

DB Corporation Limited**Rs 282****KRChoksey**
wealth enhancement solutions**On the path of leadership!****BUY**

DB Corp reported strong Q2FY11 results stood in line with our expectations. On account of 60% improvement in yield and 40% ad volume, fueled the company to register double digit y-o-y growth. However EBITDA margin witnessed a decline due to lower cover prices, pre-marketing and survey expenses incurred towards launches in Jharkhand and Jammu, We believe the company's successful entry into Jharkhand and Jammu and festive season of Q3 will drive higher revenues in second half of FY11.

Robust growth in top line and earnings: DB Corp reported strong y-o-y growth in Q2FY11 revenues supported growth in advertising volumes and ad yields. The company has hiked rates by 11% in June 2010. Despite being a seasonally weak quarter and absence of festivals which were present during Q2 FY10, the company could manage to register strong growth. Radio business reported better run rate per month with optimum inventory utilization. Out of 15% y-o-y growth in advertising segment, 40% was contributed by volume and balanced 60% through better yield. Vernacular ad market reported the strong growth wherein DB Corp marked the significant 18% growth.

EBITDA margin remained flat on y-o-y basis however declined sequentially due to pre-marketing and survey related expenses in Jammu and Jharkhand region. News print cost also remained flat at Rs 25,629/MT in Q1FY11 Vs Rs 25,644/MT in Q1FY10 and cost reduction initiatives undertaken by the company. On y-o-y basis lower interest cost (debt-equity of 0.3), higher other income (+84% y-o-y to Rs4.3 crore) up lower effective tax rate of 34% in Q1FY11 Vs 39% in Q1FY10, reflected in robust 35% y-o-y growth at the bottom line.

Valuations & Views: We expect DB Corp to register higher growth in print segment as it has successfully expanded its reach in from 11 states to 13 states by adding Jharkhand and Jammu regions. The company is also expected to launch editions in Jamshedpur by November and in Dhanbad by Jan. In line with their strategy to enter into a new market in every 2 years, the company is expected to enter in Bihar by mid of next fiscal year. Furthermore we are also positive about the company's strategy to add 2-3 editions every year which ensures consistent growth in revenue performance. With the leading presence and focus in vernacular market, which has also witnessed a significant growth, DB Corp well placed to capture growth opportunities.

At the CMP of Rs 292, the stock is trading at 20x FY11E EPS of Rs 14.4 and 16.8x FY12 P/E EPS of Rs 17.1. We are now rolling over from FY11 to FY12 hence by assigning a P/E multiple of 20x on FY12EPS of Rs 17.2, we arrive at a target price of Rs 344 (previous Rs 310) for 12 month horizon, reflecting a potential upside of 22% from current levels.

Key Financials**(Rs in crore)**

Particulars	FY09	FY10	FY11E	FY12E
Revenues	961	1063	1276.5	1471.5
EBITDA	147.3	342.9	442.6	513.5
Net Profit	47.6	182.8	261.4	311
EPS	2.6	10.1	14.4	17.1
EBITDA margin	15.3%	32.3%	34.7%	34.9%
NIM	5.0%	17.2%	20.5%	21.1%
EV/EBITDA	36.2	15.5	12.0	10.4
P/E	110.7	28.5	20.0	16.8
ROE	6.1%	23.6%	33.8%	40.2%

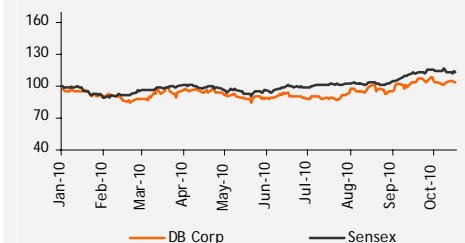
Source: Company, KRChoksey Research

Price Outlook (Rs): 344

Market Data	October 27, 2010
Shares outs (Cr)	18.15
Equity Cap (Rs Cr)	181.5
Mkt Cap (Rs Cr)	5029.9
52 Wk H/L (Rs)	282.70/ 274.00
Avg Vol (1yr avg)	2,36,149
Face Value (Rs)	10.0
Bloomberg Code	DBCL. IN

Market Info:

SENSEX	20,303
NIFTY	6,012

Price Performance**Share Holding pattern (%)**

Particulars	30Sept	30Jun	Chg
Promoters	86.34	86.34	-
Institutions	5.12	4.76	0.36
FII	3.09	2.74	0.35
Public	5.45	6.16	-0.71
Others			
Total	100.0	100.0	NA

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