

## Outlook challenging...

DB Corp reported a weak set of Q4FY20 numbers on account of economic slowdown and Covid-19 outbreak. Revenues dipped 17.3% YoY to ₹ 486.7 crore. Print & digital ad revenue declined 20.2% YoY to ₹ 298.7 crore while radio ad revenue also registered de-growth of 16.5% YoY to ₹ 32.6 crore. Circulation revenue also de-grew 5.7% YoY to ₹ 120 crore mainly due to disruption caused by lockdown. EBITDA was down 36.7% to ₹ 65.9 crore with margins at 13.6%, down 415 bps YoY. Softened newsprint prices provided some relief on the costs front. Consequently, reported PAT was down 55.8% YoY at ₹ 24.1 crore.

## Print ad revenue hit by Covid-19; circulation picking up

Print ad revenue continued to decline as ad spend from the government and corporates was lower. While ad volumes in January, February were relatively in line with 9MFY20 trend, March saw a sharp 35-40% fall. Volumes in the second fortnight of March were affected by Covid-19 initiated lockdown. We note that a fall in ad revenues in Q4FY20 was lower compared to peers. Ad revenues have further declined in the current quarter (Q1FY21-2D) and are at ~30% of pre-Covid level. Going forward, we are baking in print, digital ad decline of ~15% for FY21E. Thereafter, we expect a sharp recovery of ~15% for FY22E, on a lower base. Circulation was disrupted in the initial days of lockdown and fell to 55-60%. However, it picked up in the later stage and is currently at 80% of normal level. We build in circulation revenue de-growth of ~9% in FY21E followed by growth of ~12% in FY22E.

## Cost rationalisation measures adopted; digital gains traction

The company continued to benefit from softened newsprint prices. Lower newsprint prices along with cost rationalisation measures restricted EBITDA decline. The management said that planned cost control initiatives will help to reduce annual cost by 10-12%. Digital segment has gained traction during the lockdown period as the website/app generated 3x normal traffic, which is a positive, going forward.

## Valuation & Outlook

Post a weak FY20, FY21E outlook also looks challenging for the print industry considering the extended lockdown in Q1FY21E, stretched fiscal (impacting government ads) and dislocation at local business levels. We believe a recovery in ad volume will take time. Among positives, DB Corp has maintained good dividend payout (₹ 10/share in FY20). Softened raw material prices with cash of ₹ 135 crore will support operational performance in the near term. The stock price has sharply corrected since our last recommendation but we remain wary of promoters' pledge (~35.3% of promoters stake is pledged) and would await removal of the same. We maintain **HOLD**, valuing it at 6x FY22E EPS for a target price of ₹ 88.

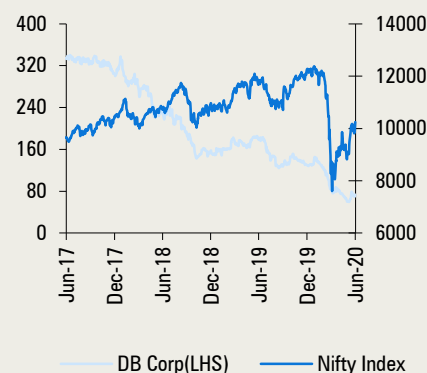


Particulars	
Particular	Amount
Market Capitalization (₹Crore)	1,404.1
Total Debt (FY 20) (₹Crore)	168.2
Cash (FY 20) (₹Crore)	135.2
EV (₹Crore)	1,322.1
52 week H/L	202/ 59
Equity Capital (₹crore)	175.0
Face value	10.0

## Key Highlights

- Print & digital ad revenue fell 20.2% YoY while radio ad revenue also registered de-growth of 16.5% YoY
- Maintain HOLD, valuing the company at 6x FY22E EPS to arrive at a revised target price of ₹ 88

## Price Chart



## Research Analyst

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## Key Financial Summary

(Year-end March)	FY18	FY19	FY20	FY21E	FY22E	CAGR (FY20-22E)
Net Sales (₹crore)	2,319.9	2,462.7	2,223.8	1,927.9	2,188.2	(0.8)
EBITDA (₹crore)	555.2	504.2	481.5	360.3	474.5	(0.7)
Net Profit (₹crore)	315.4	273.8	275.0	172.2	255.4	(3.6)
EPS (₹)	17.1	15.7	15.7	9.8	14.6	
P/E (x)	4.5	4.9	4.9	7.7	5.2	
Price / Book (x)	0.7	0.7	0.8	0.8	0.7	
EV/EBITDA (x)	2.0	2.6	3.0	3.8	2.6	
RoCE (%)	23.0	21.0	19.3	12.9	18.3	
RoE (%)	16.3	15.0	16.4	9.9	14.3	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

₹ crore	Q4FY20	Q4FY19	Q3FY20	YoY (%)	QoQ (%)	Comments
Revenue	486.7	588.5	598.7	-17.3	-18.7	Weak topline on account of decline in both ad & circulation revenues
Other Income	3.1	2.5	3.1	22.7	0.5	
Raw Material Expenses	168.7	220.4	201.3	-23.5	-16.2	
Employee Expenses	104.3	107.8	106.4	-3.2	-1.9	
(Increase) / Decrease in Stock of Finished Goods	0.5	0.8	-1.1	-38.5	-141.2	
Administrative Expenses	0.0	0.0	0.0	NA	NA	
Other operating Expenses	147.2	155.3	150.6	-5.2	-2.2	
EBITDA	65.9	104.2	141.7	-36.7	-53.4	
EBITDA Margin (%)	13.6	17.7	23.7	-415 bps	1011 bps	
Depreciation	30.1	24.3	29.9	23.9	0.6	
Interest	7.0	1.8	6.4	283.2	9.4	
Total Tax	7.9	26.1	26.8	-69.8	-70.6	
PAT	24.1	54.5	81.6	-55.8	-70.5	

Key Metrics

Print+Digital revenue growth	-20.3%	7.0%	-10.9%		
Circulation Revenue Growth	-5.7%	1.7%	1.6%		
New sprint Costs (₹crore)	168.7	220.4	201.3	-23.5	-16.2

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹Crore)	FY21E			FY22E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,417.3	1,927.9	-20.2	2,527.6	2,188.2	-13.4	Lower revenue estimates given lockdown impact in Q1FY21E
EBITDA	584.0	360.3	-38.3	626.7	474.5	-24.3	Lower EBITDA a function of weak topline growth
EBITDA Margin (%)	24.2	18.7	-547 bps	24.8	21.7	-311 bps	
PAT	337.9	172.2	-49.0	372.3	255.4	-31.4	
EPS (₹)	19.3	9.8	-49.0	21.3	14.6	-31.4	

Source: Company, ICICI Direct Research

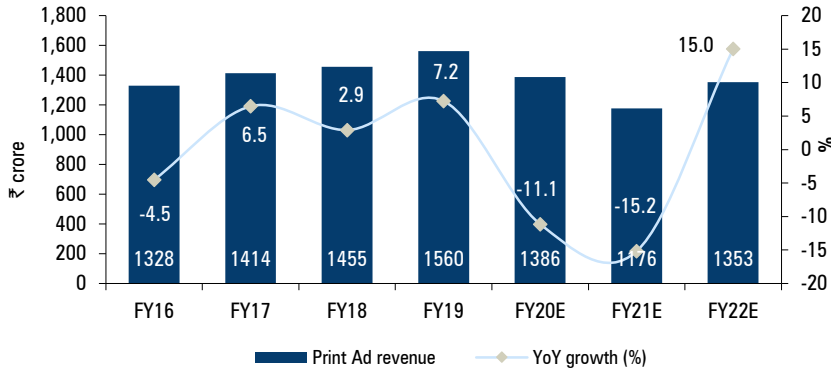
Exhibit 3: Assumptions

	Current					Earlier	
	FY18	FY19	FY20	FY21E	FY22E	FY21E	FY22E
Print+Digital revenue growth	2.5%	6.7%	-11.4%	-15.2%	14.9%	4.6%	5.6%
Circulation Revenue Growth	5.2%	3.4%	-2.2%	-9.1%	12.4%	3.6%	1.8%
New sprint Costs (₹Crore)	734.1	922.6	766.4	661.4	768.4	796.2	794.4

Source: Company, ICICI Direct Research

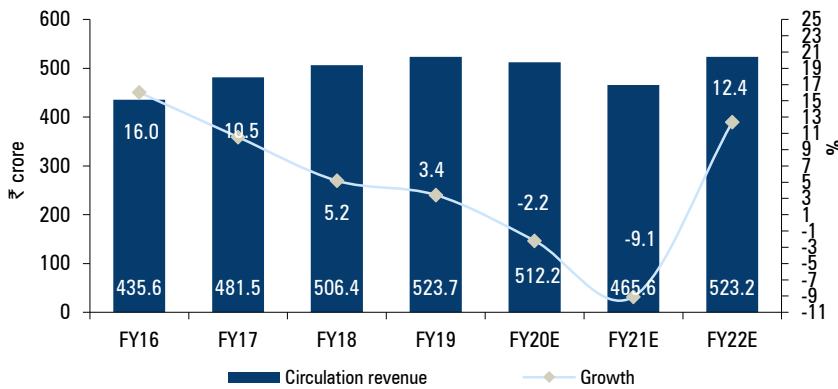
Story in Charts

Exhibit 4: Print ad revenue trend



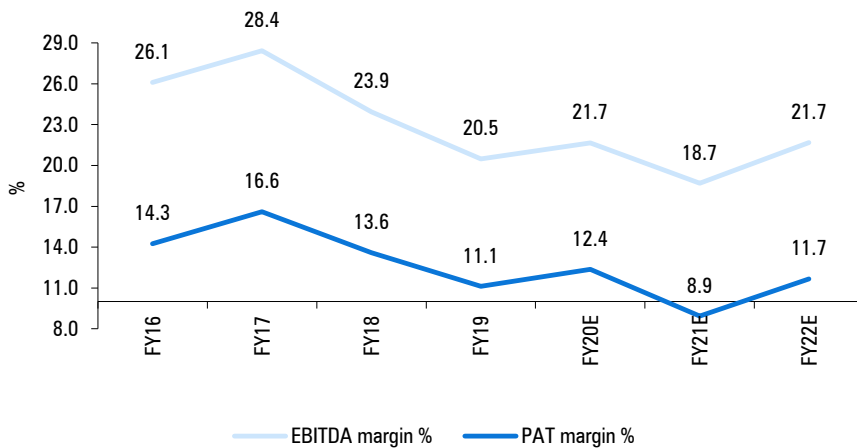
Source: Company, ICICI Direct Research

Exhibit 5: Circulation ad revenue trend



Source: Company, ICICI Direct Research

Exhibit 6: EBITDA and PAT Margin trend



Source: Company, ICICI Direct Research

## Conference Call and other Highlights

- **Print ad revenue hit by Covid-19:** The ad revenues during the quarter were hit by Covid-19 outbreak as March revenues were down 35-40%. From May onwards, a marginal recovery in ad spend was seen from government, education, auto and FMCG sectors. The management indicated in April and May, ad revenues were minimal at 15% & 20% of pre-Covid level, respectively and could reach up to 30% by June end. The market share in terms of ad volumes will increase once lockdown is completely lifted as they will gain from being a larger player in operational markets and presence in tier 2 and 3 cities which will pick up faster
- **Circulation disrupted in early phase; picked up later:** The circulation of copies was disrupted during the initial stage of lockdown. While demand from residential customers was steady, sales at railway stations, bus stops, office and shops were negligible. Circulation fell by 35-40% in first 10 days of lockdown and is currently at 80% of pre-Covid level of 53 lakh copies. The management expects circulation to reach normal level in two to three months with a resumption of economic activities
- **Cost control measures adopted; Cover price to remain same:** The management indicated that cost rationalisation measures are being adopted, which will benefit the company from Q1FY21E itself. They guided for annual cost saving of 10-12%. The management added that pages per copy declined during the lockdown due to lack of ads, which was beneficial in terms of newsprint cost saving. Cover price stayed same and will remain so in near term till ad volume improves
- **Radio continues decline; digital gains traction:** Radio ad revenue registered de-growth of 16.5% YoY to ₹ 32.6 crore in Q4. Radio business EBITDA declined 26.8% YoY to ₹ 9.6 crore. The management added that they are currently focused on getting back ad revenue to normal level on radio. They also said that digital platform/app has witnessed 3x traffic during lockdown which is a positive. However, they declined to share numbers and indicated that numbers will be shared once platform yields better results
- **Other highlights:**
  - Dainik Bhaskar maintained leadership position in key markets of Madhya Pradesh and Rajasthan
  - Out of total receivables of ₹ 630.6 crore, government receivables were at ₹ 190 crore

## Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Total operating income</b>	<b>2,462.7</b>	<b>2,223.8</b>	<b>1,927.9</b>	<b>2,188.2</b>
Growth (%)	6.2	-9.7	-13.3	13.5
Raw Material Expenses	922.7	766.2	661.4	768.4
Employee Expenses	435.1	418.1	384.5	398.3
Other Operating Expense:	599.8	557.8	521.7	547.1
Other expenses	0.9	0.2	-	-
Total Operating Expenditu	1,958.5	1,742.3	1,567.7	1,713.7
<b>EBITDA</b>	<b>504.2</b>	<b>481.5</b>	<b>360.3</b>	<b>474.5</b>
Growth (%)	-9.2	-4.5	-25.2	31.7
Depreciation	98.6	120.7	111.8	113.8
Interest	8.5	25.1	28.0	28.0
Other Income	16.6	12.5	12.0	12.0
Exceptional Items	-	-	-	-
PBT	413.7	348.2	232.4	344.7
M/PAT from associates	-	-	-	-
Total Tax	139.9	73.2	60.2	89.3
<b>PAT</b>	<b>273.8</b>	<b>275.0</b>	<b>172.2</b>	<b>255.4</b>
Growth (%)	-13.2	0.4	-37.4	48.3
<b>EPS (₹)</b>	<b>15.7</b>	<b>15.7</b>	<b>9.8</b>	<b>14.6</b>

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Profit after Tax</b>	<b>273.8</b>	<b>275.0</b>	<b>172.2</b>	<b>255.4</b>
Add: Depreciation	98.6	120.7	111.8	113.8
Add: Interest Paid	8.5	25.1	28.0	28.0
(Inc)/dec in Current Assets	-162.9	11.2	12.6	-3.3
Inc/(dec) in CL and Provisions	41.6	-10.0	-25.7	43.4
Others	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>259.6</b>	<b>422.0</b>	<b>299.0</b>	<b>437.3</b>
(Inc)/dec in Investments	-1.0	18.4	-40.0	-40.0
(Inc)/dec in Fixed Assets	-63.2	59.7	-60.0	-60.0
Others	-5.9	-166.5	20.0	20.0
<b>CF from investing activities</b>	<b>-70.1</b>	<b>-88.4</b>	<b>-80.0</b>	<b>-80.0</b>
Issue/(Buy back) of Equity	-9.1	0.0	0.0	0.0
Inc/(dec) in loan funds	5.9	117.3	0.0	-50.0
Dividend paid & dividend tax	-63.2	-378.9	-105.3	-210.5
Interest Paid	8.5	25.1	28.0	28.0
Others	-320.7	-94.8	-56.0	-56.0
<b>CF from financing activities</b>	<b>-378.5</b>	<b>-331.2</b>	<b>-133.3</b>	<b>-288.5</b>
Net Cash flow	-189.1	2.3	85.7	68.8
Opening Cash	321.9	132.9	135.2	220.9
<b>Closing Cash</b>	<b>132.9</b>	<b>135.2</b>	<b>220.9</b>	<b>289.7</b>

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Liabilities</b>				
Equity Capital	174.9	175.0	175.0	175.0
Reserve and Surplus	1652.0	1503.5	1570.5	1615.4
Total Shareholders funds	1826.9	1678.4	1745.4	1790.3
Total Debt	50.8	168.2	168.2	118.2
Others	136.1	268.9	288.9	308.9
<b>Total Liabilities</b>	<b>2013.8</b>	<b>2115.5</b>	<b>2202.5</b>	<b>2217.4</b>
<b>Assets</b>				
Gross Block	1772.6	1713.2	1773.1	1833.1
Less: Acc Depreciation	788.2	908.9	1020.7	1134.5
Net Block	984.4	804.3	752.3	698.6
Capital WIP	1.2	0.9	1.0	1.0
Total Fixed Assets	985.6	805.2	753.3	699.6
Right of Use	-	415.2	415.2	415.2
Investments	36.6	18.2	58.2	98.2
Goodwill on consolidation	1.9	1.9	1.9	1.9
Inventory	249.6	252.9	237.7	251.8
Debtors	636.9	630.6	633.8	617.5
Loans and Advances	30.7	30.7	26.6	30.2
Other Current Assets	93.2	85.0	88.5	90.4
Cash	132.9	135.2	220.9	289.7
Total Current Assets	1143.3	1134.4	1207.5	1279.6
Creditors	295.7	276.8	264.1	299.8
Provisions	19.0	26.2	25.0	28.4
Other Current Liabilities	65.7	67.4	55.5	59.8
Total Current Liabilities	380.4	370.4	344.6	388.0
Net Current Assets	762.9	764.1	862.9	891.6
Other non current assets	226.9	111.0	111.0	111.0
<b>Application of Funds</b>	<b>2013.8</b>	<b>2115.5</b>	<b>2202.5</b>	<b>2217.4</b>

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
EPS	15.7	15.7	9.8	14.6
Cash EPS	21.3	22.6	16.2	21.1
BV	104.5	96.0	99.8	102.4
DPS	10.0	10.0	5.0	10.0
Cash Per Share	52.7	59.7	71.0	81.4
<b>Operating Ratios (%)</b>				
EBITDA Margin	20.5	21.7	18.7	21.7
EBIT / Total Operating income	16.5	16.2	12.9	16.5
PAT Margin	11.1	12.4	8.9	11.7
Inventory days	37.0	41.5	45.0	42.0
Debtor days	94.4	103.5	120.0	103.0
Creditor days	43.8	45.4	50.0	50.0
<b>Return Ratios (%)</b>				
RoE	15.0	16.4	9.9	14.3
RoCE	21.0	19.3	12.9	18.3
RoIC	24.6	24.9	17.1	25.8
<b>Valuation Ratios (x)</b>				
P/E	4.9	4.9	7.7	5.2
EV / EBITDA	2.6	3.0	3.8	2.6
EV / Net Sales	0.5	0.6	0.7	0.6
Market Cap / Sales	0.6	0.6	0.7	0.6
Price to Book Value	0.7	0.8	0.8	0.7
<b>Solvency Ratios</b>				
Debt/EBITDA	0.1	0.3	0.5	0.2
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	2.7	2.7	2.9	2.6
Quick Ratio	2.0	2.0	2.2	1.9

Source: Company, ICICI Direct Research

Exhibit 11: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
ENIL	167	180	Hold	795	11.3	2.2	0.4	15	74	427	4.3	4.1	4.3	9.0	3.0	1.9	5.8	1.2	0.2
Inox Leisure	257	255	Hold	2,640	13.0	1.5	-17.8	19.8	176.2	NM	8.9	4.6	13.2	13.2	19.6	10.0	10.6	14.2	2.4
Music Broadcast	17	15	Hold	601	2.2	0.8	0.7	7.8	21.3	23.6	3.8	6.7	5.7	15.0	6.2	6.8	10.2	4.5	4.0
PVR	1,065	1,085	Hold	4,977	39.2	5.3	-61.9	27.2	200.4	NM	10.6	5.5	11.3	14.7	13.8	8.5	11.5	14.8	1.8
Sun TV	406	410	Buy	15,982	36.4	36.3	34.7	11.2	11.2	11.7	5.1	5.6	5.5	35.5	38.5	30.0	24.2	25.9	22.9
TV Today	199	240	Buy	1,187	22.0	23.4	22.6	9.1	8.5	8.8	4.5	4.8	4.7	30.4	22.7	24.7	19.3	14.6	16.0
ZEE Ent.	182	150	Hold	17,474	16.1	15.9	15.1	11.3	11.5	12.1	6.0	6.7	6.3	25.6	25.7	21.4	15.3	15.7	14.7

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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