar in Gujarati www.divyabhaskar.com continues to be the largest news site in Gujarati.
- DB Digital has a strong position in almost 67% of the Indian language media space in terms of Unique Visitors and Page Views.

Margin

- DBCL is looking to take some rationalisation measures such as cutting the size of paper and reducing pagination to offset the impact of newsprint price hike.
- Promotional expenses will be lower for the next quarter.
- Management expects Q2FY19 EBITDA margin to be at the same level as Q1FY19.
- The company rationalized manpower in order to control employee cost.

Other takeaways

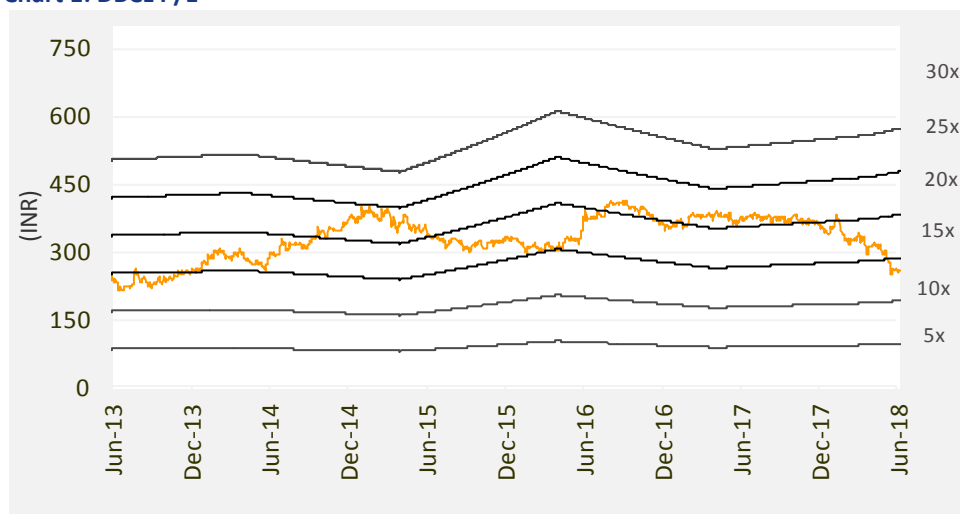
- Dainik Bhaskar launched daily election coverage news through unique initiative—*Mahabharat 365*.
- Buyback of shares is not a regular feature.
- Net cash of INR3.63bn; most of which will be used for buyback.
- Some barter ad deals underway with real estate advertisers.

Outlook and valuations: Positive; maintain 'BUY'

While DBCL remains one of the best plays in the domestic print space, it is ramping up in the digital domain as well. The company is expanding footprint in Maharashtra, Bihar and Jharkhand with an eye on higher circulation revenue, even as its dominance in Madhya Pradesh, Chhattisgarh and Rajasthan is expected to bolster ad revenue. Since its ad revenues are heavily dependent (~24-26%) on interest rate-sensitive sectors like BFSI, auto, real estate and consumer durables, interest rate cut by RBI is envisaged to aid ad growth.

We expect elections in core markets & Centre, successful Bihar expansion drive, higher ad spends in the FMCG sector (led by volume growth recovery and innovations) and ad spends revival in real estate sector to aid DBCL. We cut FY19E and FY20E PAT 8.9% and 6.4%, respectively, due to higher COGS, but retain 15x FY20 target PE to arrive at revised TP of INR319 (earlier INR341). At CMP, the stock trades at 14.3x FY19E and 12.5x FY20E EPS. We maintain 'BUY/SP'.

Chart 1: DBCL P/E



Source: Bloomberg, Edelweiss research

Financial snapshot

(INR mn)

| Year to March | Q1FY19 | Q1FY18 | % change | Q4FY18 | % change | FY18 | FY19E | FY20E |
|--------------------------|--------|--------|----------|--------|----------|--------|--------|--------|
| Net revenues | 6,324 | 5,943 | 6.4 | 5,673 | 11.5 | 23,285 | 25,154 | 27,523 |
| Raw material consumption | 2,181 | 1,708 | 27.7 | 1,935 | 12.7 | 7,307 | 7,790 | 8,287 |
| Employee expenses | 1,072 | 1,091 | (1.7) | 1,095 | (2.1) | 4,364 | 4,856 | 5,342 |
| Other expenses | 1,391 | 1,281 | 8.6 | 1,664 | (16.4) | 5,976 | 6,353 | 6,986 |
| Total expenditure | 4,644 | 4,079 | 13.8 | 4,694 | (1.1) | 17,647 | 18,999 | 20,615 |
| EBITDA | 1,680 | 1,864 | (9.8) | 979 | 71.6 | 5,638 | 6,155 | 6,907 |
| Depreciation | 243 | 220 | 10.7 | 243 | 0.3 | 924 | 975 | 1,004 |
| EBIT | 1,437 | 1,644 | (12.6) | 737 | 95.1 | 4,714 | 5,180 | 5,903 |
| Interest | 18 | 16 | 12.7 | 20 | (11.7) | 67 | 68 | 68 |
| Other income | 68 | 70 | (1.7) | 72 | (4.9) | 238 | 252 | 275 |
| Add: Prior period items | | | | | | | | |
| Add: Exceptional items | | | | | | | | |
| Profit before tax | 1,488 | 1,698 | (12.4) | 789 | 88.7 | 4,885 | 5,363 | 6,110 |
| Provision for taxes | 512 | 597 | (14.2) | 218 | 135.2 | 1,645 | 1,931 | 2,200 |
| Minority interest | | | | | | | | |
| Associate profit share | | | | | | | | |
| Reported net profit | 976 | 1,101 | (11.4) | 571 | 70.9 | 3,240 | 3,432 | 3,911 |
| Adjusted Profit | 976 | 1,101 | (11.4) | 571 | 70.9 | 3,240 | 3,432 | 3,911 |
| Diluted shares (mn) | 184 | 184 | | 184 | | 184 | 184 | 184 |
| Adjusted Diluted EPS | 5.3 | 6.0 | (11.5) | 3.1 | 70.9 | 17.6 | 18.7 | 21.3 |
| Diluted P/E (x) | - | - | | - | | 15.1 | 14.3 | 12.5 |
| EV/EBITDA (x) | - | - | | - | | 8.3 | 7.4 | 6.2 |
| ROAE (%) | - | - | | - | | 18.4 | 16.9 | 17.5 |
| Raw material | 34.5 | 28.7 | | 34.1 | | 31.4 | 31.0 | 30.1 |
| Employee cost | 16.9 | 18.4 | | 19.3 | | 18.7 | 19.3 | 19.4 |
| Other expenditure | 22.0 | 21.6 | | 29.3 | | 25.7 | 25.3 | 25.4 |
| EBITDA | 26.6 | 31.4 | | 17.3 | | 24.2 | 24.5 | 25.1 |
| Adjusted net profit | 15.4 | 18.5 | | 10.1 | | 13.9 | 13.6 | 14.2 |

Change in Estimates

| | FY19E | | | FY20E | | | Comments |
|-------------------|--------|--------|----------|--------|--------|----------|------------------------------|
| | New | Old | % change | New | Old | % change | |
| Net Revenue | 25,154 | 25,648 | (1.9) | 27,523 | 28,126 | (2.1) | |
| EBITDA | 6,155 | 6,674 | (7.8) | 6,908 | 7,319 | (5.6) | Due to higher newsprint cost |
| EBITDA Margin | 24.5 | 26.0 | | 25.1 | 26.0 | | |
| Adjusted Profit | 3,432 | 3,768 | (8.9) | 3,911 | 4,178 | (6.4) | |
| After Tax | | | | | | | |
| Net Profit Margin | 13.6 | 14.7 | | 14.2 | 14.9 | | |

Company Description

DBCL is a leading media conglomerate with strong focus on the fast growing tier II and III cities. It publishes 7 newspapers with Dainik Bhaskar 40 editions, Divya Bhaskar 7 editions, & Dainik Divya Marathi 7 editions, ~208 sub editions in 4 languages (Hindi, Gujarati, Marathi and English), 3 magazines, 30 radio stations and 4 online properties. Apart from print segment, the company is also present in radio and digital segments. In radio, it operates through its brand 'MY FM 94.3'. DBCL also has presence in the online news portal - dainikbhaskar.com, divyabhaskar.com and dailybhaskar.com are the company's online news portal.

Investment Theme

While DBCL remains one of the best plays in the Indian print space, it is ramping up in the digital domain too. The company is growing its footprint in Maharashtra, Bihar and Jharkhand with an eye on higher circulation revenues, even as its dominance in Madhya Pradesh, Chhattisgarh and Rajasthan will bolster ad revenues. Further, circulation revenue is clocking 15% YoY growth in last 2-3 years ahead of the industry growth. DBCL leverages its extensive network of sub-editions to tap the local ads. Since the company's ad revenues are heavily dependent on interest rate-sensitive sectors like BFSI, auto, real estate and consumer durables, any interest rate cut by the RBI will aid ad growth.

Key Risks

- Slow GDP growth may hamper ad growth
- Any escalation in newsprint prices could impact profitability
- Further depreciation of INR will increase forex losses

Financial Statements

Key Assumptions

| Year to March | FY17 | FY18 | FY19E | FY20E |
|---------------------------------------|------|-------|-------|-------|
| Macro | | | | |
| GDP(Y-o-Y %) | 6.6 | 6.5 | 7.1 | 7.6 |
| Inflation (Avg) | 4.5 | 3.8 | 4.5 | 5.0 |
| Repo rate (exit rate) | 6.3 | 6.0 | 6.0 | 6.5 |
| USD/INR (Avg) | 67.1 | 64.5 | 65.0 | 66.0 |
| Sector | | | | |
| Print industry ad growth (%) | 9.0 | 9.0 | 9.0 | 9.0 |
| Print industry circulation growth (%) | 6.0 | 6.0 | 6.0 | 6.0 |
| Company | | | | |
| Int rate on debt (%) | 5.7 | 7.0 | 7.0 | 7.0 |
| Sales assumptions | | | | |
| Print ad revenue growth (%) | 6.5 | 3.5 | 7.0 | 10.0 |
| Radio ad revenue growth (%) | 18.2 | 10.0 | 10.0 | 10.0 |
| Digital ad growth (%) | 23.7 | (5.0) | 5.0 | 5.0 |
| Total ad growth (%) | 7.9 | 3.7 | 7.2 | 9.8 |
| Net realisation increase (%) | 9.4 | 1.0 | 6.0 | 3.0 |
| No. of copies sold growth (%) | 1.5 | 5.0 | 1.0 | 5.0 |
| Print circulation revenue growth (%) | 10.2 | 3.0 | 9.7 | 8.2 |
| Cost assumptions | | | | |
| Pagination growth (%) | 0.8 | (0.9) | (0.4) | (3.2) |
| Newsprint usage growth (%) | 2.2 | 3.7 | 0.6 | 1.7 |
| Increase in newsprint costs (%) | 6.8 | 6.7 | 10.5 | 6.4 |
| Personnel cost(% of rev) | 19.0 | 18.9 | 19.3 | 19.4 |
| Financial assumptions | | | | |
| Tax rate (%) | 33.7 | 35.5 | 36.0 | 36.0 |
| Debtor days | 64 | 64 | 64 | 64 |
| Inventory days | 101 | 101 | 101 | 101 |
| Payable days | 68 | 68 | 68 | 68 |
| Cash conversion cycle | 98 | 98 | 98 | 98 |
| Dep. (% gross block) | 6.1 | 6.0 | 6.0 | 5.9 |

Income statement

(INR mn)

| Year to March | FY17 | FY18 | FY19E | FY20E |
|--------------------------|--------|--------|--------|--------|
| Net revenue | 22,580 | 23,285 | 25,154 | 27,523 |
| Direct costs | 6,609 | 7,307 | 7,790 | 8,287 |
| Employee costs | 4,286 | 4,364 | 4,856 | 5,342 |
| Total SG&A expenses | 5,264 | 5,976 | 6,353 | 6,986 |
| Total operating expenses | 16,158 | 17,647 | 18,999 | 20,615 |
| EBITDA | 6,422 | 5,638 | 6,155 | 6,907 |
| Depreciation | 863 | 924 | 975 | 1,004 |
| EBIT | 5,559 | 4,714 | 5,180 | 5,903 |
| Less: Interest Expense | 74 | 67 | 68 | 68 |
| Add: Other income | 169.69 | 237.54 | 251.54 | 275.23 |
| Profit Before Tax | 5,654 | 4,885 | 5,363 | 6,110 |
| Less: Provision for Tax | 1,907 | 1,645 | 1,931 | 2,200 |
| Reported Profit | 3,748 | 3,240 | 3,432 | 3,911 |
| Adjusted Profit | 3,748 | 3,240 | 3,432 | 3,911 |
| Shares o /s (mn) | 184 | 184 | 184 | 184 |
| Diluted shares o/s (mn) | 184 | 184 | 184 | 184 |
| Adjusted Diluted EPS | 20.4 | 17.6 | 18.7 | 21.3 |
| Dividend per share (DPS) | 8.3 | 1.8 | 6.5 | 7.5 |
| Dividend Payout Ratio(%) | 48.7 | 12.0 | 42.1 | 42.1 |

Common size metrics

| Year to March | FY17 | FY18 | FY19E | FY20E |
|--------------------|------|------|-------|-------|
| S G & A expenses | 23.3 | 25.7 | 25.3 | 25.4 |
| Direct Cost | 29.3 | 31.4 | 31.0 | 30.1 |
| EBITDA margins | 28.4 | 24.2 | 24.5 | 25.1 |
| Net Profit margins | 16.6 | 13.9 | 13.6 | 14.2 |

Growth ratios (%)

| Year to March | FY17 | FY18 | FY19E | FY20E |
|-----------------|------|--------|-------|-------|
| Revenues | 10.2 | 3.1 | 8.0 | 9.4 |
| EBITDA | 20.1 | (12.2) | 9.2 | 12.2 |
| Adjusted Profit | 28.3 | (13.6) | 5.9 | 13.9 |
| EPS | 28.3 | (13.7) | 5.9 | 13.9 |

| Balance sheet | | (INR mn) | | | |
|--------------------------|---------------|---------------|---------------|---------------|--|
| As on 31st March | FY17 | FY18 | FY19E | FY20E | |
| Share capital | 1,839 | 1,840 | 1,840 | 1,840 | |
| Reserves & Surplus | 14,105 | 17,451 | 19,437 | 21,700 | |
| Shareholders' funds | 15,944 | 19,291 | 21,277 | 23,541 | |
| Long term borrowings | 486 | 528 | 528 | 528 | |
| Short term borrowings | 561 | 449 | 449 | 449 | |
| Total Borrowings | 1,047 | 976 | 976 | 976 | |
| Long Term Liabilities | 338 | 92 | 92 | 92 | |
| Def. Tax Liability (net) | 788 | 804 | 804 | 804 | |
| Sources of funds | 18,117 | 21,163 | 23,150 | 25,413 | |
| Gross Block | 12,654 | 13,504 | 14,504 | 15,204 | |
| Net Block | 7,942 | 8,940 | 8,111 | 7,914 | |
| Capital work in progress | 214 | 213 | 214 | 214 | |
| Intangible Assets | 1,161 | 1,077 | 1,258 | 1,301 | |
| Total Fixed Assets | 9,316 | 10,229 | 9,583 | 9,429 | |
| Non current investments | 414 | 717 | 717 | 717 | |
| Cash and Equivalents | 1,744 | 3,219 | 4,644 | 7,126 | |
| Inventories | 1,987 | 1,599 | 2,254 | 2,338 | |
| Sundry Debtors | 4,177 | 5,418 | 4,835 | 4,856 | |
| Loans & Advances | 617 | 324 | 324 | 324 | |
| Other Current Assets | 2,525 | 2,848 | 2,848 | 2,848 | |
| Current Assets (ex cash) | 9,307 | 10,190 | 10,262 | 10,366 | |
| Trade payable | 1,276 | 2,591 | 1,455 | 1,624 | |
| Other Current Liab | 1,388 | 601 | 601 | 601 | |
| Total Current Liab | 2,664 | 3,192 | 2,056 | 2,225 | |
| Net Curr Assets-ex cash | 6,643 | 6,998 | 8,206 | 8,141 | |
| Uses of funds | 18,117 | 21,163 | 23,150 | 25,413 | |
| BVPS (INR) | 86.8 | 104.8 | 115.6 | 127.9 | |

| Free cash flow | | (INR mn) | | | |
|-----------------------|--------------|--------------|--------------|--------------|--|
| Year to March | FY17 | FY18 | FY19E | FY20E | |
| Reported Profit | 3,748 | 3,240 | 3,432 | 3,911 | |
| Add: Depreciation | 863 | 924 | 975 | 1,004 | |
| Interest (Net of Tax) | 49 | 43 | 44 | 44 | |
| Others | (147) | (214) | (227) | (251) | |
| Less: Changes in WC | 1,198 | 601 | 1,208 | (65) | |
| Operating cash flow | 3,315 | 3,391 | 3,016 | 4,773 | |
| Less: Capex | 517 | 1,000 | 1,150 | 850 | |
| Free Cash Flow | 2,797 | 2,391 | 1,866 | 3,923 | |

Peer comparison valuation

| Name | Market cap (USD mn) | Diluted P/E (X) | | EV / EBITDA (X) | | ROAE (%) | |
|-------------------------------|------------------------|-----------------|-------|-----------------|-------|----------|-------|
| | | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E |
| DB Corp | 709 | - | - | (0.6) | (0.9) | 16.9 | 17.5 |
| DEN Networks | 134 | 91.8 | 25.3 | 3.4 | 2.6 | 1.1 | 4.0 |
| Dish TV India | 1,806 | - | - | 6.7 | 5.9 | 3.5 | 4.3 |
| Hathway Cable & Datacom | 210 | - | - | 8.2 | 6.8 | (9.0) | (2.0) |
| Jagran Prakashan | 586 | 11.5 | 9.9 | 6.3 | 5.5 | 15.0 | 16.6 |
| PVR | 769 | 26.6 | 20.8 | 11.1 | 9.0 | 17.2 | 18.7 |
| Sun TV Network | 4,305 | 22.0 | 19.8 | 12.2 | 10.7 | 26.7 | 25.6 |
| Zee Entertainment Enterprises | 7,259 | 30.7 | 24.1 | 19.5 | 14.9 | 19.8 | 21.3 |

Source: Edelweiss research

| Cash flow metrics | | FY17 | FY18 | FY19E | FY20E |
|---------------------|--|---------|---------|---------|---------|
| Year to March | | | | | |
| Operating cash flow | | 3,315 | 3,391 | 3,016 | 4,773 |
| Financing cash flow | | (2,436) | (527) | (1,514) | (1,716) |
| Investing cash flow | | (34) | (1,065) | (898) | (575) |
| Net cash Flow | | 845 | 1,800 | 604 | 2,482 |
| Capex | | (517) | (1,000) | (1,150) | (850) |
| Dividend paid | | (1,825) | (390) | (1,446) | (1,647) |

Profitability and efficiency ratios

| Year to March | FY17 | FY18 | FY19E | FY20E |
|-------------------------|------|------|-------|-------|
| ROAE (%) | 25.1 | 18.4 | 16.9 | 17.5 |
| ROACE (%) | 35.2 | 26.6 | 25.5 | 26.4 |
| Inventory Days | 101 | 101 | 101 | 101 |
| Debtors Days | 64 | 64 | 64 | 64 |
| Payable Days | 68 | 68 | 68 | 68 |
| Cash Conversion Cycle | 98 | 98 | 98 | 98 |
| Current Ratio | 4.1 | 4.2 | 7.2 | 7.9 |
| Gross Debt/EBITDA | 0.2 | 0.2 | 0.2 | 0.1 |
| Gross Debt/Equity | 0.1 | 0.1 | - | - |
| Adjusted Debt/Equity | 0.1 | 0.1 | - | - |
| Interest Coverage Ratio | 74.6 | 70.4 | 75.8 | 86.4 |

Operating ratios

| Year to March | FY17 | FY18 | FY19E | FY20E |
|----------------------|------|------|-------|-------|
| Total Asset Turnover | 1.3 | 1.2 | 1.1 | 1.1 |
| Fixed Asset Turnover | 2.5 | 2.4 | 2.6 | 3.0 |
| Equity Turnover | 1.5 | 1.3 | 1.2 | 1.2 |

Valuation parameters

| Year to March | FY17 | FY18 | FY19E | FY20E |
|-------------------------|-------|--------|-------|-------|
| Adj. Diluted EPS (INR) | 20.4 | 17.6 | 18.7 | 21.3 |
| Y-o-Y growth (%) | 28.3 | (13.7) | 5.9 | 13.9 |
| Adjusted Cash EPS (INR) | 25.1 | 22.6 | 23.9 | 26.7 |
| EV / Sales (x) | 2.1 | 2.0 | 1.8 | 1.6 |
| EV / EBITDA (x) | (0.1) | (0.4) | (0.6) | (0.9) |

Additional Data

Directors Data

| | | | |
|----------------------|-------------------------------------|---------------------------|-------------------------------------|
| Mr. Pawan Agarwal | Deputy Managing Director | Mr. Harish Bijoor | Non-Executive Independent Directors |
| Mr. Sudhir Agarwal | Managing Director | Mr. Girish Agarwal | Non-Executive Director |
| Mr. Piyush Pandey | Non-Executive Independent Directors | Mr. Ashwani Kumar Singhal | Non-Executive Independent Directors |
| Ms. Anupriya Acharya | Non Executive Independent Director | | |

Auditors - S. R. Batliboi & Associates LLP

**as per last annual report*

Holding – Top10

| | Perc. Holding | | Perc. Holding |
|----------------------|---------------|----------------------|---------------|
| Db consolidated priv | 48.78 | Nalanda india equity | 9.2 |
| Agarwal girish | 4.49 | Agarwal pawan | 4.49 |
| Agarwal sudhir | 4.49 | Stitex global ltd | 4.3 |
| Fund hdfc small cap | 3.45 | Amansa capital pvt l | 2.96 |
| Icici prudential lif | 2.34 | Bhaskar publc & alli | 1.64 |

**in last one year*

Bulk Deals

| Data | Acquired / Seller | B/S | Qty Traded | Price |
|-------------------|-------------------|-----|------------|-------|
| No Data Available | | | | |

**in last one year*

Insider Trades

| Reporting Data | Acquired / Seller | B/S | Qty Traded |
|-------------------|-------------------|-----|------------|
| No Data Available | | | |

**in last one year*

| Company | Absolute reco | Relative reco | Relative risk | Company | Absolute reco | Relative reco | Relative Risk |
|------------------|---------------|---------------|---------------|-------------------------------|---------------|---------------|---------------|
| DB Corp | BUY | SP | M | DEN Networks | HOLD | SP | H |
| Dish TV India | BUY | SP | M | Hathway Cable & Datacom | HOLD | SP | M |
| Jagran Prakashan | HOLD | SP | M | PVR | BUY | SO | M |
| Sun TV Network | BUY | SO | H | Zee Entertainment Enterprises | BUY | SO | M |

ABSOLUTE RATING

| Ratings | Expected absolute returns over 12 months |
|---------|--|
| Buy | More than 15% |
| Hold | Between 15% and - 5% |
| Reduce | Less than -5% |

RELATIVE RETURNS RATING

| Ratings | Criteria |
|----------------------------|-------------------------------------|
| Sector Outperformer (SO) | Stock return > 1.25 x Sector return |
| Sector Performer (SP) | Stock return > 0.75 x Sector return |
| | Stock return < 1.25 x Sector return |
| Sector Underperformer (SU) | Stock return < 0.75 x Sector return |

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

| Ratings | Criteria |
|------------|---------------------------------------|
| Low (L) | Bottom 1/3rd percentile in the sector |
| Medium (M) | Middle 1/3rd percentile in the sector |
| High (H) | Top 1/3rd percentile in the sector |

Risk ratings are based on Edelweiss risk model

SECTOR RATING

| Ratings | Criteria |
|------------------|-------------------------------------|
| Overweight (OW) | Sector return > 1.25 x Nifty return |
| Equalweight (EW) | Sector return > 0.75 x Nifty return |
| | Sector return < 1.25 x Nifty return |
| Underweight (UW) | Sector return < 0.75 x Nifty return |



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Aditya Narain

Head of Research

aditya.narain@edelweissfin.com

Coverage group(s) of stocks by primary analyst(s): Media

DB Corp, DEN Networks, Dish TV India, Hathway Cable & Datacom, Jagran Prakashan, PVR, Sun TV Network, Zee Entertainment Enterprises

Recent Research

| Date | Company | Title | Price (INR) | Recos |
|-----------|----------------------|--|-------------|-----------|
| 30-Dec-99 | ZEE | Strong Q1 reinforces our top pick stance; <i>Result Update</i> | 515 | Buy |
| 30-Dec-99 | TV Today | Elections to boost ad revenues; <i>Visit Note</i> | 445 | Not Rated |
| 30-Dec-99 | Dish TV India | Blockbuster start to the merged entity; <i>Result Update</i> | 74 | Buy |

Distribution of Ratings / Market Cap

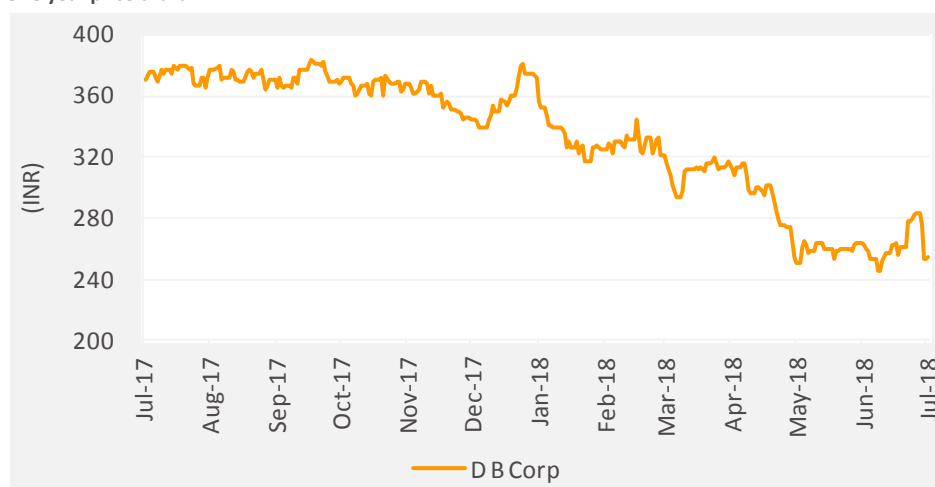
Edelweiss Research Coverage Universe

| | Buy | Hold | Reduce | Total |
|------------------------|--------|------------------------|--------|-------|
| Rating Distribution* | 161 | 67 | 11 | 240 |
| * 1stocks under review | | | | |
| | > 50bn | Between 10bn and 50 bn | < 10bn | |
| Market Cap (INR) | 156 | 62 | 11 | |

Rating Interpretation

| Rating | Expected to |
|---------------|---|
| Buy | appreciate more than 15% over a 12-month period |
| Hold | appreciate up to 15% over a 12-month period |
| Reduce | depreciate more than 5% over a 12-month period |

One year price chart



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