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Q4FY20 result review
and earnings revision

Media

Target price: Rs103

Earnings revision

(%)	FY21E	FY22E
Sales	↓ 12.2	↓ 3.9
EBITDA	↓ 16.3	↓ 2.9
EPS	↓ 23.3	↓ 3.4

Target price revision

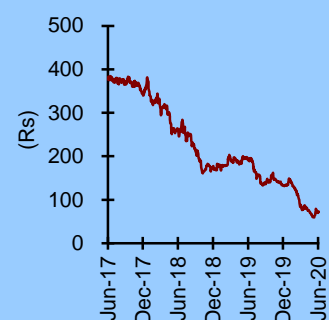
Rs103 from Rs107

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	71.6	71.6	71.6
Institutional investors	21.4	21.6	21.3
MFs and other	3.9	3.9	3.9
Insurance Cos.	0.0	0.0	0.0
FII	17.5	17.7	17.4
Others	7.0	6.8	7.1

Source: NSE

Price chart



INDIA

DB Corp

BUY
Maintain
Rs76

Challenging times ahead

DB Corp's (DBCL) Q4FY20 advertisement revenue dip of 20.1% YoY was weak, but outperformed peers. However, the company's EBITDA dip was cushioned from lower newsprint prices and pagination. It expects cost saving of Rs1-1.2bn in FY21 to aid in protecting large EBITDA slip. DBCL remains hopeful on return of readers and advertisers, but we see imminent risk to advertisement revenue from digital. Lower circulation losses could aid earnings, but we do not see industry moving towards it. Dividend distribution policy unchanged at 65% payout. Promoters have cut debt to Rs1.6bn from Rs3bn, but pledge shares remain high on lower stock price. Promoters committed to reduce debt to nil, and revoke complete pledged shares. We have cut our EPS estimates by 23.3% / 3.4% for FY21/FY22, respectively, and target price to Rs103 (from Rs107). Reiterate BUY.

- ▶ **Weak advertisement revenues.** DBCL's ad revenue dipped 20.1% YoY to Rs3.3bn on ad revenue dip of 18.1 YoY (vs 24.4% YoY dip for Jagran) to Rs3.0bn for print, and 16.4% YoY to Rs326mn for radio. Advertisement revenue decline for Jan/Feb'20 was ~8.5% YoY, while Mar'20 saw decline of 30-40%. In Q1FY21, it has seen advertisement revenue dip of 85% in April'20, May'20 was 80%; and in June'20 it is likely to be less than 70%. DBCL's operations are centered in orange and green zone, and it expects accelerated recovery in advertisement revenue. The company also expects advertisement revenue market share gain led by rising circulation.
- ▶ **Circulation already at 80% of pre-Covid-19 levels in June'20.** Circulation revenue dipped 5.7% YoY to Rs1.2bn, entirely on volume decline (circulation copies were down 5.7% YoY to 5.3mn). Circulation was impacted from shutdown of cash kiosks, supplies to office/shops etc. In April, the circulation dipped to 55%, and since then it has recovered to 80% of pre-Covid-19 levels. DBCL does not believe newspaper-reading habit will change post lockdown. It has seen 3x rise in direct traffic on its app during the lockdown, and also rise in the time spent by DAU. DBCL is yet to disclose its digital strategy and KPIs. Its focus remains on building critical mass in direct traffic on its app.
- ▶ **Lower newsprint prices cushioning losses.** Circulation losses (circulation revenue-COGS) improved to Rs492mn vs Rs680mn in Q3FY20 on lower pagination and dip in newsprint prices by 2.5% QoQ. In Q1FY21, it expects to cover printing and production cost from circulation revenue, but would like to increase pagination with rise in advertisement volumes. It does not anticipate any cover price increase immediately.
- ▶ **EBITDA declined 36.7% YoY.** DBCL's revenue declined 17.3% YoY to Rs4.9bn, while EBITDA dipped 36.7% YoY to Rs659mn on negative operating leverage. Net profit was down 55.8% YoY to Rs241mn. Radio business EBITDA declined 27.3% YoY to Rs96mn, while losses in emerging edition have increased to Rs136mn from Rs93mn YoY. DBCL sees cash loss of Rs0.5bn in Q1FY21.

Market Cap	Rs13.3bn/US\$176mn
Reuters/Bloomberg	DBCL.BO/DBCL IN
Shares Outstanding (mn)	175.0
52-week Range (Rs)	196/59
Free Float (%)	28.4
FII (%)	17.5
Daily Volume (US\$'000)	210
Absolute Return 3m (%)	(4.5)
Absolute Return 12m (%)	(57.8)
Sensex Return 3m (%)	36.7
Sensex Return 12m (%)	(8.7)

Year to March	FY19	FY20	FY21E	FY22E
Revenue (Rs mn)	24,627	22,238	19,164	22,172
Rec. Net Income (Rs mn)	2,738	2,750	1,675	2,585
EPS (Rs)	17.6	15.7	9.6	14.8
% Chg YoY	(11.1)	0.4	(39.1)	54.3
P/E (x)	5.1	5.1	8.3	5.4
CEPS (Rs)	21.3	22.6	16.6	21.9
EV/E (x)	2.9	3.0	4.0	3.0
Dividend Yield (%)	12.5	12.5	7.8	12.0
RoCE (%)	15.8	15.8	9.9	15.2
RoE (%)	14.6	15.7	9.8	14.5

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Table 1: Q4FY20 result review (consolidated)

(Rs mn, year ending March 31)

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	QoQ (%)	YoY (%)	FY19	FY20	YoY (%)
Net revenue	5,885	6,070	5,314	5,987	4,867	(18.7)	(17.3)	24,627	22,238	(9.7)
Cost of Goods sold	2,212	2,052	1,920	2,001	1,692	(15.5)	(23.5)	9,236	7,664	(17.0)
Gross profit	3,673	4,019	3,394	3,986	3,175	(20.4)	(13.6)	15,391	14,574	(5.3)
Gross profit margin (%)	62.4	66.2	63.9	66.6	65.2			62.5	65.5	
Employee cost	1,078	1,038	1,036	1,064	1,043	(1.9)	(3.2)	4,351	4,181	(3.9)
% of revenue	18.3	17.1	19.5	17.8	21.4			17.7	18.8	
Other expenses	1,553	1,226	1,374	1,506	1,472	(2.2)	(5.2)	5,998	5,578	(7.0)
% of revenue	26.4	20.2	25.9	25.2	30.3			24.4	25.1	
Total expenses	2,632	2,264	2,410	2,570	2,516	(2.1)	(4.4)	10,348	9,759	(5.7)
EBITDA	1,042	1,755	984	1,417	659	(53.4)	(36.7)	5,043	4,815	(4.5)
EBITDA margin (%)	17.7	28.9	18.5	23.7	13.6			20.5	21.7	
Depreciation	243	304	303	299	301	0.6	23.9	986	1,207	22.4
EBIT	798	1,451	681	1,117	358	(67.9)	(55.1)	4,056	3,608	(11.1)
EBIT margin (%)	13.6	23.9	12.8	18.7	7.4			16.5	16.2	
Other income	25	41	22	31	31	0.5	22.7	166	125	(25.0)
Finance cost	18	53	64	64	70	9.4	283.2	85	251	195.3
PBT	805	1,439	639	1,084	319	(70.6)	(60.4)	4,138	3,482	(15.9)
Tax expenses	260.8	502.2	(116.9)	267.9	78.7	(70.6)	(69.8)	1,399	732	(47.7)
ETR (%)	32.4	34.9	(18.3)	24.7	24.7			33.8	21.0	
PAT	545	937	756	816	241	(70.5)	(55.8)	2,739	2,750	0.4
Net profit margin (%)	9.3	15.4	14.2	13.6	4.9			11.1	12.4	
EPS (Rs)	3.1	5.4	4.3	4.7	1.4	(70.5)	(55.8)	15.0	15.7	4.5

Source: Company data, I-Sec research

Table 2: Circulation losses declined 47.6% YoY

(Rs mn, year ending March 31)

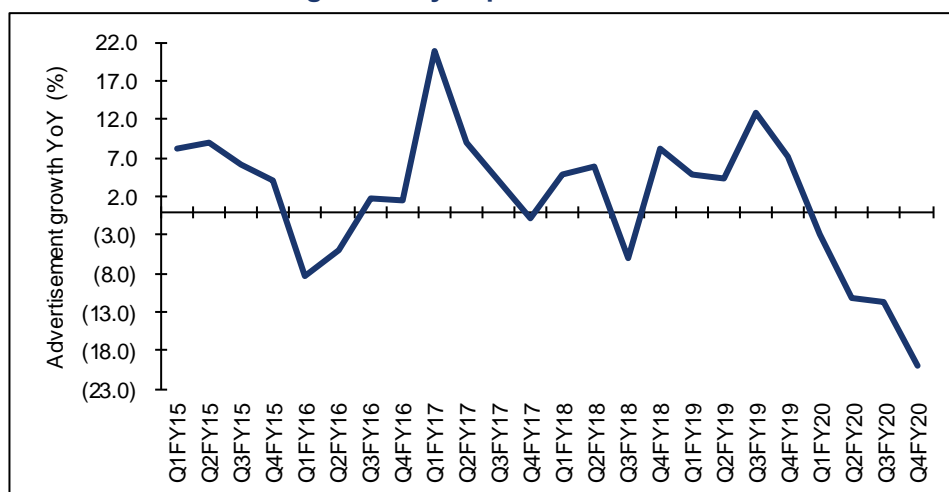
	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	QoQ (%)	YoY (%)	FY19	FY20	YoY (%)
Circulation revenue	1,273	1,314	1,286	1,321	1,200	(9.2)	(5.7)	5,237	5,121	(2.2)
COGS	2,212	2,052	1,920	2,001	1,692	(15.5)	(23.5)	9,236	7,664	(17.0)
NP cost per tonne (Rs)	44,523	40,472	39,386	38,158	37,223	(2.5)	(16.4)			
EBITDA	(939)	(738)	(634)	(680)	(492)	(27.7)	(47.6)	(3,999)	(2,543)	36.4
EBITDA margin (%)	(73.8)	(56.1)	(49.3)	(51.5)	(41.0)			(76.4)	(49.7)	
Avg PO copies (mn)	56	56	56	56	53	(6.0)	(5.7)			
Net realisation/copy (Rs)	3	3	3	3	3	-	(0.1)			
EBITDA loss/copy (Rs)	(17)	(13)	(11)	(12)	(9)					
Advertisement revenue	4,134	4,420	3,670	4,248	3,313	(22.0)	(19.9)	17,628	15,651	(11.2)
of which										
Print	3,744	4,048	3,355	3,878	2,987	(23.0)	(20.2)	16,089	14,268	(11.3)
Radio	390	377	316	372	326	(12.4)	(16.4)	1,548	1,391	(10.2)

Source: Company data, I-Sec research

Chart 1: Ad revenue significantly impacted in Mar'20 on Covid-19 outbreak**Ad revenue growth YoY**

(%)	Q1	Q2	Q3	Q4
FY15	8.2	9.0	6.1	4.2
FY16	(8.2)	(4.9)	1.7	1.6
FY17	20.8	8.9	4.0	(0.9)
FY18	4.8	6.0	(6.0)	8.2
FY19	4.9	4.3	13.0	7.1
FY20	(2.8)	(11.2)	(11.7)	(19.9)

Source: Company data, I-Sec research



Source: Company data, I-Sec research

Table 3: Emerging and mature edition's performance*(Rs mn, year ending March 31)*

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	QoQ (%)	YoY (%)
Matured editions							
Total Revenues	5,083	5,409	4,707	5,335	4,228	(20.7)	(16.8)
Expenses	3,993	3,615	3,617	3,852	3,434	(10.9)	(14.0)
EBITDA	1,090	1,794	1,090	1,483	794	(46.5)	(27.2)
EBITDA margin (%)	21.4	33.2	23.2	27.8	18.8		
Emerging editions							
Total Revenues	340	325	312	310	311	0.3	(8.5)
Expenses	487	454	465	482	447	(7.3)	(8.2)
EBITDA	(147)	(129)	(153)	(172)	(136)	(20.9)	(7.5)
EBITDA margin (%)	(43.2)	(39.7)	(49.0)	(55.5)	(43.7)		

Source: Company data, I-Sec research

Table 4: Radio business – EBITDA dips 27.3% YoY*(Rs mn, year ending March 31)*

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	QoQ (%)	YoY (%)
Total Revenues	390	377	316	372	326	(12.4)	(16.4)
Expenses	258	246	247	237	230	(3.0)	(10.9)
EBITDA	132	131	69	135	96	(28.9)	(27.3)
EBITDA margin (%)	33.8	34.7	21.8	36.3	29.4		

Source: Company data, I-Sec research

Table 5: Segmental performance – Print EBIT dips 42.3% YoY*(Rs mn, year ending March 31)*

	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	QoQ (%)	YoY (%)
Revenue							
Advertisement	3,744	4,048	3,355	3,878	2,987	(23.0)	(20.2)
Circulation	1,273	1,314	1,286	1,321	1,200	(9.2)	(5.7)
Print	5,377	5,695	4,999	5,617	4,550	(19.0)	(15.4)
Radio	388	377	316	372	318	(14.3)	(17.9)
EBIT							
Print	787	1,408	717	1,079	454	(58.0)	(42.3)
Radio	101	91	27	97	58	(40.0)	(42.0)
EBIT margin (%)							
Print	14.6	24.7	14.3	19.2	10.0		
Radio	25.9	24.1	8.6	26.2	18.3		

Source: Company data, I-Sec research

Table 6: Earnings revision (consolidated)*(Rs mn, year ending March 31)*

Rs mn	Revised		Earlier		% change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	19,164	22,172	21,825	23,079	(12.2)	(3.9)
EBITDA	3,591	4,810	4,291	4,955	(16.3)	(2.9)
EBITDA margin (%)	18.7	21.7	19.7	21.5		
PAT	1,675	2,585	2,183	2,676	(23.3)	(3.4)
EPS (Rs)	9.6	14.8	12.5	15.3	(23.3)	(3.4)

Source: Company data, I-Sec research

Financial summary

Table 7: Profit and loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Operating Income (Sales)	24,627	22,238	19,164	22,172
of which Advertisement	17,625	15,651	12,916	15,438
of which Circulation	5,237	5,121	4,855	5,146
Operating Expenses	19,585	17,423	15,573	17,362
EBITDA	5,042	4,815	3,591	4,810
% margins	20.5	21.7	18.7	21.7
Depreciation & Amortisation	986	1207	1231	1241
Gross Interest	85	251	251	251
Other Income	166	125	131	138
Recurring PBT	4,137	3,482	2,240	3,455
Add: Extraordinary	-	-	-	-
Less: Taxes	1399	732	564	871
- Current tax	1484	940	536	827
- Deferred tax	-85	-208	28	44
Less: Minority Interest	-	-	-	-
Net Income (Reported)	2,738	2,750	1,675	2,585
Recurring Net Income	2,738	2,750	1,675	2,585

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	13,701	12,454	12,593	13,695
of which cash & cash eqv.	1,329	1,652	3,312	3,250
Total Current Liabilities & Provisions	3,873	3,704	3,285	3,516
Net Current Assets	9,828	8,751	9,308	10,179
Investments				
of which	366	182	182	182
Strategic/Group	366	182	182	182
Other Marketable	-	-	-	-
Net Fixed Assets	9,856	12,204	12,006	11,817
of which				
Capital Work-in-Progress	-	-	-	-
Goodwill	12	9	12	12
Total Assets	20,069	21,155	21,514	22,197
Liabilities				
Borrowings				
Deferred Tax Liability	508	3,447	3,191	2,926
Minority Interest	721	320	348	392
Equity Share Capital	570	604	604	604
Face Value per share (Rs)	1749	1750	1750	1750
Reserves & Surplus	10	10	10	10
Less: Misc. Exp. n.w.o.	16,520	15,035	15,621	16,526
Net Worth	-	-	-	-
Total Liabilities	18,269	16,784	17,371	18,275

Source: Company data, I-Sec research

Table 9: Quarterly trends

(Rs mn, year ending March 31)

	Jun-19	Sep-19	Dec-19	Mar-20
Net sales	6,070	5,314	5,987	4,867
% growth (YoY)	(4.0)	(8.7)	(9.2)	(17.3)
EBITDA	1,755	984	1,417	659
Margin (%)	28.9	18.5	23.7	13.6
Other income	41	22	31	31
Add: Extraordinary	0	0	0	-
Net profit	937	756	816	241

Source: Company data

Table 10: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Operating Cashflow	3,470	3,600	2,506	3,466
Working Capital Changes	(1,233)	1,364	1,103	(934)
Capital Commitments	(642)	(650)	(991)	(1,052)
Free Cashflow	1,596	4,314	2,618	1,480
Cashflow from Investing Activities	166	125	131	138
Issue of Share Capital	-	0	-	-
Buyback of shares	(91)	-	(0)	-
Inc (Dec) in Borrowings	59	1,173	-	-
Dividend paid	(2,099)	(1,977)	(1,089)	(1,680)
Extraordinary Items	-	-	-	-
Chg. in Cash & Bank balance	(1,894)	324	1,660	(63)

Source: Company data, I-Sec research

Table 11: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (in Rs.)				
EPS(Basic Recurring)	15.7	15.7	9.6	14.8
Diluted Recurring EPS	15.7	15.7	9.6	14.8
Recurring Cash EPS	21.3	22.6	16.6	21.9
Dividend per share (DPS)	10.0	10.0	6.2	9.6
Book Value per share (BV)	104.4	95.9	99.3	104.5
Growth Ratios (%)				
Operating Income	6.6	(9.7)	(13.8)	15.7
EBITDA	(10.6)	(4.5)	(25.4)	34.0
Recurring Net Income	(15.5)	0.4	(39.1)	54.3
Diluted Recurring EPS	(11.1)	0.4	(39.1)	54.3
Diluted Recurring CEPS	(5.9)	6.2	(26.6)	31.6
Valuation Ratios (x)				
P/E	5.1	5.1	8.3	5.4
P/CEPS	3.8	3.5	4.8	3.7
P/BV	0.8	0.8	0.8	0.8
EV / EBITDA	2.9	3.0	4.0	3.0
EV / Operating Income	0.6	0.7	0.8	0.7
EV / Operating FCF	6.5	2.9	4.0	5.7
Operating Ratios (%)				
Raw Material/Sales	41.7	39.4	40.2	38.4
Other Income / PBT	4.0	3.6	5.8	4.0
Effective Tax Rate	33.8	21.0	25.2	25.2
NWC / Total Assets	42.4	33.6	27.9	31.2
Inventory Turnover (days)	37.0	41.5	41.2	39.4
Receivables (days)	94.4	103.5	103.3	100.3
Payables (days)	43.8	45.4	44.1	41.3
D/E Ratio (x)	(0.0)	0.1	(0.0)	(0.0)
Profitability Ratios (%)				
Recurring Net Income Margins	11.1	12.4	8.7	11.7
RoCE	15.8	15.8	9.9	15.2
RoNW	14.6	15.7	9.8	14.5
Dividend Payout	63.9	63.6	65.0	65.0
Dividend Yield	12.5	12.5	7.8	12.0
EBITDA Margins	20.5	21.7	18.7	21.7

Source: Company data, I-Sec research

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