



JAYPEE

DB Corp Ltd - Initiating Coverage
July 05, 2010





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Service offerings:

- Trading, Advisory & Depository Services
- Equity Research
- Financial Planning & Mutual Fund Distribution

DB Corp Ltd

CMP: Rs. 233

Target: Rs.289

BUY

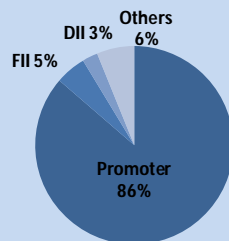
As on July 5th, 2010.

Market Price	Rs. 233
Market Cap. (Rs. Cr.)	
52 Week High/Low	274/201
Face Value	Rs. 10
Book Value per Share	Rs. 34
Target Price	Rs. 289

Codes

BSE Code	533151
ISIN No	INE950I01011
NSE Symbol	DBCORP
Bloomberg Code	DBCL IN
Reuters Code	DBCL.BO

Shareholding pattern as on Mar 2010



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Foray in new territories

DB Corp is one of the leading print media companies in India, publishing in three languages (Hindi, Gujarati and English), in 11 states in India. We expect the company's circulation revenues to grow on the back of its phased entry into new territories of Bihar, Jharkhand and Jammu. DBCL's recent ad-rate hike of 14% will also boost its advertisement revenues. We believe that the increasing purchasing power of Tier II and Tier III cities present significant opportunities for advertisers marketers and media players. This is favourable for DBCL as it has a strong presence in these markets. We expect the revenue to grow at a CAGR of 14% over FY10-FY12E and profits at a CAGR of 15% over the same period. We are initiating coverage on DBCL with a 'BUY' rating.

- **Entry in new territories to boost circulation revenues:** DBCL is entering new territories of Bihar, Jharkhand and Jammu. Although these editions will take 2-3 years to break-even, the sale of these editions would boost the company's circulation revenues.
- **Growth in regional advertisement:** The increasing number of middle and higher income households has made Tier II and Tier III cities attractive markets, thereby resulting in growth in regional advertisement. DBCL is likely to garner a major chunk in regional advertisement pie as most of its editions enjoy leadership positions in these cities.
- **Hike in ad-rates to further boost ad-revenues:** With improvement in the economic scenario, there is an overall improvement in the advertisement volumes. Considering this, DBCL has recently taken a 14% hike in its advertisement rate which would further boost DBCL's ad revenues.

Valuation

At the CMP of Rs 233, DBCL is trading at 20x and 17x its FY11E and FY12E earnings, and 11x and 9x its expected EV/EBIDTA value. We value DBCL at 13x its FY11E EV/EBIDTA to arrive with a 12-month target price of Rs 289, implying a potential upside of 24% from present levels. We initiate coverage with a 'BUY' rating.

Y/E 31st March	FY08	FY09	FY10	FY11E	FY12E
Revenue (Rs mn)	8,449	9,490	10,630	12,071	13,743
Revenue growth (%)	28%	12%	12%	14%	14%
EBITDA	1,651	1,353	3,429	3,685	4,209
EBITDA margin (%)	20%	14%	32%	31%	31%
Net Profit (Rs)	751	476	1,828	2,093	2,446
Net Profit margin (%)	9%	5%	17%	17%	18%
EPS	4	3	10	11	13
P/E	52	83	23	20	17
ROCE	26%	16%	33%	30%	29%
ROE	88%	28%	104%	114%	134%

Source: Company, Jaypee research

Service offerings:

- Trading, Advisory & Depository Services
- Equity Research
- Financial Planning & Mutual Fund Distribution

Combined average daily readership of 15.8 million

Company background

DB Corp is one of the leading print media companies in India, publishing 7 newspapers, 48 newspaper editions and 128 sub-editions in three languages (Hindi, Gujarati and English) in 11 states in India.

The company's key publications Dainik Bhaskar (in Hindi), Divya Bhaskar and Saurashtra Samachar (in Gujarati) position DB Corp as one of the most widely read newspaper groups in India with a combined average daily readership of 15.8 million according to IRS 2010 Round Q1, making it one of the most widely read newspaper groups in India.

DBCL has a strong presence in Madhya Pradesh, Chhattisgarh, Rajasthan, Haryana, Punjab, Chandigarh, Himachal Pradesh, Uttarakhand, Delhi, Gujarat and Maharashtra.

Divya Bhaskar is the largest circulated news paper in Gujarat and is present in Gujarat and Maharashtra with 8 editions (Ahmedabad, Rajkot, Jamnagar, Surat, Baroda, Bhavnagar, Bhuj and Mumbai). The company also publishes other newspapers including Business Bhaskar, DB Gold, DB Star and DNA on a franchisee basis in Gujarat and Rajasthan.

DB Corp also publishes various magazines including Aha Zindagi (a monthly magazine published in Hindi and Gujarati), Bal Bhaskar (a Hindi magazine for children), Young Bhaskar (a children's magazine in English) and Lakshya, a career magazine in Hindi.

DB Corp also operates an FM radio business under the brand name My FM in 7 states and 17 cities. Through its subsidiary, I Media Corp Limited (IMCL), it also operates internet portals and short messaging service (SMS) portals.

Service offerings:

- Trading, Advisory & Depository Services
- Equity Research
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Operates in highest growth markets in India

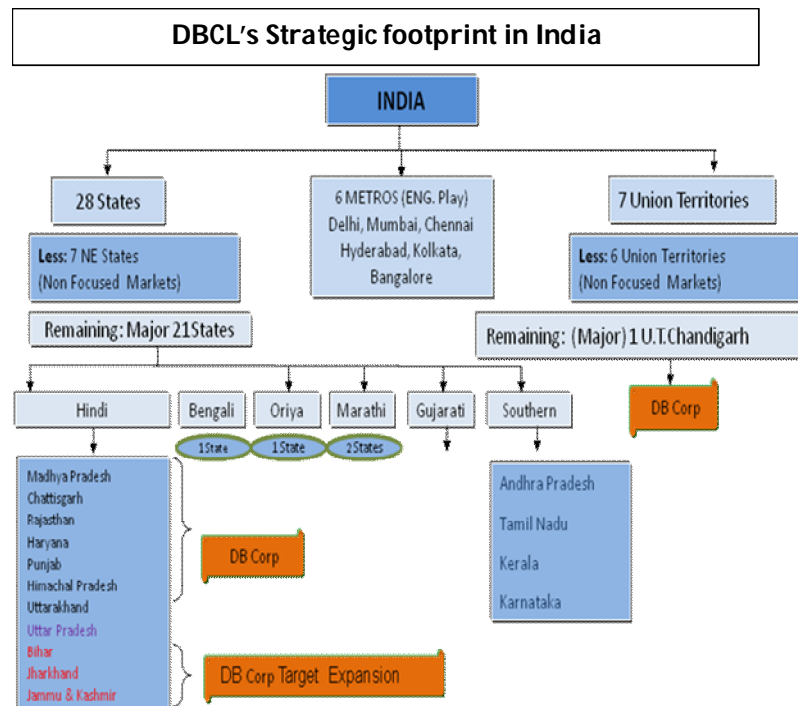
Key Investment arguments

Entry in new territories to boost circulation:

DBCL has entered new territories successfully and achieved leadership positions, in terms of readership, in a short span. It is present in the 11 of the 15 Hindi readership regions in India and has plans to expand its footprint in the remaining 3 of 4 regions, namely, Bihar, Jharkhand and Jammu. While DBCL's current markets continue to grow well, it is looking to tap opportunities in these new markets.

The company has initiated the pre-launch activities of Dainik Bhaskar in Jharkhand. The activities cover Ranchi, Jamshedpur and Dhanbad, of which Phase I will cover Ranchi and Jamshedpur, while Phase II will include pre-launch surveys in Dhanbad.

The Bihar and Jharkhand markets are larger and important markets whereas the Jammu market is extremely small with the top 3 players having a circulation of about 1 lakh copies.



Source: Company, Jaypee research

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- Equity Research
- Financial Planning & Mutual Fund Distribution

Bihar's GDP growth at 11% over 2005-09

Jharkhand's GDP growth at 8.49% over 2005-09

Cover-prices prevailing in Bihar & Jharkhand 67% higher than DBCL's average cover price

Bihar and Jharkhand – lucrative markets

Attractive GDP growth

Bihar is an attractive market as the state's economy is growing at 11.03% compared with the national average of 8.49%, according to the latest data from the Central Statistical Organisation (CSO). The average GDP growth in Bihar in the period of 2005-09 has been 11%, second only to GDP growth in Gujarat, against national GDP growth of 8.49%. Further, in Bihar, agriculture growth is 7.5% which is substantially higher than most other places in India. Also, industrial growth is 22% which has jumped from negative growth earlier. Growth in construction is 45%.

Similarly, Jharkhand witnessed a GDP growth of 8.45% over the same period and is much better when compared with Rajasthan, Punjab, Haryana and Uttar Pradesh.

Political stability and improving law and order situation are the key factors driving growth in these states.

Higher cover-prices of existing newspapers in the region

Cover-price wise also Bihar is an extremely attractive market. The readers in the state appear to be willing to pay for their papers — a change from most other markets where advertising subsidises the cost of printing to a significant extent. The cover prices of leading newspapers in Bihar are Rs 4 per copy, which is about 67% higher as compared to the average cover price of DBCL of Rs 2.40 per copy.

'It is estimated that the Rs 20,000 million advertising revenue that the Hindi dailies generate, Bihar contributes around Rs 1500 million. Also, Bihar and Jharkhand together account for 14.3% of total Hindi readership in India.

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Largely underpenetrated markets hold promise for improving readership and ad-revenue expansion

Successful track record of entering new territories

Low media penetration

While the new markets are very promising, there is huge scope for improving readership here. Of the overall population of 90 millions and 30 millions in Bihar and Jharkhand, respectively, the literacy percentage is 52% and 59%, respectively. Of this the Hindi reading population is 3.3 crores for Bihar and 1.2 crores for Jharkhand. However, the readership of Hindi dailies is as low as 18% for Bihar and 20% for Jharkhand.

Population in millions	Bihar	Patna	Jharkhand	Ranchi	Jamshedpur	Dhanbad
Base Population	66	1.77	21.9	0.87	1.09	1
Literacy	34	1.37	12.9	0.73	0.93	0.79
Literacy%	52%	78%	59%	84%	85%	79%
People able to read Hindi	33	1.37	12	0.73	0.89	0.75
People reading Hindi Dailies	5.85	0.55	2.41	0.34	0.32	0.22
Penetration Gap	82%	60%	80%	54%	64%	71%

Source: Company, Jaypee research

Aggressive marketing strategies for entering new territories

DBCL has a successful track record of entering and achieving a strong position in new markets. It identifies high growth markets that hold high potential for advertisement revenues and have a low print penetration. After identifying such markets it starts with its aggressive pre-launch activities that include door-to-door contact programme where households are surveyed to understand the needs and desires of the readers in the region. The potential readers are then asked to design their dream news-paper. The company then initiates pre-launch order booking phase, which ensures a confirmed circulation from day one of its launch. The company has achieved tremendous success with these strategies with the launch of 'Divya Bhaskar' in Ahmedabad. It topped the 80 year old leading newspaper 'Gujarat Samachar' in terms of circulation on the very first day of its launch, with a circulation number of 452000 copies.

Similarly, it has increased its readership in Punjab from 3 lakh copies per day in IRS 2008 Round 1 to over 5 lakh copies per day in IRS 2009 Round 2, overtaking the 55 year old newspaper Punjab Kesari.

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Strong presence in Northern, Central and Western India

Well-diversified mix of readers from different regions

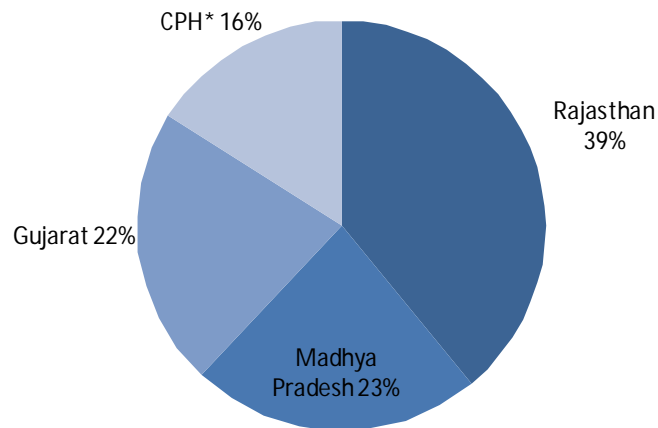
Strong presence across various states in vernacular print media

DBCL successfully operates its newspaper editions in different geographies with different languages, different socio economic cultures and has achieved success in each market. DB Corp has a strong presence in a substantial portion of North, Central and Western India, particularly in the Tier II and Tier III cities which are considered high growth markets. It has grown from a combined average daily readership of approximately 14.7 million readers in 2003 to a combined average daily readership of 15.8 million readers in 2010. (Source: IRS 2003 (Round 2) & IRS 2010 Q1).

Its well diversified mix of readers from different regions reduces its dependence on any one region. This gives the company an edge over its competitors for sustaining price wars.

It enjoys a strong leadership position in Punjab – JAL (Jalandhar, Amritsar and Ludhiana), Madhya Pradesh, Chhattisgarh, Chandigarh and Haryana. DB Corp's Gujarati newspaper, Divya Bhaskar, is also the second most read newspaper in Gujarat with an average issue readership of 3.35 mn after Gujarat Samachar with an average issue readership of 4.6 mn.

DBCL's readership distribution IRS 10Q1



*CPH – Chandigarh, Punjab & Haryana,
Source: Company, Jaypee research

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Higher dependence on local advertisements

14% hike in advertisement rates to further boost ad revenues

Hike in advertisement rates to boost ad-revenues

DB Corp's advertisement revenues account for 75% of its total revenues. Of the total advertisement revenues, about 60% comes from local advertisers. The print media industry faced margin pressures during FY09 because of lower ad-spends owing to slowdown in the economy. The larger national players were more adversely affected than the regional players.

With the recovery in the economy the national advertisers are also showing signs of revival. On the back of the improvement in scenario, Companies have increased their advertising spends. With most of its editions falling in the category of 'mature editions (editions which are in circulation for more than four years) and the revival in national advertising DBCL has revised its advertisement rates 14% upwards.

Key ad-revenue contributors for DBCL, Industry-wise

Education	15%
Automobile	12%
Government	9%
Real-estate and construction	7%
Electronics and consumer durables	7%
Finance/Banking/Investment	5%
FMCG	5%

Source: Company, Jaypee research

DBCL's revised advertisement Rates (Rate per Sq cm) (in Rs.)

Editions	2007		2008		2009	2010
	19th Apr'07	15th Dec'07	1st April'08	14th Sep'08	1st May'09	1st Apr'10
(B/ W Rates*)						
MP CG	923	1054	1477	1796	1909	2111
Rajasthan	929	1054	1252	1495	1630	2152
Chandigarh + Punjab + Haryana + Himachal					1252	1499
Chandigarh + Himachal					374	424
Haryana + Chandigarh + National edition	581	581	623	653	653	748
Punjab edition	266	401	424	509	509	536
Dainik Bhaskar all editions	2539	2822	3463	4303	4456	5099
Divya Bhaskar	901	923	1049	1295	1295	1310
Dainik + Divya (All editions)	3295	3592	4303	4879	5356	5999

* Note: the above rates are Black and White rates and Color rates are double of the same.

Source: Company, Jaypee research

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Lower domestic newsprint prices to save on major raw material costs

Higher dependence on domestic newsprint

DB Corp's domestic newsprint consumption is 80% while that of imported newsprint is only 20%. This leads to saving on newsprint cost as domestic newsprint prices are approximately 10%-15% lower than that of international newsprint.

To save on its raw material costs the company has reduced its page width for few of its editions. In its Gujarat market it has reduced the page width from 30 inches to 27 inches, while in the Hindi market it has reduced the page width from 27.5 inches to 27 inches. And for magazines on Sunday and Saturday pull-out from 27.5 inches it has gone down to 25 inches.

Upgraded and new printing facilities

DB Corp publishes its newspapers and magazines at 31 facilities from 31 cities across the country. The company's current installed capacity is 1.94 million copies per hour.

DBCL's printing capacity

State	No of Printing plants	Installed capacity (m copies/hr)	Editions printed
Rajasthan	12	0.54	9
Gujarat	7	0.52	10
Madhya Pradesh	5	0.4	9
Punjab, Chandigarh & Haryana	5	0.38	10
Chhattisgarh	2	0.1	5
Total	31	1.94	43

Source: Company, Jaypee research

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Radio revenues increased from Rs. 271 million in FY09 to Rs. 349 million in FY10, on account of increase in advertising revenue

Radio business turns profitable at EBIDTA level

DBCL's board has recently approved the de-merger of its radio business from its subsidiary Synergy Media Entertainment Limited into itself, consolidating its position and advertising proposition. The radio business operates under the brand name MY-FM 94.3 and has 17 radio stations including Jaipur (which was the first station launched in May 2006), Chandigarh, Jalandar, Bhopal, Udaipur, Ahmedabad, Amritsar, Gwalior, Indore, Surat, Ajmer, Bilaspur, Nagpur, Jodhpur, (13 stations launched in 2007) Raipur, Kota and Jabalpur (3 stations launched in 2008).

The radio business has already reported EBITDA breakeven in FY10, well within an average age of 2.5 years of launch of all its 17 radio stations. Retail advertisers contribute almost 60% of total radio advertising revenue. DBCL has a large pool of retail advertisers in India accounting to almost 3 lakhs retail advertisers driving growth.

Through the integration of MY FM, DBCL will now be able to offer corporate customers a unified media outreach solution for pan-India promotional campaigns. MY FM's presence in 17 cities allows advertisers an extensive reach to Tier 2 and 3 cities, which are the growth stimulators for regional media. This integration therefore spurs DBCL's ability to localize content, which is key to addressing relevant regional target audiences.

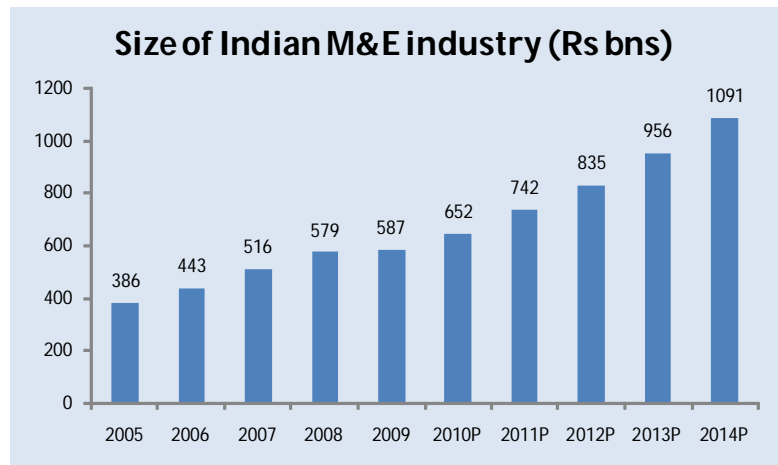
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Indian media expected to grow at a CAGR of 14% over 2009 to 2013P

Print media – Industry overview

Indian media and entertainment industry

The Indian media industry was one of the fastest growing sectors in the country in recent times, on back of favorable demographics and robust economic growth. The ability of media companies to deliver on multiple format, expand into low penetrated geographies has helped them to achieve scale. Although the industry faced set back due to economic slowdown and the consequent slowdown in advertising revenues, especially in the last quarter of 2008 but it is with the economy on path of recovery it is back to its faster growth with the revival in advertising spends.



Note: 'P' – Projected, Source: FICCI-KPMG Media & Entertainment industry report 2010, Jaypee research

Print media – passing through dynamic growth phase

The Indian Print Media sector is currently passing through one of its most dynamic phases with most players expanding their footprints beyond traditional regions, strong FDI investments pouring into the industry and multiple print media models being experimented by the players.

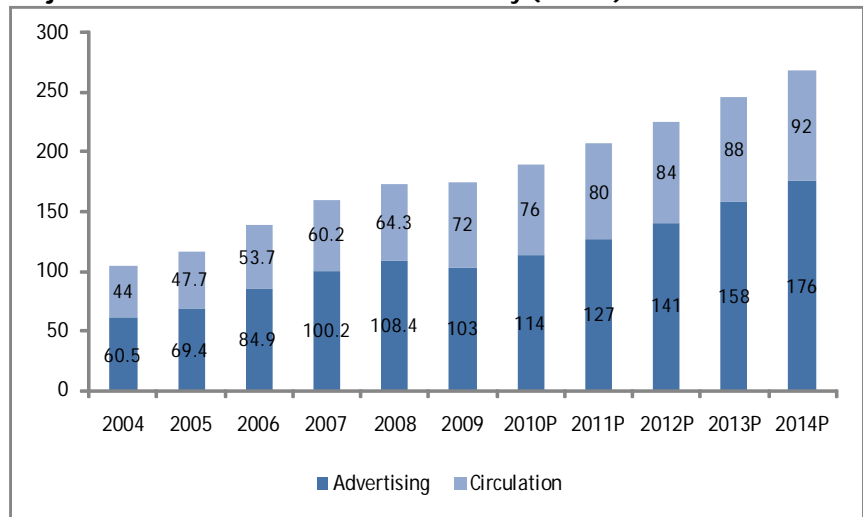
The Indian Print Media industry is estimated to have grown by 7.6% in 2008 and reaching around Rs 172.6 bn in size. The corresponding size was Rs 160.4 bn in 2007. The performance of the sector was affected by the recent economic slowdown, which has affected advertising industry.

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Print media expected to grow at a CAGR of 10% over 2009 to 2013P

Print media to continue dominating advertising pie

Projected size of Indian Print Media Industry (Rs bns)



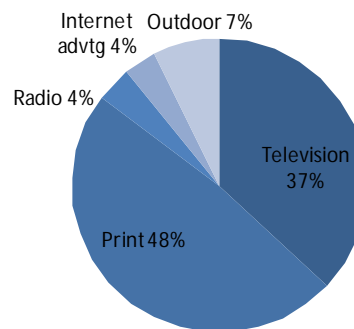
Source: FICCI-KPMG Media & Entertainment industry report 2010, Jaypee research

The industry is projected to grow at a CAGR of 9% over the next five years and reach around Rs 266bn in size by 2013.

Print enjoy largest share of the advertising pie

The media industry depends strongly on advertising spend and advertising revenue continues to be driving force behind strong revenue growth of the company. Although, print media is estimated to lose its share in the ad-pie to new media (radio, internet and gaming) and television, it is still estimated to have the largest share.

Indian advertising industry 2009P



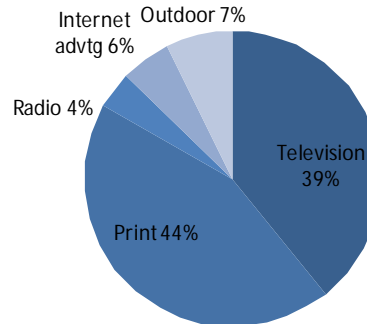
Source: FICCI-KPMG Media & Entertainment industry report 2009, Jaypee research

Print media is expected to grow at a CAGR of 10% over the period of 2009 to 2013P.

Service offerings:

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Indian advertising industry 2013P



Source: FICCI-KPMG Media & Entertainment industry report 2009, Jaypee research

Top Print advertising sectors by volumes

Sector	share
Education	15%
Services	12%
Finance	10%
Auto	7%
Retail	5%
Durables	4%
Personal accessories	3%
Brand image	3%
Healthcare	3%
Media	2%

Source: FICCI-KPMG Media & Entertainment industry report 2009, Jaypee research

Regional focus to boost readership

Regional players dominant in terms of readership

The Indian Print industry is highly fragmented. Hindi language newspapers comprise 44.6%, while English language newspapers comprises of a mere 7.4% of the total registered dailies. Hindi is the most widely known language followed by English, Marathi, Tamil and Telugu.

A lot of activity in Indian media space has been concentrated on regionalization i.e. not only providing content in regional languages but also providing locally relevant content. One of the major reasons for regionalization is the rising media consumption in Tier II and Tier III cities in India. The print media has been actively pursuing the regionalization strategy and this strategy has helped the media companies to increase their level of penetration.

Service offerings:

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Higher growth in per capita consumption attracting higher ad-spends

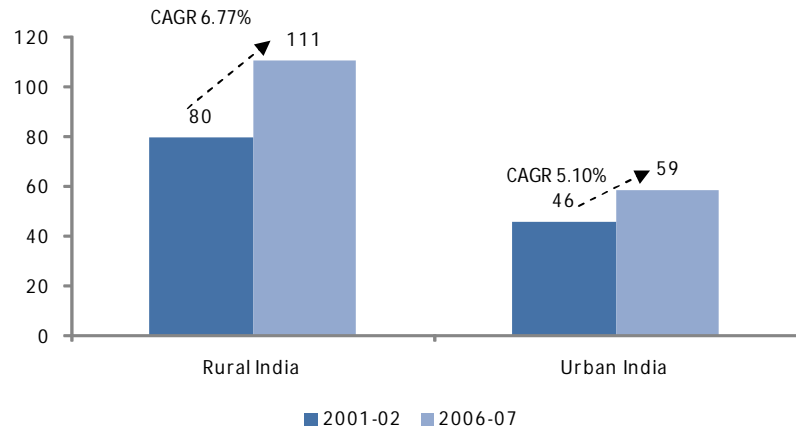
Number of Middle and higher Income households in Rural India growing at a CAGR of 6.77%

Low media penetration offers good potential for growth

Tier II and Tier III cities in vernacular language newspapers to trigger growth

An increase in the purchasing power of the Tier II and Tier III cities is attracting higher ad-spends to these markets. The young demographic profile further attracts more marketers.

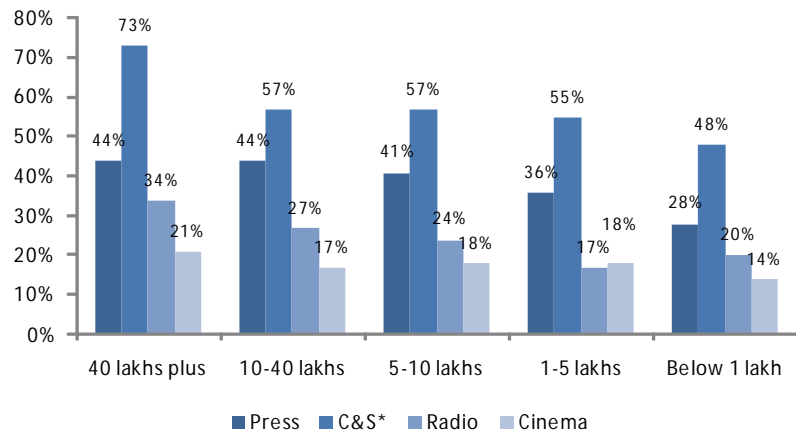
Number of Middle and Higher Income Households (in lakhs)



Source: FICCI-KPMG Media & Entertainment industry report 2009, Jaypee research

The print media despite a readership base of 250mn is still under penetrated and is highly fragmented with over 60000 newspaper printed in 22 languages.

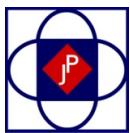
Media reach among different Town categories



Source: FICCI-KPMG Media & Entertainment industry report 2009, Jaypee research, *C&S – Cable and Satellite

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Reduction in ad rate premium of English from 12x in 2003 to 9x in 2008

The lower penetration provides a significant growth opportunity since as per Indian reader ship survey currently more than 359mn who can read and understand atleast one language but do not read any publication. The rising literacy rate and affordability of media are likely to be important catalyst for growth in this segment.

Reduction in ad rate premium of English over Hindi

At the prevailing advertising rates, an English reader is valued 9 times (12 times in 2003) more than a Hindi reader and 13 times over a vernacular reader. The language garners only a 25% share in circulation while still accounting for 48% share in advertising. Advertisement rates between national and regional press is expected to come down further as the regional media begins to get its due importance leading to more monetization of regional newspapers.

meet
opportunity

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Key concerns

Newsprint cost

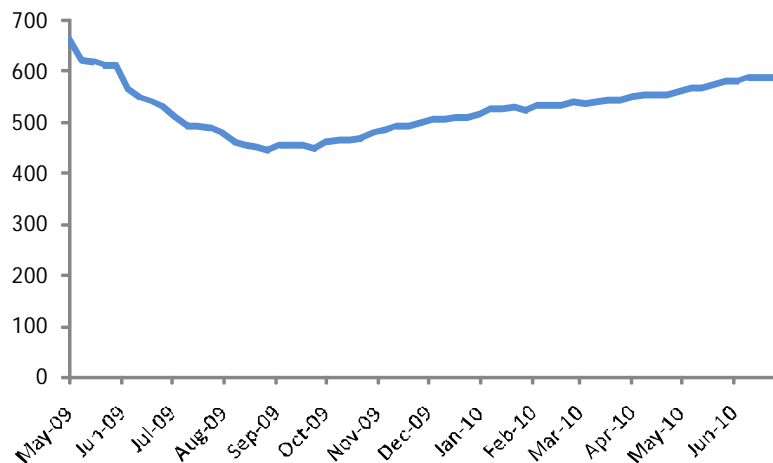
News print is the major raw material for print media. News print consists of pulp and waste paper and is vulnerable to international price volatility. News print forms the major operating cost for print media.

For an Indian print media company newsprint/raw material cost consists of 40%-45% of operating cost. Any upward movement in international prices affects the profitability of print media companies.

The print cost which peaked at around US\$900/MT in Dec 2008 has bottomed out at \$445.89/MT in Sept 2009. Although shift in media consumption from physical to internet has reduced newsprint consumption but newsprint prices have remained volatile on account of rising raw material cost for production of material cost.

Any upward movement in crude oil prices would put upward pressure on newsprint cost as energy forms the major cost component of producing newsprint. Prices have shown significant uptrend recently and currently stand at US\$590.03 as of June 2010.

Newsprint prices (US\$/ton)



Source: Bloomberg, Jaypee research

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Stiff competition in Jharkhand leads to cutting of cover prices

Government advertisements constitute 60% of advertisement revenues in Bihar and Jharkhand

Economic slowdown

A slowdown in economy leads to lower GDP which ultimately leads to decline in ad spends. Thus a slowdown in the economy or a slower pace of growth is likely to affect the advertisement revenues of DB Corp.

New editions may not contribute to the profits immediately

DBCL's foray into hugely under-penetrated regional market may lead to an improvement in readership and ad revenue expansion, however, these editions may take 3-4 years to make substantial contribution to the bottomline.

Strong competition in Jharkhand and Bihar

HT media's *Hindustan* and Jagran Prakashan's *Dainik Jagran* have a strong foothold in Bihar. These two Hindi dailies together account for 80% share of readership in these markets. The Jharkhand market is dominated by *Hindustan*, *Prabhat khabar* and *Dainik Jagran*.

Thus, unlike its previous launches in Ahmedabad and Chandigarh, DBCL is likely to face tough competition in Bihar and Jharkhand.

The existing leading newspapers in Jharkhand; namely – *Hindustan*, *Dainik Jagran* and *Prabhat khabar* have already reduced their cover prices in the state of Jharkhand from Rs 4 to Rs 2, indicating that the competition is gearing up.

Ad revenues in Bihar

Government advertisements form about 60% of the advertisement revenues in Bihar and Jharkhand region. Also, there are stringent norms to qualify for getting these advertisements. This could directly affect DBCL's ad-revenues in these markets.

- Trading, Advisory & Depository Services
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Q4FY10 –Result Analysis

Financial Table

(Rs. In Millions)	Q4FY10	Q4FY09	YoY (%)
Total Revenue	2,571.66	2,357.79	9%
TOTAL EXPENDITURE	1,876.07	1,788.98	5%
EBIDTA	695.59	568.81	22%
Other Income	43.6	23.59	85%
Depreciation	104.55	73.5	42%
EBIT	634.64	518.9	22%
Interest	87.25	131.48	-34%
Net Profit/(Loss) from Ordinary Activities before Tax	547.39	387.42	41%
Tax Expenses	197.4	179.54	10%
Net Profitfrom Ordinary Activities after Tax	349.99	207.88	68%
Minority Interest in the losses of Subsidiaries	17.17	26.66	-36%
Net Profitfor the period	367.16	234.54	57%
Paid-up equity share capital	1,815.15	1,687.90	
EPS Rs	2.02	1.39	46%
Margin %			
OPM	27%	24%	
NPM	14%	10%	

Source: Jaypee Research, Bloomberg

- Total consolidated revenues increased by more than 9% to Rs. 2572 million from Rs. 2358 million
- Net Increase in Print Revenue of Rs. 192 million
- Advertising revenues increase to Rs. 1851 million from Rs. 1671 million representing a growth of approx. 11 %.
- Net Increase of Rs. 23 million in revenue from radio segment
- Radio revenues increased from Rs. 80 million to Rs. 103 million, primarily on account of increase in advertising revenue
- Overall EBIDTA margins have increased from 24% at Rs. 569 million last year to 27% at Rs. 696 million in the quarter under review.
- The increase in EBIDTA growth in current quarter, under review is primarily due to growth in advertising revenue driven by volume growth, lower cost of news print, and savings on account of various internal efficiencies and cost optimization measures.
- PAT expanded to Rs. 367 million from Rs. 235 million, up 57%, primarily due to above stated measures.

Service offerings:

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- Financial Planning & Mutual Fund Distribution

Peer Comparison

Companies	MCAP (Rs. Mn)	Net Sales (Rs. Mn)	EPS (Rs.)	P/E (x)	RoNW %	MCap/Sales (x)	EBIDTA Margin %	PAT Margin %
DB Corp	42,650.3	10,629.6	10.0	23.3	41%	4.0	32%	26%
Jagran Prakashan	37,089.2	9,274.0	5.8	21.1	17%	4.0	30%	19%
HT Media	33,890.0	12,631.1	5.3	27.2	11%	2.7	20%	10%
Deccan Chronicle	29,551.2	8,924.9	10.8	11.3	13%	3.3	54%	29%

Source: Jaypee Research, Bloomberg

Outlook and Valuation

DBCL's dominant position in high growth regional markets in the vernacular languages, its strong execution capabilities and aggressive marketing approach gives us positive outlook about the company.

The de-merger of DBCL's radio business from its subsidiary Synergy Media Entertainment Limited into itself consolidates its position and advertising proposition.

At the CMP of Rs 233, DBCL is trading at 20x and 17x its FY11E and FY12E earnings, and 11x and 9x its expected EV/EBIDTA value. We value DBCL at 13x its FY11E EV/EBIDTA to arrive with a 12-month target price of Rs 289, implying a potential upside of 24% from present levels.

- Trading, Advisory & Depository Services
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Financial Statements

Profit and Loss Account

Particulars Rs million	FY08	FY09	FY10	FY11E	FY12E
Net Revenue	8,449.1	9,489.9	10,629.6	12,070.6	13,742.6
EXPENDITURE					
Total raw material consumed	3,407.2	4,133.1	3,278.7	3,965.4	4,541.8
Operating Expenses	1,205.6	1,456.0	1,417.4	1,623.4	1,859.4
Personnel Expenses	936.0	1,331.0	1,318.1	1,496.8	1,704.1
General Admin & Other Expenses	1,248.8	1,216.6	569.3	599.4	631.2
Selling & Distribution expenses	-	-	616.7	700.1	797.1
TOTAL EXPENDITURE	6,797.6	8,136.7	7,200.2	8,385.1	9,533.5
EBIDTA	1,651.5	1,353.2	3,429.4	3,685.5	4,209.2
EBIDTA margin %	20%	14%	32%	31%	31%
Depreciation	220.42	289.71	378.35	449.96	479.31
Other Income	120.76	119.97	111.52	146.05	179.54
Financial Expenses	280.87	401.73	356.92	258.19	258.19
Profit Before Tax	1,270.96	781.70	2,805.66	3,123.39	3,651.22
PBT Margin %	15%	8%	26%	26%	27%
Tax Expenses	630.27	423.47	1,057.16	1,030.72	1,204.90
Prior Period Expenditure	8.37	-	-	-	-
Minority Interest in the losses of Subsidiaries	61.14	117.98	79.50	-	-
Net Profit for the Year	750.55	476.22	1,828.00	2,092.67	2,446.32
PAT margin %	9%	5%	17%	17%	18%
EPS (Rs)	4.45	2.82	10.00	11.45	13.38

Source: Jaypee Research, Bloomberg

Service offerings:

- Trading, Advisory & Depository Services
- Equity Research
- Financial Planning & Mutual Fund Distribution

Balance Sheet

Particulars Rs million	FY08	FY09	FY10	FY11E	FY12E
SOURCES OF FUNDS					
Share Capital	1,688.0	1,687.9	1,828.1	1,828.1	1,828.1
Reserves and Surplus	509.7	888.8	4,923.4	6,748.7	8,927.7
Shareholders' funds	2,197.7	2,576.7	6,751.5	8,576.8	10,755.8
Total Debt	3,436.2	5,631.0	3,207.3	3,207.3	3,207.3
Deferred Tax Liability (Net)	346.3	392.8	608.8	608.8	608.8
Minority Interest	241.9	123.9	44.4	44.4	44.4
TOTAL LIABILITIES	6,222.0	8,724.4	10,612.0	12,437.3	14,616.2
APPLICATION OF FUNDS					
Gross Block	4,035.2	4,694.7	7,165.5	7,665.5	8,165.5
Less : Accumulated Depreciation	650.5	931.9	1,304.9	1,754.9	2,234.2
Net Block	3,384.7	3,762.8	5,860.6	5,910.6	5,931.3
Capital Work-in-progress	238.4	2,708.3	614.3	314.3	164.3
NET FIXED ASSETS	3,623.1	6,471.1	6,474.9	6,224.9	6,095.6
Investments	67.5	237.5	205.0	505.0	505.0
Current Assets, Loans and Advances					
Inventories	671.3	710.8	721.6	914.3	1,080.7
Sundry Debtors	1,754.9	1,773.8	1,934.3	2,219.1	2,528.7
Cash and Bank Balances	808.2	452.0	1,950.5	3,713.1	5,850.6
Loans and Advances	977.7	1,051.8	1,007.9	1,007.9	1,007.9
Total current assets	4,212.1	3,988.4	5,614.4	7,854.4	10,467.9
Less : Current Liabilities and Provisions					
Current Liabilities	1,372.4	1,817.0	1,706.0	2,005.4	2,310.6
Provisions	341.5	372.4	102.0	267.4	267.4
Total current Liabilities	1,713.9	1,714.9	1,715.9	1,716.9	1,717.9
Net Current Assets	2,498.3	1,799.0	3,806.4	5,581.7	7,889.9
Miscellaneous Expenditure	33.1	216.9	125.7	125.7	125.7
TOTAL ASSETS	6,222.0	8,724.4	10,612.0	12,437.3	14,616.2

Source: Jaypee Research, Bloomberg

Service offerings:

- Trading, Advisory & Depository Services
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Ratios

Particulars	FY08	FY09	FY10E	FY11E	FY12E
Growth					
Net Sales	28%	12%	12%	14%	14%
PBT	119%	-38%	259%	11%	17%
Net Profit	48%	-39%	260%	14%	17%
Profitability (%)					
OPM	19.5%	14.3%	32.3%	30.5%	30.6%
NPM	8.9%	5.0%	17.2%	17.3%	17.8%
BS and Return Ratio (%)					
D/E	1.6	2.4	0.5	0.4	0.3
Interest Coverage	5.5	2.9	8.9	13.1	15.1
ROE	87.8%	28.2%	104.0%	114.5%	133.8%
ROCE	26.1%	16.1%	33.3%	29.7%	29.2%
Per Share Data					
EPS	4.4	2.8	10.0	11.4	13.4
Cash EPS	6.6	5.0	13.3	13.9	16.0
BVPS	12.8	14.0	36.2	46.2	58.1
Dividend per share	0.5	0.5	1.3	1.3	1.3
Valuation Ratios					
Market Cap.	39,381	39,379	42,650	42,650	42,650
EV	41,941	44,320	43,702	41,639	39,502
P / EPS	52.5	82.7	23.3	20.4	17.4
P / Cash EPS	35.2	46.6	17.6	16.8	14.6
P / BVPS	18.2	16.7	6.4	5.0	4.0
EV / Sales	5.0	4.7	4.1	3.4	2.9
EV/ EBIDTA	25.4	32.8	12.7	11.3	9.4
Dividend yield	0.0	0.0	0.0	0.0	0.0

Source: Jaypee Research, Bloomberg

Service offerings:

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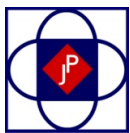
Cash flows

Particulars Rs million	FY08	FY09	FY10	FY11E	FY12E
Sources :					
Profit after tax	750.6	476.2	1828.0	2092.7	2446.3
(+)Depreciation	220.4	289.7	378.4	450.0	479.3
(+)Misc Written Off	0.0	0.0	0.0	0.0	0.0
(+/-)Other Non-Cash (Income) / Expenses	0.0	0.0	0.0	0.0	0.0
Cash generation from operations	971.0	765.9	2206.4	2542.6	2925.6
Decrease in Gross Block	0.0	0.0	0.0	0.0	0.0
Decrease in Cap WIP	80.3	0.0	2094.0	300.0	150.0
Decrease in total Investments	0.0	0.0	32.5	0.0	0.0
Decrease in Inventories	0.0	0.0	0.0	0.0	0.0
Decrease in sundry debtors	0.0	0.0	0.0	0.0	0.0
Decrease in Loans & advances	771.4	0.0	43.8	0.0	0.0
Decrease in other current assets	0.0	0.0	0.0	0.0	0.0
Increase in Current Liabilities	375.9	444.6	0.0	299.3	305.2
increase in other current liabilities	245.8	30.9	0.0	165.4	0.0
Increase in Cash Credit	N.R	N.R	N.R	N.R	N.R
Increase in total term Liabilities	0.0	2194.8	0.0	0.0	0.0
Increase in Share capital	1666.5	0.0	140.2	0.0	0.0
Total Sources	4110.9	3436.3	4516.9	3307.4	3380.9
Uses					
Payment of dividend	84.4	84.4	228.5	228.5	228.5
Dividend Tax payment	14.3	14.3	38.8	38.8	38.8
Increase in Gross Block	1159.3	659.5	2470.8	500.0	500.0
Increase in Cap. WIP (incl. Adv for capex)	0.0	2469.8	0.0	0.0	0.0
Increase in total investments	67.5	170.0	0.0	300.0	0.0
Increase in inventories	37.0	38.0	39.0	40.0	41.0
Increase in sundry debtors	286.9	18.9	160.5	284.8	309.6
Increase in loans & advances	0.0	74.1	0.0	0.0	0.0
Increase in other current assets	0.0	0.0	0.0	0.0	0.0
Decrease in Current Liabilities	0.0	0.0	270.5	0.0	0.0
Decrease in other current liabilities	0.0	0.0	270.5	0.0	0.0
Decrease in Cash credit	N.R	N.R	N.R	N.R	N.R
Decrease in Total Term Liabilities	341.0	0.0	2423.7	0.0	0.0
Decrease in Share capital	0.0	0.1	0.0	0.0	0.0
Total Uses	1990.4	3530.6	5714.6	1544.8	1243.4
Increase / decrease in cash balance	2120.5	-94.3	-1197.7	1762.6	2137.5
Opening balance	198.9	808.2	452.0	1950.5	3713.1
Closing balance	2319.4	713.9	-745.7	3713.1	5850.6

Source: Jaypee Research, Bloomberg

Service offerings:

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Service offerings:

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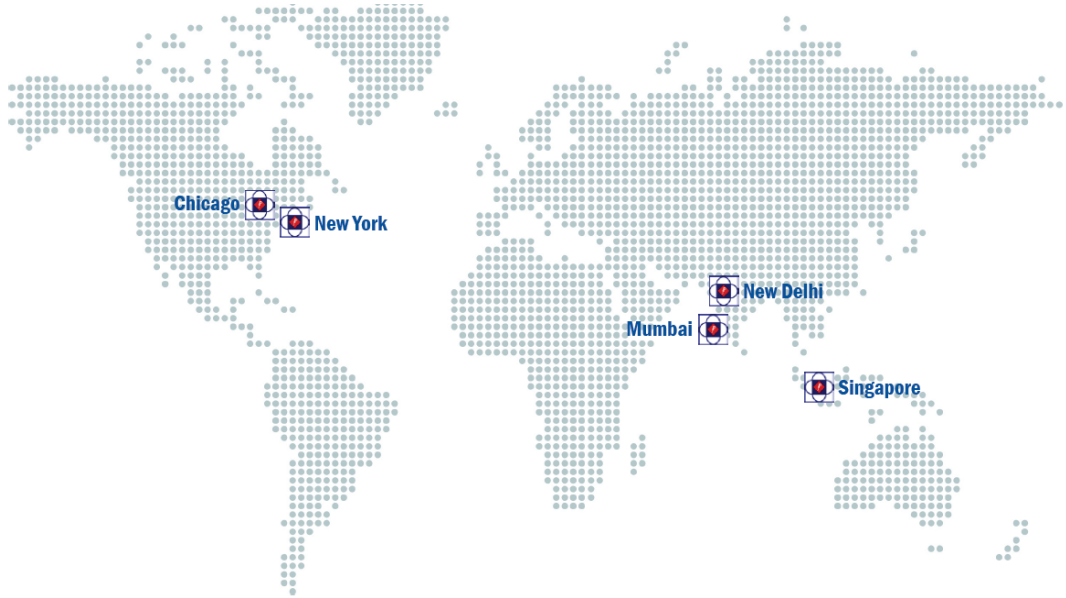
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