

D B CORP LTD.

BUY
CMP Rs250
TP Rs315

05 April 2011

We visited DB Corp's Ranchi printing plant so as to get ground level idea of DB Corp's performance in the new market – Ranchi and the print market in entirety.

'The Dhoni Effect' continues

As per the meetings with various local advertisers, major key takeaway is that their business is growing at +20% and is expecting similar kind of robust growth going forward (both from same store growth and through expansion). Proportionately the ad spend allocation has also increased, they expect ad spend to further rise for the business. The most preferred mode of advertising is Print (more than 50% of the ad budget goes to print) followed by Radio and Outdoor advertising.

Intense competition

Jharkhand (JHK) market has experienced severe competition after the launch of Dainik Bhaskar. JHK is a Rs1.5bn ad market with four main print players - Prabhat Khabar, the leader with ~40% ad market share followed by Hindustan, Dainik Jagran and Dainik Bhaskar. DB Corp, an eight month old entrant, is gaining its ground on the back of lucrative ad rates to advertisers and compelling content to readers.

Ranchi's largest circulated daily

DB Corp's aggressive pricing play has consistently rewarded the group. Dainik Bhaskar, within eight months of its launch, is already the largest circulated newspaper in Ranchi (main city and in land area) with 146,000 copies against Prabhat Khabar with 125,000 copies and Hindustan with 130,000 copies. Renewal of annual subscription of Ranchi edition would be a key factor to gauge for.

VALUATIONS AND RECOMMENDATION

DBCL's strategic penetration into high-growth markets, optimum exploitation of readership base and a uniformly distributed business model make us positive about the company's growth prospects. Attractive growth opportunities in Hindi/regional print dailies make a strong case for DBCL, as the business model is skewed towards ad revenue (76% of total revenue). At CMP, the stock is trading at 16x FY12E earnings. We reiterate our 'BUY' recommendation with 12 month target price of Rs315 (21x FY12E EPS).

KEY FINANCIALS		Rs mn				
	FY08	FY09	FY10	FY11E	FY12E	
Net Sales	8,506	9,490	10,630	12,373	14,345	
YoY Gr. (%)	27.9	11.6	12.0	16.4	15.9	
Op. Profit	1,708.6	1,353.2	3,429.4	4,062.7	4,625.2	
Op. Margin (%)	20.1	14.3	32.3	32.8	32.2	
Adj. Net Profit	750.6	476.2	1,828.0	2,382.3	2,734.0	
YoY Gr. (%)	40.1	(36.6)	283.9	30.3	14.8	
KEY RATIOS						
EPS (Rs)	4.4	2.8	10.0	13.0	15.0	
ROCE (%)	25.9	13.6	30.6	34.4	34.5	
ROE (%)	34.2	18.5	28.2	28.9	26.6	
PER (x)	56.2	88.6	25.0	19.2	16.7	
EV/Sales (x)	5.3	5.0	4.4	3.7	3.1	
Ev/EBDITA (x)	26.2	35.0	13.7	11.3	9.6	

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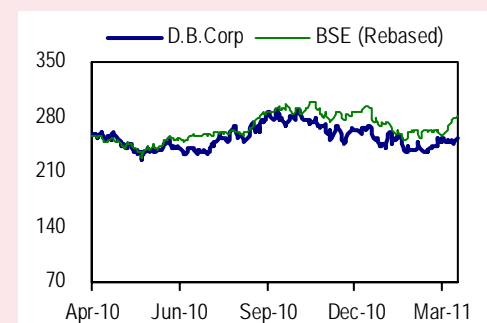
STOCK DATA

Market Cap	Rs45.5bn.
Book Value per share	Rs35.5
Eq Shares O/S (F.V. Rs10)	182mn.
Free Float	14%
Avg Traded Value (6 mnths)	Rs 13.9mn
52 week High/Low	Rs307/225
Bloomberg Code	DBCL IN
Reuters Code	DBCL.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	5.6	(5.4)	(1.6)
Relative	(0.9)	(1.6)	(10.4)

RELATIVE PERFORMANCE



OTHER KEY HIGHLIGHTS

✓ **Empaneled for Government ads**

Government ads accounts for ~20% of total ad pie. Any usual paper takes 12-15 months to get empanelment with government for ads; however DB Corp on account of its largest circulation gained government empanelment within four months of its launch.

✓ **Jharkhand foray to complete with Dhanbad launch**

DB Corp is planning to launch its Dhanbad edition by mid April'11. With Jameshpur, Ranchi and Dhanbad editions JHK market will be fully captured.

✓ **Presence in Maharashtra to be felt soon**

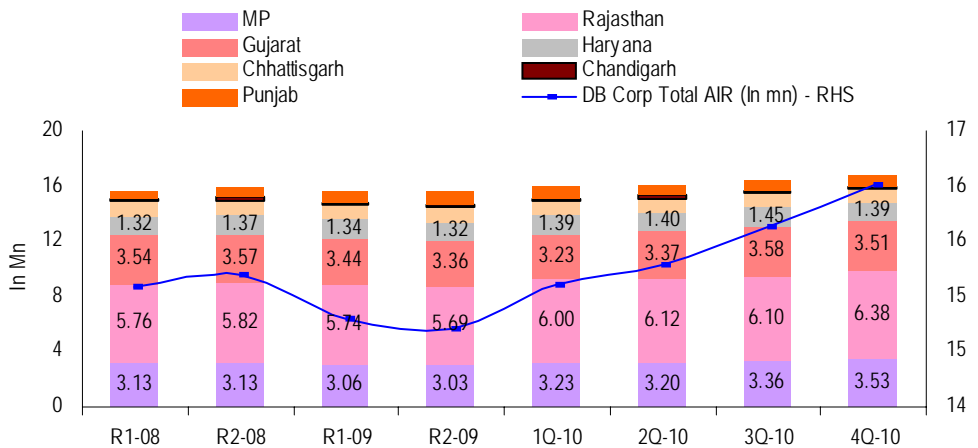
Company has plans to enter into Rs7bn Marathi ad market (excluding Mumbai and Pune market) with its Aurangabad edition by June'11 (experienced veterans to handle the daily – "Dainik Divya").

✓ **Launch in Bihar on schedule**

As per management expectation Dainik Bhaskar will enter into the Bihar market by Oct'11 (Diwali 2011). Funding of total capex for new launches is estimated to be Rs1.2bn, we expect this funding to be smooth with strong operating cash flows.

Healthy operating cash flows and strong balance sheet to support capex plans...

DB Corp statewise readership



Source: IRS, PINC Research

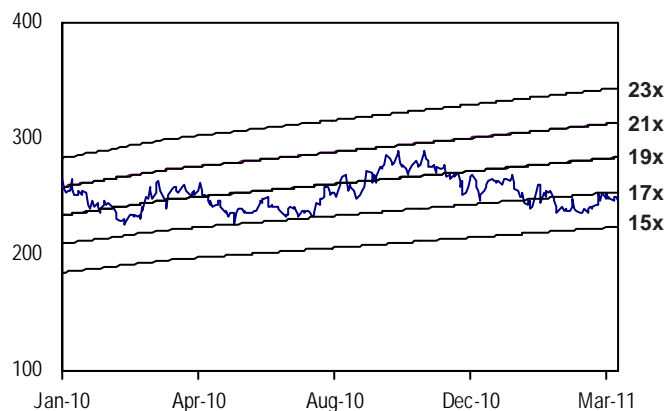
Income Statement	FY08	FY09	FY10	FY11E	FY12E
Net sales	8,506	9,490	10,630	12,373	14,345
Growth (%)	27.9	11.6	12.0	16.4	15.9
Gross profit	4,205	4,084	6,033	6,808	7,863
Other operating charges	2,497	2,731	2,604	2,745	3,237
EBITDA	1,709	1,353	3,429	4,063	4,625
Growth (%)	99.8	(20.8)	153.4	18.5	13.8
Depreciation	220	290	378	442	462
Other income	121	120	112	135	120
EBIT	1,609	1,183	3,163	3,756	4,283
Interest paid	281	402	357	175	172
PBT (before E/o items)	1,328	782	2,806	3,581	4,111
Tax Provision	630	423	1,057	1,235	1,377
E/o loss / (Income)	-	-	-	-	-
Net profit	698	358	1,749	2,347	2,734
Adj. net profit (Including MI)	751	476	1,828	2,382	2,734
Growth (%)	40.1	(36.6)	283.9	30.3	14.8
Diluted EPS (Rs)	4.4	2.8	10.0	13.0	15.0
Diluted EPS Growth (%)	-	(36.5)	254.4	30.3	14.8

Cash Flow Statement	FY08	FY09	FY10	FY11E	FY12E
Pre-tax profit	1,320	782	2,806	3,581	4,111
Depreciation	220	290	378	442	462
Total tax paid	(345)	(357)	(1,013)	(1,235)	(1,377)
Chg in working capital	674	122	(174)	(614)	(407)
Other operating activities	363	313	387	133	172
Cash flow from oper. (a)	2,232	1,150	2,384	2,308	2,961
Capital expenditure	(1,484)	(2,845)	(596)	(600)	(600)
Chg in investments	45	168	(1,298)	55	-
Other investing activities	-	-	-	-	-
Cash flow from inv. (b)	(1,439)	(2,677)	(1,895)	(545)	(600)
Free cash flow (a+b)	793	(1,527)	489	1,763	2,361
Equity raised/(repaid)	139	-	2,690	-	-
Debt raised/(repaid)	(341)	2,011	(2,268)	(1,000)	(500)
Change in Minorities Interest	-	-	-	-	-
Dividend (incl. tax)	(2)	(99)	(258)	(618)	(721)
Other financing activities	(384)	(395)	(396)	(175)	(172)
Cash flow from fin. (c)	(588)	1,517	(232)	(1,793)	(1,393)
Net chg in cash (a+b+c)	205	(10)	257	(30)	968

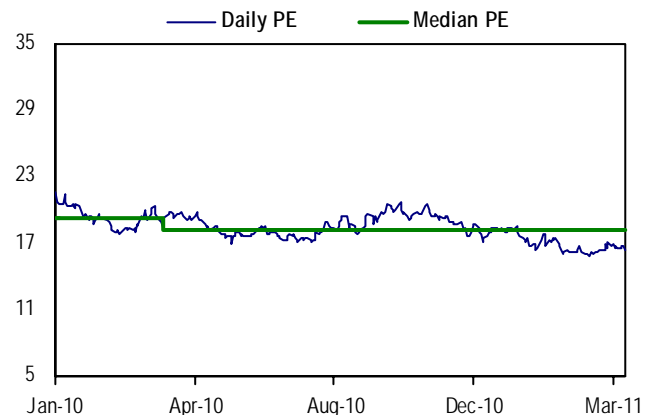
Balance Sheet	FY08	FY09	FY10	FY11E	FY12E
Equity Share capital	1,688	1,688	1,828	1,828	1,828
Reserves & surplus	510	889	4,659	6,423	8,436
Shareholders' funds	2,198	2,577	6,487	8,251	10,264
Minorities interests	242	124	44	-	-
Total Debt	3,436	5,631	3,207	2,207	1,707
Capital Employed	5,876	8,332	9,739	10,458	11,971
Net fixed assets	3,623	6,471	6,475	6,633	6,771
Net Other Current Assets	1,723	1,564	1,717	2,205	2,613
Cash & Cash Eq.	808	452	1,950	1,920	2,888
Investments	68	238	205	150	150
Net Deferred Tax Assets	(346)	(393)	(609)	(450)	(450)
Total assets	5,876	8,332	9,739	10,458	11,971

Key Ratios	FY08	FY09	FY10	FY11E	FY12E
OPM (%)	20.1	14.3	32.3	32.8	32.2
Net margin (%)	8.7	5.0	17.0	19.0	18.9
Yield (%)	0.2	0.2	0.8	1.2	1.4
Net debt/Equity (x)	1.2	1.9	0.2	-	(0.1)
Net Working Capital (days)	107	69	122	122	140
Asset turnover (x)	2.1	2.0	1.5	1.5	1.6
ROCE (%)	25.9	13.6	30.6	34.4	34.5
RoE (%)	34.2	18.5	28.2	28.9	26.6
EV/Net sales (x)	5.3	5.0	4.4	3.7	3.1
EV/EBITDA (x)	26.2	35.0	13.7	11.3	9.6
PER (x)	56.2	88.6	25.0	19.2	16.7
Price/Book (x)	19	16	7	6	4

1-Year forward P/E Band



Median PE v/s Daily PE



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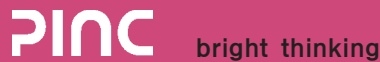
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