

Industry	CMP	Recommendation	Add on Dips to band	Target	Time Horizon
MEDIA	Rs.410	BUY	Rs. 410-375	Rs. 460, Rs 500	1 Year

HDFC Scrip Code	DBCORP
BSE Code	533151
NSE Code	DBCORP
Bloomberg	DBCL IN
CMP as on 5 Aug 16	409
Equity Capital (Rs Cr)	183
Face Value (Rs)	10
Equity O/S (Cr)	18.4
Market Cap (Rs Cr)	7533.2
Book Value (Rs)	73.4
Avg. 52 Week Volumes	47877
52 Week High	419
52 Week Low	286

Shareholding Pattern (%)	
Promoters	69.9
Institutions	25.8
Non Institutions	4.3
Total	100.0

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D. B. Corp Limited (DBCL) is India's largest print media company with a presence across Print, Radio and Digital. It publishes 7 newspapers - Dainik Bhaskar (40 editions), Divya Bhaskar (7 editions) and Divya Marathi (7 editions) with 208 sub-editions in 4 languages i.e., Hindi, Gujarati, Marathi and English. DBCL is present across 14 states in India. The radio segment is run through its brand '94.3 MY FM' which has a presence in 7 states and 17 cities. Besides, it also has a strong online presence with 11 Internet portals and 2 Mobile App having 34 mn Unique Visitors (UVs) and 1.2 bn Page Views (PVs).

Investment Rationale:

The Indian Media and Entertainment (M&E) industry grew at a healthy pace of 12% CAGR over FY10-15, while the industry is further expected to expand at 14% CAGR till 2020. Though the industry increased by 13% in 2015 at Rs 1,157 bn, the overall media spend as a proportion of GDP remained a quite low in India at just 0.33% as compared to world average of 0.76%. This reflects an immense of opportunity to expand the industry domestically.

The regional story continues to dominate strategies of print players and will continue to be the key growth driver as the growing income levels and transforming demographics have spurred the spending power in tier II and tier II cities. Moreover government initiatives designed to increase rural income will also emerge long term spending power and contribute to the advertising potential of these markets. With a focused strategy, DBCL, the largest player in the industry is set to leverage the tremendous opportunities of language print media.

The growing trend of using second screen, increasing mobile Internet and device penetration and technological innovation will drive digital advertising growth in future. The Rs 60 bln digital market is likely to touch as Rs 255 bln by 2020, registering 34% CAGR growth and that would offer further room to the company to expand.

In radio segment, the new frequencies are set to roll out in the second half of the FY 17 with an aim to be the biggest player in Maharashtra, Rajasthan, Chandigarh, Punjab and Haryana.

Constant declining debt (with debt to equity Ratio of 0.1) and a history of paying dividend for 11 consecutive years puts the company into strong fundamentals.

Risk & Concerns:

- Emerging trend of digitization may hurt print ad revenue.
- High Investment in new market.

View & Valuation:

Growing ad spends by Central Government on campaigns such as 'Make in India', 'Jan DhanYojana', 'Swachh Bharat Abhiyan' and 'Digital India' will further lead to growth in the Printing Industry. Upcoming state elections in the states of Punjab and Uttarakhand will lead to higher advertising spend and that is likely to benefit the company.

Following the new stations licensed in Phase III and consolidation in the industry, Radio is also expected to graduate and transform from a 'coverage' media to a 'reach' platform. Higher market penetration, growing youth population along with increased usage of faster Internet - 3G and 4G on mobile devices, would boost demand for digital business further.

At CMP of Rs 410, the stock is trading at 15.3x of its FY18E EPS. We recommend investors to buy the stock between 410 and 375, with a targets of Rs 460 and 500 in a year's period.

Financial Summary (Rs cr)

Year Ending March	FY14	FY15	FY16	FY17E	FY18E
Sales	1859.8	2009.6	2051.9	2329.9	2679.4
EBITDA	524.2	587.9	562.9	714.6	861.4
Net Profit	306.6	316.3	296.9	396.2	490.1
EPS (Rs)	16.7	17.2	16.2	21.6	26.7
P/E	24.5	23.7	25.3	19.0	15.3
EV/EBITDA	14.3	12.7	13.3	10.5	8.7

Source: Company, HDFC sec Research

Business Background:

D. B. Corp Limited (DBCL) is India's largest print media company with a presence across Print, Radio and Digital. It publishes 7 newspapers - Dainik Bhaskar (40 editions), Divya Bhaskar (7 editions) and Divya Marathi (7 editions) with 208 sub-editions in 4 languages i.e., Hindi, Gujarati, Marathi and English. DBCL is present across 14 states in India with a presence in Madhya Pradesh, Chhattisgarh, Rajasthan, Haryana, Punjab, Chandigarh, Uttarakhand, Himachal Pradesh, Delhi, Gujarat, Maharashtra, Jharkhand, Jammu and Bihar. Recently, WAN-IFRA (World Association of Newspapers and News Publishers) declared DBCL's flagship newspaper Dainik Bhaskar as the 4th largest circulated newspaper globally. It is the only Indian newspaper to figure in top 5 global newspapers.

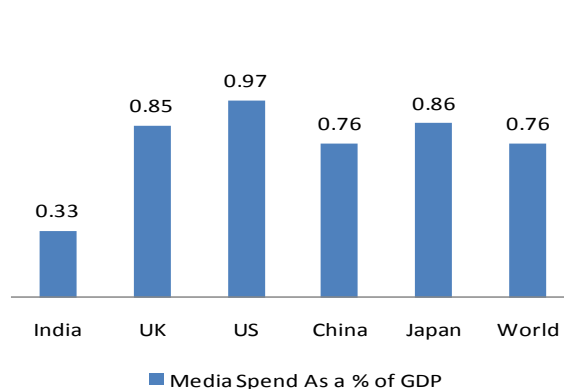
The Company's other business areas span across radio and digital. The radio segment is run through its brand '94.3 MY FM' which has a presence in 7 states and 17 cities. In addition, MY FM also has acquired 13 new radio station licenses making it to 30 cities across its markets. Besides, DBCL also has a strong online presence with 11 Internet portals and 2 Mobile App having 34 mn Unique Visitors (UVs) and 1.2 bn Page Views (PVs).

	Hindi Newspaper	12 States, 40 Editions
	Gujarati Newspaper	2 States, 7 Editions
	Marathi Newspaper	1 State, 7 Editions
	F M Radio Network	7 States, 17 Stations
  	Digital & Mobile	11 Portals & 2 Apps

Industry Background:

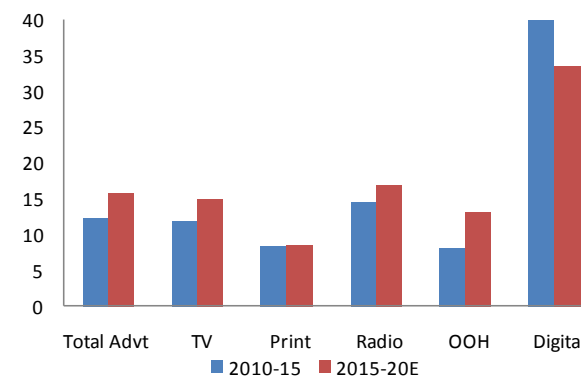
The Indian Media and Entertainment (M&E) industry grew at a healthy pace of 12% CAGR over FY10-15, while the industry is further expected to expand at 14% CAGR till 2020. Though the industry increased by 13% in 2015 at Rs 1,157 bn, the overall media spend as a proportion of GDP remained a quite low in India at just 0.33% as compared to world average of 0.76%. This reflects an immense opportunity to expand the industry domestically.

Media Spending across Globe



Source: FICCI-KPMG, HDFC sec Research

Advertisement Spending CAGR Gr, %



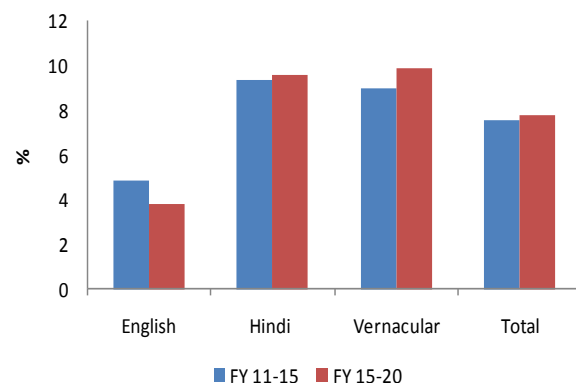
Source: FICCI-KPMG, HDFC sec Research

The advertising revenues grew at 12% CAGR over 2010-15 to reach at Rs 475 bn in 2015 with a dominance of print media(40%), this growth is estimated to accelerate to 16% CAGR over 2015-20. Within print advertisement segment, the trend in print English language is slowly waning whereas print language is gaining momentum as advertisers started to target tier II and tier III cities of the country. The increasing size of the middle class that speaks different languages has led companies eyeing for smaller towns as prospective growth markets to increase their focus on localized messaging in regional languages. The print language contribution in total print advertisement jumped to 64% in 2015 from 50% of 2005.

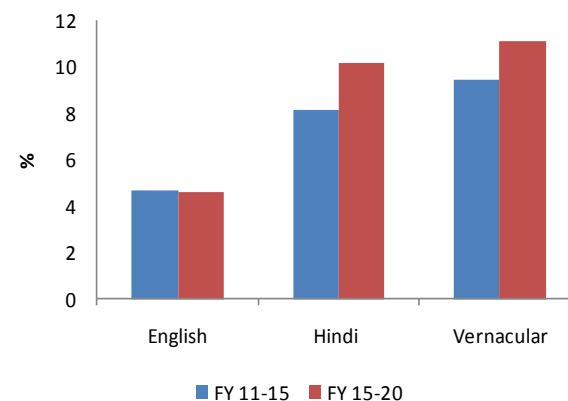
Digital advertising will continue to grow at a high CAGR of 34% over 2015-2020 with a shift towards mobile and video advertising on the back of increase in mobile users and improved digital infrastructure.

INVESTMENT RATIONALE:**Regional to drive Print growth**

The print industry (Rs 283 bln as on 2015) of India is expected to grow by 7.8% CAGR over the next five years according to the FICCI-KPMG reports, primarily boosted by advertising segment especially from vernacular and Hindi market. The readership of English print is sliding compared to Hindi and vernacular media as the companies look towards reaching directly to the customers in prospering tier II and tier II cities of the country where the major chunk of consumers reside.

Print Media Industry CAGR Gr

Source: FICCI-KPMG, HDFC sec Research

Advertising Market Mix, Language Wise CAGR Gr

Source: FICCI-KPMG, HDFC sec Research

DBCL is very well placed to grab these opportunities with its presence in 14 states of the country, covering 49% of Indian urban population and 50% of India's total consumption. The print segment of the company grew at 8% CAGR over the past 3 years, contributing around 86% to the company's revenue (65% advertising, 21% circulation).

The company is emphasizing in Hindi, Gujarati and Marathi, 3 of the top 5 regional languages, occupies 65% of language space of India. Its Hindi daily DainikBhaskar is present in 12 states with 40 editions, while Gujarati Newspaper DivyaBhaskar is present in Gujarat and Maharashtra with 7 editions. The Marathi Newspaper Divya Marathi is present in Maharashtra with 7 editions. It also has presence in English Daily through DB Post which is newly launched in 1 state with 1 edition and franchisee model of DNA is present in 2 states with 2 editions.

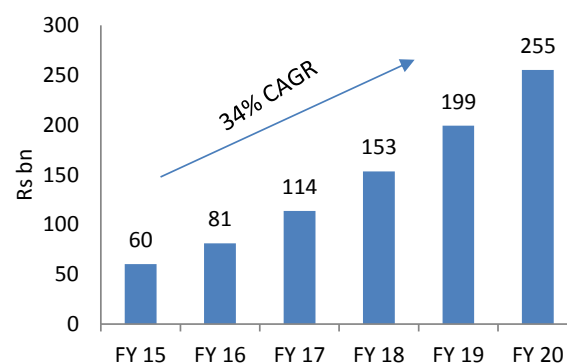
The regional story continues to dominate strategies of print players and will continue to be the key growth driver as the growing income levels and transforming demographics have spurred the spending power in tier II and tier II cities. While, with the rising literacy level, increasing population and rising demand for region specific content, the print media is adapting and focusing on delivering content in the readers' native language. Moreover government initiatives designed to increase rural income will also emerge long term spending power and contribute to the advertising potential of these markets.

With a focused strategy, DBCL, the largest player in the industry is set to leverage the tremendous opportunities of language print media.

Growth of Digital Media Taking Off

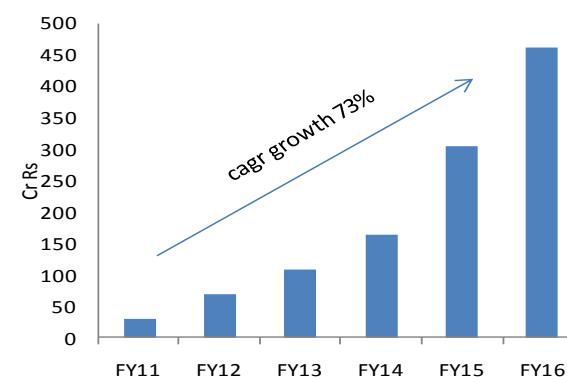
In the U.K., digital advertising has already outperformed TV advertising, while in the U.S. it is expected to cross this benchmark in the coming year. In 2015, India's share of digital advertising to its total advertising market was 12.6% and is expected to reach 26% by 2020. The growing trend of using second screen, increasing mobile Internet and device penetration and technological innovation will drive digital advertising growth in future. The Rs 60 bln digital market is likely to touch as Rs 255 bln by 2020, registering 34% CAGR growth and that would offer further room to the company to expand.

Digital Ad Spending in India



Source: FICCI-KPMG, HDFC sec Research

DBCL's Digital ad Revenue



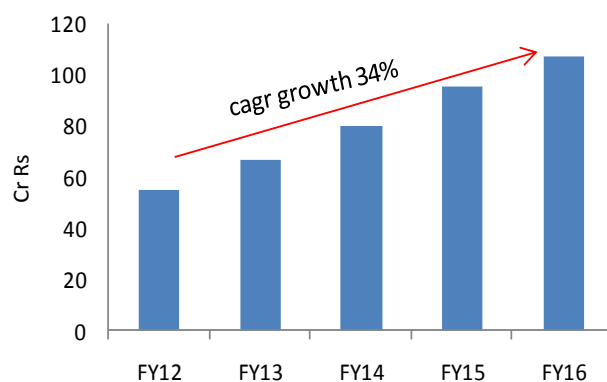
Source: Company, HDFC sec Research

The industry would be driven by continued spend from e-commerce, significant rise in consumption of video on-line, 4-G services, increasing number of internet users, Government push, growing usage of mobile handsets that all have a potential to add to DB Digital's revenue.

Expanding Radio Segment

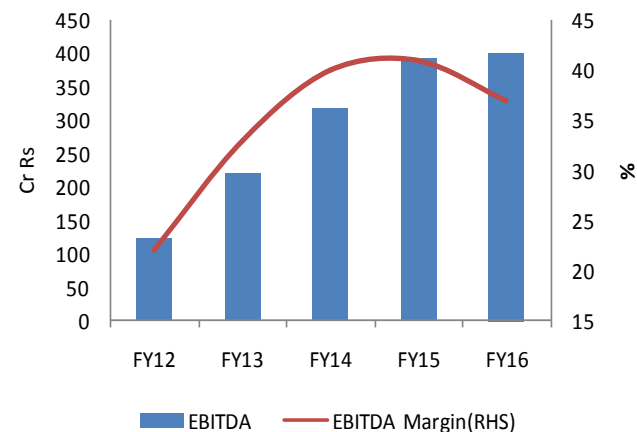
In the radio segment, DBCL operates 17 stations across 7 states under the brand 94.3 MY FM. It has already become no.1 radio station in markets of Madhya Pradesh and Chhattisgarh. Following its strategy to widen the radio business to "unmetro" geographies where DBCL has a significant print media footprint, the company successfully acquired 13 new frequencies in phase III auctions in FY16.

DBCL's Radio Business Revenue



Source: Company, HDFC sec Research

DBCL's Radio Business Operating Performance



Source: Company, HDFC sec Research

The new frequencies are set to roll out in the second half of the FY 17 with an aim to be the biggest player in Maharashtra, Rajasthan, Chandigarh, Punjab and Haryana. It strengthened its presence in Gujarat with acquisition of Rajkot during the last year. During the last 5 years radio business revenue grew 2 times and EBITDA grew 3 times.

Increasing Footprint

DBCL has always been in lime light because of its newer Geographic and Segment expansion ideology.

D B Corp has launched homeonline.com – a real estate portal with many new features this month. The company has been investing in the portal since last one year, with the aim towards integrating its strategy of protecting and covering its markets towards ensuring that its real estate market segment remains strong and protected. The company has also invested in an English language website postpickle.com aimed at the youth & women which reached almost 1 mn visitors in a very short time.

Strong Balance sheet

EBITDA and PAT shows an excellent growth of the company with 23% CAGR each over FY06-16.

Constant declining debt (with debt to equity Ratio of 0.1) and a history of dividend distribution for 11 consecutive years puts the company into strong fundamentals.

Risk & Concerns:

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- High Investment in new market.

View & Valuation:

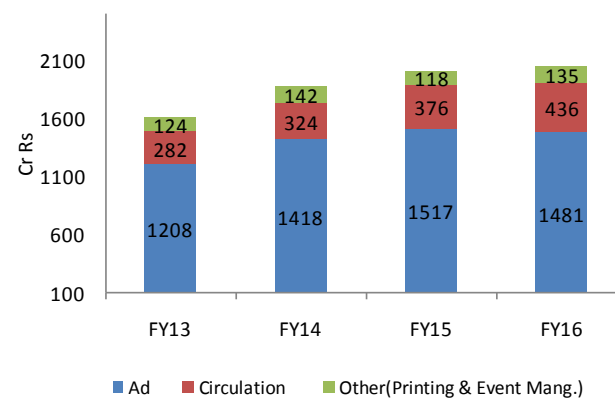
Growing ad spends by Central Government on campaigns such as 'Make in India', 'Jan DhanYojana', 'Swachh Bharat Abhiyan' and 'Digital India' will further lead to growth in the Printing Industry.

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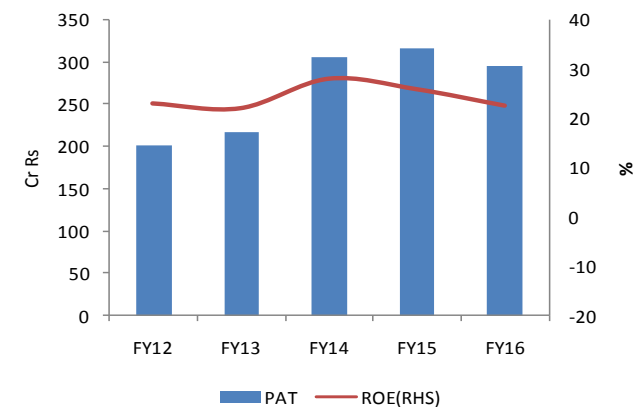
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Revenue Mix



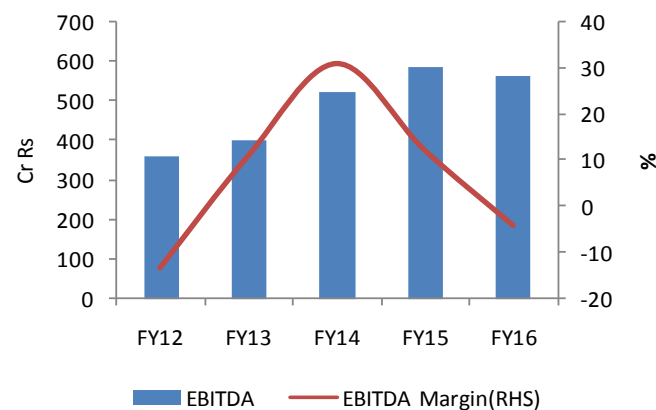
Source: Company, HDFC sec Research

PAT and ROE Trend



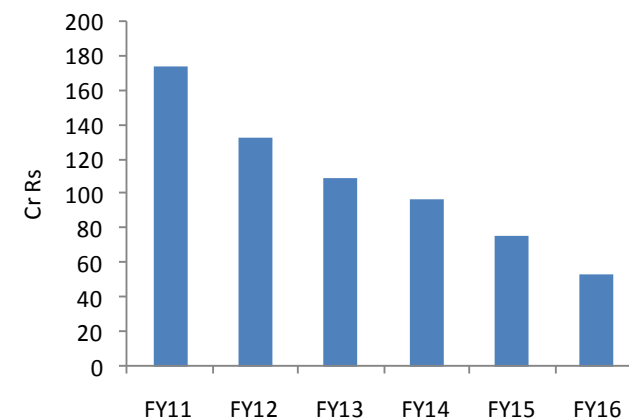
Source: Company, HDFC sec Research

EBITDA and EBITDA Margin



Source: Company, HDFC sec Research

Debt Position



Source: Company, HDFC sec Research

Income Statement (Cr)

Year ending March	FY14	FY15	FY16	FY17E	FY18E
Net Revenue	1859.8	2009.6	2051.9	2329.9	2679.4
Other Income	23.9	25.7	28.1	30.9	34.0
Total Income	1883.6	2035.3	2080.0	2360.9	2713.4
Growth (%)	16.7	8.1	2.2	13.5	14.9
Operating Expenses	1359.5	1447.4	1517.1	1646.3	1852.1
EBITDA	524.2	587.9	562.9	714.6	861.4
Growth (%)	31.1	12.2	-4.3	26.9	20.5
EBITDA Margin (%)	28.2	29.3	27.4	30.7	32.1
Depreciation	64.3	88.1	87.8	95.0	96.4
EBIT	459.9	499.8	475.1	619.6	764.9
Interest	7.5	7.6	9.2	10.1	10.9
PBT	452.4	492.3	465.9	609.6	754.0
Tax	145.7	175.9	169.0	213.3	263.9
RPAT	306.6	316.3	296.9	396.2	490.1
Growth (%)	40.6	3.2	-6.1	33.5	23.7
EPS	16.7	17.2	16.2	21.6	26.7

Source: Company, HDFC sec Research

Balance Sheet (Cr)

As at March	FY14	FY15	FY16	FY17E	FY18E
SOURCE OF FUNDS					
Share Capital	183.5	183.7	183.7	183.7	183.7
Reserves	963.3	1104.5	1162.9	1375.4	1681.7
Shareholders' Funds	1146.7	1288.2	1346.6	1559.1	1865.5
Total Debt	72.7	50.5	26.8	27.8	28.9
Net Deferred Taxes	88.5	83.2	84.2	84.2	84.2
Long Term Provisions & Others	34.6	37.8	44.0	44.0	44.0
Total Source of Funds	1342.6	1459.6	1501.5	1715.1	2022.5
APPLICATION OF FUNDS					
Net Block	850.7	818.4	935.1	865.1	788.7
Investment	72.4	68.6	68.8	78.0	93.3
Long Term Loans & Advances	192.3	312.7	292.0	335.6	385.4
Total Non Current Assets	1115.4	1199.7	1295.9	1278.7	1267.4
Current Investments	0.0	0.0	0.0	0.0	0.0
Inventories	173.2	140.2	167.5	191.5	220.2
Trade Receivables	328.0	345.0	386.2	446.8	513.9
Short term Loans & Advances	38.1	40.2	56.0	58.8	61.8
Cash & Equivalents	113.3	178.0	89.8	275.4	557.8
Other Current Assets	1.6	1.6	4.2	4.4	4.6
Total Current Assets	654.2	704.9	703.7	977.0	1358.3
Short-Term Borrowings	53.7	47.7	86.7	95.4	105.0
Trade Payables	111.4	121.5	118.0	129.6	158.6
Other Current Liab & Provisions	156.9	155.2	176.7	189.0	202.3
Short-Term Provisions	105.0	120.6	116.7	126.6	137.4
Total Current Liabilities	427.0	444.9	498.1	540.7	603.2
Net Current Assets	227.2	260.0	205.6	436.3	755.1
Total Application of Funds	1342.6	1459.6	1501.5	1715.0	2022.5

Source: Company, HDFC sec Research

Cash Flow Statement (Cr)

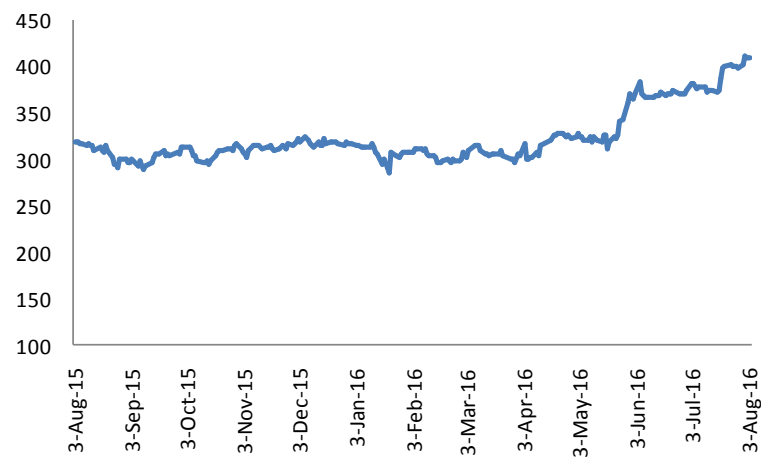
Year ending March	FY14	FY15	FY16E	FY17E	FY18E
Reported PBT	452.4	492.3	465.9	609.6	754.0
Non-operating & EO items	-49.5	-55.7	-64.5	-30.9	-34.0
Interest Expenses	7.5	7.6	9.2	10.1	10.9
Depreciation	64.3	88.1	87.8	95.0	96.4
Working Capital Change	-19.4	31.9	-33.8	-45.1	-36.4
Tax Paid	-145.7	-175.9	-169.0	-213.3	-263.9
OPERATING CASH FLOW (a)	309.6	388.2	295.6	425.2	527.1
Capex	-109.0	-58.5	-204.5	-25.0	-20.0
Free Cash Flow	200.6	329.7	91.1	400.2	507.1
Investments	-90.6	-116.6	20.5	-52.8	-65.1
Non-operating income	23.9	25.7	28.1	30.9	34.0
INVESTING CASH FLOW (b)	-175.7	-149.4	-155.9	-46.9	-51.1
Debt Issuance / (Repaid)	-6.7	-24.4	-16.6	1.1	1.0
Interest Expenses	-7.5	-7.6	-9.2	-10.1	-10.9
FCFE	186.4	297.8	65.3	391.2	497.2
Share Capital Issuance	-0.9	0.2	0.1	0.0	0.0
Dividend	-133.1	-142.4	-202.1	-183.7	-183.7
FINANCING CASH FLOW (c)	-148.2	-174.1	-227.8	-192.8	-193.6
NET CASH FLOW (a+b+c)	-14.4	64.7	-88.1	185.6	282.4
Closing Cash	113.3	178.0	89.8	275.4	557.8

Source: Company, HDFC sec Research

Key Ratio

Key Ratios (%)	FY14	FY15	FY16E	FY17E	FY18E
EBITDA Margin	28.2	29.3	27.4	30.7	32.1
EBIT Margin	24.7	24.9	23.2	26.6	28.5
APAT Margin	16.5	15.7	14.5	17.0	18.3
RoE	28.2	26.0	22.5	27.3	28.6
RoCE	34.3	34.2	31.6	36.1	37.8
Solvency Ratio					
Net Debt/EBITDA (x)	2.5	-13.6	4.2	-21.3	-49.2
D/E	0.1	0.1	0.1	0.1	0.1
Net D/E	0.0	-0.1	0.0	-0.1	-0.2
Interest Coverage	61.1	66.1	51.6	61.6	70.0
PER SHARE DATA					
EPS	16.7	17.2	16.2	21.6	26.7
CEPS	20.2	22.0	20.9	26.7	31.9
BV	62.5	70.1	73.3	84.9	101.5
Dividend	7.3	7.8	11.0	10.0	10.0
Turnover Ratios (days)					
Debtor days	64.4	62.7	68.7	70.0	70.0
Inventory days	29.7	28.5	27.4	30.0	30.0
Creditors days	64.3	68.5	69.6	70.0	72.0
Working capital days	29.9	22.7	26.5	30.0	28.0
VALUATION					
P/E	24.5	23.7	25.3	19.0	15.3
P/BV	6.5	5.8	5.6	4.8	4.0
EV/EBITDA	14.3	12.7	13.3	10.5	8.7
EV / Revenues	4.0	3.7	3.6	3.2	2.8
Dividend Yield (%)	1.8	1.9	2.7	2.4	2.4

Source: Company, HDFC sec Research



Rating Definition:

Buy: Stock is expected to gain by 10% or more in the next 1 Year.

Sell: Stock is expected to decline by 10% or more in the next 1 Year.

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