

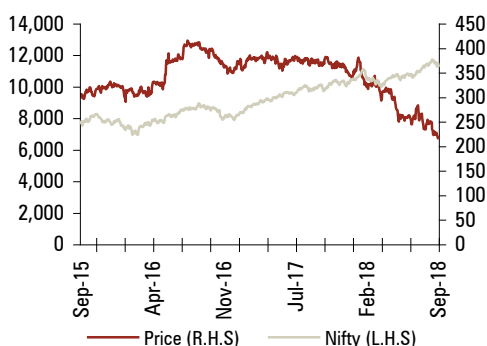
Rating matrix		
Rating	:	Hold
Target	:	₹ 235
Target Period	:	12 months
Potential Upside	:	8%

What's changed?		
Target	Changed from ₹ 250 to ₹ 235	
EPS FY19E	Changed from ₹ 17.1 to ₹ 16	
EPS FY20E	Changed from ₹ 20.9 to ₹ 19.6	
Rating	Unchanged	

Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	2,258.0	2,319.9	2,516.9	2,765.6
EBITDA	642.2	555.2	535.6	657.7
Net Profit	374.7	315.4	294.1	360.7
EPS (₹)	20.4	17.1	16.0	19.6

Valuation summary				
	FY17	FY18	FY19E	FY20E
P/E	10.6	12.7	13.6	11.1
Target P/E	11.5	13.7	14.7	12.0
EV / EBITDA	6.0	6.7	7.5	5.9
P/BV	2.5	2.1	2.3	2.1
RoNW	23.5	16.3	17.0	18.9
RoCE	32.2	23.1	23.8	26.8

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	3,993.4
Total Debt (FY18) (₹ Crore)	44.9
Cash (FY18) (₹ Crore)	298.0
EV (₹ Crore)	3,740.3
52 week H/L	392/ 264
Equity Capital (₹ crore)	184.0
Face value	10.0

Price Chart

Research Analysts

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DB Corp (DBCORP)

₹ 217

Rupee depreciation adds to newsprint woes...

Our interaction with the DB Corp management indicates that newsprint prices are expected to remain elevated for the rest of FY19. The pain has been accentuated by a sharp rupee depreciation vs. US\$ (11% in FY19 so far). However, on account of additional newsprint supply coming in from a couple of new mills in the global market, newsprint prices are expected to at least stabilise at the current level, if not decline further. We now build in ~30% newsprint cost increase (vs. ~22% earlier) for FY19. Subsequently, this results in a further cut in estimates of ~100 bps for EBITDA margin and 6.8% for PAT for FY19. The management indicated that amid higher newsprint prices, they continue to strive for incremental volume market share in some of its key markets while they foresee a double digit growth in print ad (largely led by festive season and state elections in its key markets of Madhya Pradesh, Rajasthan and Chhattisgarh) and circulation (expansion led) in FY19.

Elevated newsprint to erode margins in FY19E

The management cited a spurt in newsprint imports from China (consequent to stringent pollution norms) as the reason for a sudden newsprint price increase. However, it also indicated that two paper mills are opening up, one in the US (capacity 2.25 lakh tonne) and another in Malaysia (capacity 2 lakh tonne). The supply from these mills is likely to ease the current demand-supply mismatch, which is consequently expected to stabilise newsprint prices. However, a sharp rupee depreciation vs. US\$ (11% in FY19 so far) has acted as a spoilsport. Since imports contribute 35% of their newsprint sourcing, we factor in 30% YoY newsprint cost increase in FY19. Hence, we build in a further 100 bps cut in EBITDA margins estimates further to 21.3% in FY19.

Guides for double digit ad revenue, circulation growth in FY19E

The management guided for strong double digit print ad revenue growth in H2FY19 on account of festive season, state elections in its key markets of Madhya Pradesh, Rajasthan and Chhattisgarh and a recovery in local market advertising. We build in 10.3% CAGR ad revenue growth in FY18-20E to ₹ 2001 crore. Circulation revenue is expected to grow at 8.6% CAGR during the same period, to be driven by incremental volume market share gain as well as improvement in per copy realisation. The company added 50,000, 2.5 lakh and 1.5 lakh copies in Madhya Pradesh, Rajasthan and Chhattisgarh, respectively, while addition for Bihar was at 4 lakh copies as part of its expansion drive in the last one year. For the radio segment, we build in 11% CAGR revenue growth in the radio business in FY18-20E to ₹ 167.5 crore to be driven by volumes, especially from an improvement in capacity utilisation of new stations.

Recovery still away; cut target price further; maintain HOLD...

The print sector continues to lag in terms of ad growth largely due to the prolonged after-effects of demonetisation and legislations like GST RERA, which impacted local advertisements (~two-third of ad pie). Furthermore, with the steep impact of higher newsprint costs and rupee depreciation, print business profitability recovery looks distant. We cut our EBITDA, earnings estimate by 3.4%, 6.8% in FY19E and 2.5%, 6% in FY20E, respectively, to factor in higher newsprint and other costs. We value the company at 12x FY20E EPS of ₹ 19.6 with a target price of ₹ 235. We maintain our **HOLD** rating on the stock. We note that H2FY19 is likely to witness healthy ad/circulation traction. We would await newsprint cost stability coupled with a sustained ad recovery before turning optimistic.

Exhibit 1: Change in estimates

(₹ Crore)	FY19E			FY20E			
	Old	New	% Change	Old	New	% Change	
Revenue	2,484.3	2,516.9	1.3	2,701.2	2,765.6	2.4	The increase in topline estimates is owing to superior ad and circulation growth expectations in H2FY19, as per management commentary
EBITDA	554.6	535.6	-3.4	674.4	657.7	-2.5	
EBITDA Margin (%)	22.3	21.3	-104 bps	25.0	23.8	-119 bps	Given the rupee depreciation impact, we further increase our newsprint cost estimates resulting in a cut in margin estimate
PAT	315.5	294.1	-6.8	383.7	360.7	-6.0	
EPS (₹)	17.1	16.0	-6.8	20.9	19.6	-6.0	

Source: Company, ICICI Direct Research

Exhibit 2: Key Assumptions

	FY16	FY17	Current		Earlier			
			FY18E	FY19E	FY19E	FY20E		
Print Ad revenue growth	-2.3%	7.8%	2.9%	9.5%	11.1%	7.9%	10.4%	Raise our print ad estimates to factor in strong H2FY19 led by festive and election boost
Circulation Revenue Growth	16.0%	10.5%	5.2%	10.0%	7.2%	8.9%	4.5%	
Newsprint Costs (₹ Crore)	618.7	661.3	727.2	952.5	947.5	892.3	903.0	

Source: Company, ICICI Direct Research

Other highlights

- The government, auto and education are major categories for print business. The contribution of the same was at 15%, 13% and 13%, respectively
- As per the company, in the Bihar market, the volume market share is now at 20% vs. 13% a year back
- The company also claimed it has now reached No. 1 position in Rajasthan with 54% volume market, which has gone up from 51% over the last couple of years
- In the leadership market of Madhya Pradesh, Chhattisgarh, the company claimed 64-65% volume market share vs. ~60% a couple of years ago

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Total operating Income	2,258.0	2,319.9	2,516.9	2,765.6	
Growth (%)	10.2	2.7	8.5	9.9	
Raw Material Expenses	660.9	734.2	952.5	947.5	
Employee Expenses	428.6	436.4	449.2	503.6	
Other Operating Expenses	526.4	597.6	578.7	656.8	
Other expenses	0.0	(3.4)	0.9	-	
Total Operating Expenditure	1,615.8	1,764.7	1,981.3	2,107.9	
EBITDA	642.2	555.2	535.6	657.7	
Growth (%)	20.1	-13.5	-3.5	22.8	
Depreciation	86.3	92.4	99.4	110.6	
Interest	7.4	6.7	6.8	5.8	
Other Income	17.0	23.8	15.8	12.0	
Exceptional Items	-	-	-	-	
PBT	565.4	479.9	445.2	553.3	
MI/PAT from associates	-	-	-	-	
Total Tax	190.7	164.5	151.1	192.5	
PAT	374.7	315.4	294.1	360.7	
Growth (%)	28.3	-15.8	-6.7	22.6	
EPS (₹)	20.4	17.1	16.0	19.6	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Profit after Tax	374.7	315.4	294.1	360.7	
Add: Depreciation	86.3	92.4	99.4	110.6	
Add: Interest Paid	7.4	6.7	6.8	5.8	
(Inc)/dec in Current Assets	-74.1	-115.6	-67.9	-85.8	
Inc/(dec) in CL and Provisions	-13.7	63.6	26.3	33.7	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	380.7	362.4	358.6	425.1	
(Inc)/dec in Investments	17.1	-8.7	-40.0	-140.0	
(Inc)/dec in Fixed Assets	-78.4	-183.7	-75.0	-75.0	
Others	6.3	-47.9	0.0	0.0	
CF from investing activities	-55.1	-240.2	-115.0	-215.0	
Issue/(Buy back) of Equity	0.2	0.1	-9.2	0.0	
Inc/(dec) in loan funds	-56.0	-11.3	0.0	0.0	
Dividend paid & dividend tax	0.0	-22.1	-176.7	-176.7	
Interest Paid	7.4	6.7	6.8	5.8	
Others	-192.9	19.3	-317.2	-11.7	
CF from financing activities	-241.2	-7.2	-496.3	-182.5	
Net Cash flow	84.4	114.9	-252.6	27.6	
Opening Cash	90.0	174.4	289.3	36.7	
Closing Cash	174.4	289.3	36.7	64.3	

Source: Company, ICICI Direct Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Liabilities					
Equity Capital	183.9	184.0	174.8	174.8	
Reserve and Surplus	1410.5	1745.1	1550.3	1734.4	
Total Shareholders funds	1594.4	1929.1	1725.1	1909.2	
Total Debt	56.1	44.9	44.9	44.9	
Others	127.4	133.2	133.2	133.2	
Total Liabilities	1777.9	2107.2	1903.2	2087.3	
Assets					
Gross Block	1505.5	1689.3	1764.3	1839.3	
Less: Acc Depreciation	597.2	689.6	789.0	899.6	
Net Block	908.3	999.7	975.3	939.7	
Capital WIP	21.4	21.3	21.3	21.3	
Total Fixed Assets	929.7	1021.0	996.6	961.0	
Net Intangible Assets	-	-	-	-	
Investments	26.9	35.6	75.6	215.6	
Goodwill on consolidation	1.9	1.9	1.9	1.9	
Inventory	198.7	159.9	173.5	190.7	
Debtors	417.7	541.8	587.8	645.8	
Loans and Advances	61.7	91.9	99.7	109.5	
Other Current Assets	6.4	6.6	7.2	7.9	
Cash	174.4	298.0	36.7	64.3	
Total Current Assets	859.0	1098.1	904.8	1018.2	
Creditors	127.6	259.1	281.1	308.9	
Provisions	21.9	19.3	20.9	23.0	
Other Current Liabilities	150.7	85.4	88.0	91.9	
Total Current Liabilities	300.2	363.7	390.0	423.7	
Net Current Assets	558.8	734.4	514.8	594.5	
Other non current assets	260.6	314.3	314.3	314.3	
Application of Funds	1777.9	2107.2	1903.2	2087.3	

Source: Company, ICICI Direct Research

Key ratios		₹ Crore			
(Year-end March)	FY17	FY18	FY19E	FY20E	
Per share data (₹)					
EPS	20.4	17.1	16.0	19.6	
Cash EPS	25.1	22.2	21.4	25.6	
BV	86.7	104.8	93.7	103.7	
DPS	0.0	1.2	9.6	9.6	
Cash Per Share	42.0	53.7	44.9	52.4	
Operating Ratios (%)					
EBITDA Margin	28.4	23.9	21.3	23.8	
EBIT / Total Operating income	24.6	19.9	17.3	19.8	
PAT Margin	16.6	13.6	11.7	13.0	
Inventory days	32.1	25.2	25.2	25.2	
Debtor days	67.5	85.2	85.2	85.2	
Creditor days	20.6	40.8	40.8	40.8	
Return Ratios (%)					
RoE	23.5	16.3	17.0	18.9	
RoCE	32.2	23.1	23.8	26.8	
RoIC	42.1	31.4	28.5	34.5	
Valuation Ratios (x)					
P/E	10.6	12.7	13.6	11.1	
EV / EBITDA	6.0	6.7	7.5	5.9	
EV / Net Sales	1.7	1.6	1.6	1.4	
Market Cap / Sales	1.8	1.7	1.6	1.4	
Price to Book Value	2.5	2.1	2.3	2.1	
Solvency Ratios					
Debt/EBITDA	0.1	0.1	0.1	0.1	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	2.3	2.2	2.2	2.3	
Quick Ratio	1.6	1.8	1.8	1.8	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Media)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
DB Corp (DBCORP)	217	235	Hold	3,993	17.1	16.0	19.6	12.7	13.6	11.1	6.7	7.5	5.9	23.1	23.8	26.8	16.3	17.0	18.9
DISH TV (DISHTV)	66	80	Hold	12,125	-0.4	1.1	2.5	NM	58.6	26.7	11.0	6.4	5.4	3.1	9.1	11.1	0.1	3.1	6.4
ENIL (ENTNET)	637	780	Hold	3,037	7.5	14.3	24.2	85.2	44.6	26.4	25.5	18.0	12.7	6.2	10.6	16.1	3.5	7.2	10.9
Inox Leisure (INOX)	234	275	Buy	2,254	11.9	8.8	12.1	19.7	26.6	19.3	12.0	10.9	8.7	13.2	13.3	15.4	10.6	11.3	13.4
Jagran Prakashan	119	185	Hold	3,703	10.6	9.6	10.4	11.2	12.3	11.4	5.7	6.4	5.7	18.9	18.6	19.5	16.1	14.7	14.8
PVR (PVRLIM)	1,339	1,390	Hold	6,256	26.4	37.2	47.3	50.7	35.9	28.3	17.6	14.2	12.1	14.7	16.8	18.9	11.5	14.0	15.2
Sun TV (SUNTV)	673	960	Buy	26,502	28.8	35.9	41.7	23.3	18.7	16.1	12.3	9.8	7.8	35.5	36.9	35.9	24.2	25.1	24.2
TV Today (TVTNET)	430	450	Hold	2,567	19.9	26.5	30.0	21.6	16.3	14.3	11.4	8.7	7.1	30.4	31.3	29.8	19.3	20.0	19.0
ZEE Ent. (ZEEENT)	465	600	Buy	44,615	15.4	16.4	20.0	30.2	28.3	23.2	20.1	16.7	13.7	25.6	24.5	25.5	15.3	15.3	15.9

Source: Company, ICICI Direct Research

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