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India Research

Sector: Media

Initiating Coverage

DB Corporation Ltd. *(DBCL.IN)*

Market Perform

(CMP: Rs.238.1, Mkt. Cap: Rs 43.2 bn, $0.9 bn Aug 26, '11)
Relevant Index: CNX Nifty: 4,747.8 (Aug 26, '11)

Presence in key states with good economic prospects makes stock a play on regional growth in Indian Print sector…

Hike in advertising rates to help sustain revenue growth…but competitive pressures pose a challenge

August 27, 2011

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Table of Contents

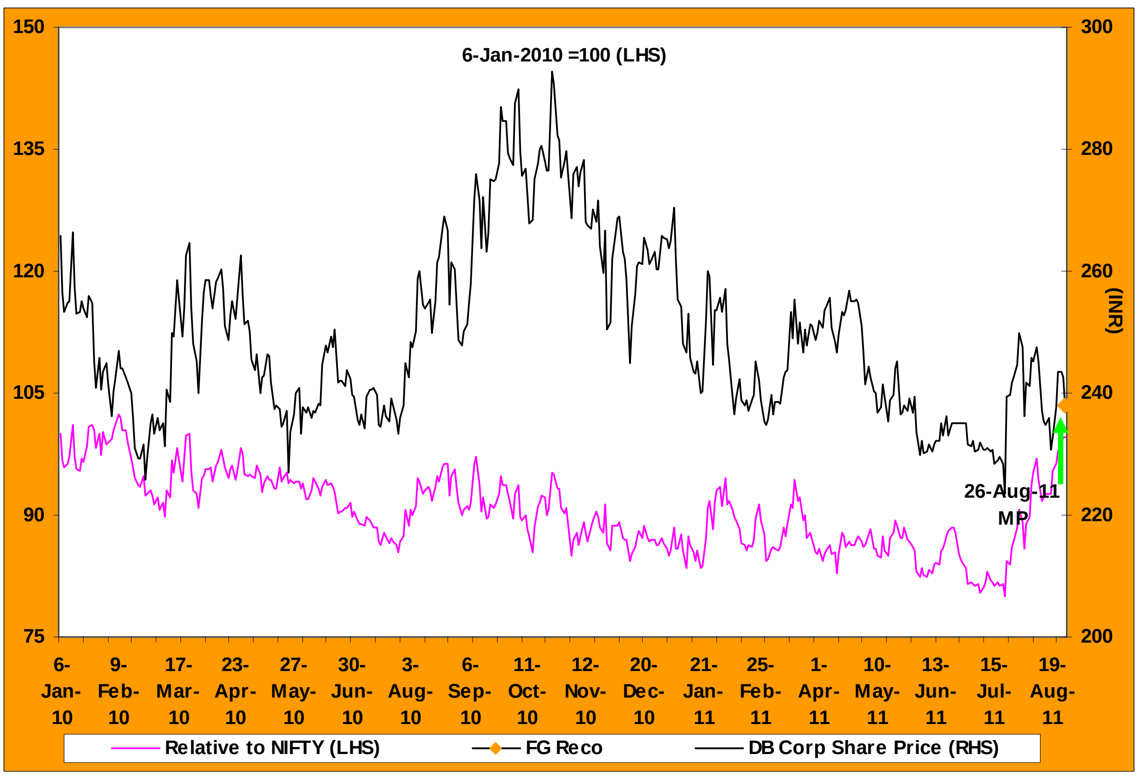
Price and Rating History Chart

Ratings Key

Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term **MT: Medium Term** **LT: Long Term**

DB Corporation Ltd. (DBCL.IN)



Represents an Upgrade

Represents a Downgrade

Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report

Financial Snapshot (Consolidated)

Key Financials					
YE March 31 (Rs. mn)	**FY09**	**FY10**	**FY11**	**FY12E**	**FY13E**
Total Revenues	**9,610**	**10,630**	**12,652**	**14,643**	**16,437**
Revenue Growth (Y-o-Y)	*11.4%*	*10.6%*	*19.0%*	*15.7%*	*12.2%*
EBIDTA	**1,473**	**3,429**	**4,031**	**4,189**	**5,046**
EBIDTA Growth (Y-o-Y)	*(19.1%)*	*132.8%*	*17.5%*	*3.9%*	*20.5%*
Net Profit	**476**	**1,828**	**2,585**	**2,516**	**3,078**
Net Profit Growth (Y-o-Y)	*(36.6%)*	*283.9%*	*41.4%*	*(2.6%)*	*22.3%*
Net Profit Excl. extra-ordinaries	**476**	**1,828**	**2,585**	**2,516**	**3,078**
Net Profit Growth Excl. extra-ordinaries (Y-o-Y)	*(36.6%)*	*283.9%*	*41.4%*	*(2.6%)*	*22.3%*
Shareholders Equity	**2,577**	**6,487**	**8,289**	**9,947**	**12,168**
Number of Diluted shares (mn)	**169**	**172**	**182**	**182**	**182**

Key Operating Ratios					
YE March 31	**FY09**	**FY10**	**FY11**	**FY12E**	**FY13E**
Diluted EPS Excl. extra-ordinaries (Rs.)	**2.8**	**10.6**	**14.2**	**13.9**	**17.0**
EPS Growth (Y-o-Y)	*-36.6%*	*276.2%*	*34.0%*	*-2.5%*	*22.3%*
CEPS Excl. extra-ordinaries (Rs.)	4.5	12.8	16.6	16.5	19.9
EBIDTA (%)	**15.3%**	**32.3%**	**31.9%**	**28.6%**	**30.7%**
NPM (%)	**5.0%**	**17.2%**	**20.4%**	**17.2%**	**18.7%**
Tax/PBT (%)	54.2%	37.7%	27.9%	32.7%	33.0%
RoE (%)	**20.6%**	**40.0%**	**33.6%**	**26.6%**	**27.0%**
RoCE (%)	**9.6%**	**21.4%**	**24.1%**	**21.1%**	**22.8%**
Return on Operating Assets (%)	7.7%	22.2%	27.4%	23.6%	27.2%
Book Value Per share (Rs.)	14.0	36.9	45.0	54.3	66.5
Debt/Equity (x)	2.4	0.5	0.3	0.2	0.1
Dividend Payout Ratio (%)	20.7%	23.2%	32.9%	34.1%	27.9%

Free Cash Flow Analysis					
YE March 31 (Rs. mn)	**FY09**	**FY10**	**FY11**	**FY12E**	**FY13E**
Operating Cash Flows	1,155	1,825	2,444	2,691	3,283
Capex	3,138	382	1,316	965	540
Investments-Strategic	170	-33	-42	0	0
Total Free Cash Flows	-2,407	1,869	1,393	1,739	2,753

Market Cap. and Enterprise Value Data as on August 26, 2011		
Current Market Price (Rs.)		238.1
No. of Basic Shares (mn)		182
	Rs bn	**US$ bn**
Market Cap	**43.2**	**0.9**
Total Debt*	2.4	0.1
Cash & Cash Equivalents*	1.7	0.0
Enterprise Value	**43.9**	**1.0**

***** Debt & Cash & Cash Equivalents as of FY 11 ,INR Exchange Rate 46.05*

Valuation Ratios

YE March 31	FY09	FY10	FY11	FY12E	FY13E
P/E (x)				**17.2**	**14.0**
P/BV (x)				4.4	3.6
P/CEPS (x)				14.4	12.0
EV/EBIDTA (x)				**10.2**	**8.1**
Market Cap./ Sales (x)				3.0	2.6
Net cash/Market Cap (%)				0.7%	5.3%
Dividend Yield (%)				1.7%	1.7%

DuPont Model

YE March 31	FY09	FY10	FY11	FY12E	FY13E
EBIDTA/Sales (%)	15.3%	32.3%	31.9%	28.6%	30.7%
Sales/Operating Assets (x)	1.4	1.2	1.3	1.4	1.5
EBIDTA/Operating Assets (%)	**21.0%**	**40.1%**	**42.5%**	**39.6%**	**45.4%**
Operating Assets/ Net Assets(x)	0.9	0.9	0.9	0.9	0.8
Net Earnings/ EBIDTA (%)	32.3%	53.3%	64.1%	60.1%	61.0%
Net Assets/ Equity (x)	3.2	2.1	1.4	1.3	1.2
Return on Equity (%)	**20.6%**	**40.0%**	**33.6%**	**26.6%**	**27.0%**

Common Sized Profit & Loss Account

YE March 31	FY09	FY10	FY11	FY12E	FY13E
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Net					
Cost of Raw material	42.4%	30.8%	30.3%	32.8%	31.5%
Personnel	13.9%	12.4%	14.6%	15.4%	15.0%
Selling, Distribution & Administrative Expenses	12.5%	11.0%	11.5%	11.6%	11.5%
Miscellaneous Expenses	15.9%	13.5%	11.7%	11.5%	11.3%
EBIDTA	**15.3%**	**32.3%**	**31.9%**	**28.6%**	**30.7%**
Depreciation and Amortization	3.0%	3.6%	3.4%	3.3%	3.2%
Interest Paid	5.3%	3.4%	1.2%	0.8%	0.5%
Non-Operating Income	1.1%	1.0%	1.1%	1.0%	1.0%
Profit Before Tax	**8.1%**	**26.4%**	**28.4%**	**25.5%**	**27.9%**
Tax	4.4%	9.9%	7.9%	8.3%	9.2%
Minority Interest	1.2%	0.7%	0.0%	0.0%	0.0%
Net Profit	**5.0%**	**17.2%**	**20.4%**	**17.2%**	**18.7%**
Net Profit Excl. extra-ordinaries	**5.0%**	**17.2%**	**20.4%**	**17.2%**	**18.7%**

Source: Company Reports, FG Estimates

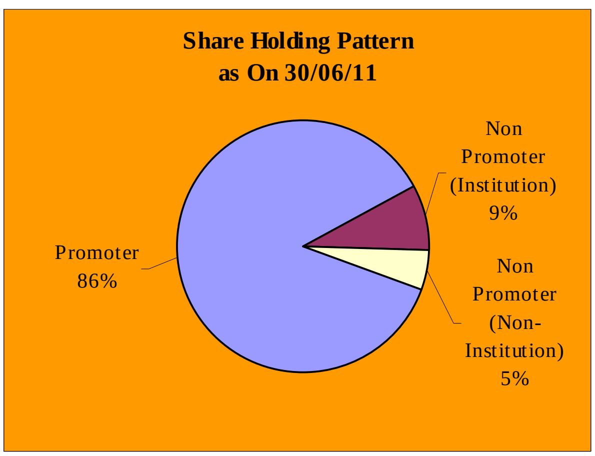
Top Management Team

Designation	Name
Chairman	Ramesh Chandra Agarwal
Managing Director	Sudhir Agarwal
Director	Girish Agarwal
Director	Pawan Agarwal
Nominee	Niten Malhan
Director	Ajay Piramal
Director	Piyush Pandey
Director	Kailash Chandra Chowdhary
Director	Ashwani Kumar B Singhal
Director	Harish Bijoor
Company Secretary	K Venkataraman

Capital Issued History

Date	Equity Capital (INR mn)	Reason
30/11/2002	0.5	Equity shares issued
12/12/2006	21.4	Scheme of arrangement - Demerger
29/09/2007	1687.9	Bonus Issue
24/12/2009	1815.1	Public Issue
18/05/2010	1815.2	Issued under ESOP Scheme
2/12/2010	1815.3	Issued under ESOP Scheme
7/2/2011	1815.4	Issued under ESOP Scheme
31/03/2011	1832.8	Scheme of arrangement - Demerger
02/03/2011	1815.5	Issued under ESOP Scheme
14/06/2011	1832.9	Issued under ESOP Scheme

Key Statistics



Industry	Media Sector
52 weeks high / low	Rs.292.9 /223.4
CMP	Rs.238.1
Avg. Daily Volume (20days)	0.36 mn
Avg. Daily Value (20days)	Rs.84.6mn
Performance over 52 weeks	
DB Corp	Down 8.9%
CNX NIFTY	Down 13.3%

Key Ratios

YE March 31	**FY09**	**FY10**	**FY11**	**FY12E**	**FY13E**
Raw Material / Sales (%)	42.4%	30.8%	30.3%	32.8%	31.5%
Other Income/EBT (%)	13.9%	4.0%	4.0%	3.8%	3.6%
EBITDA Margin (%)	**15.3%**	**32.3%**	**31.9%**	**28.6%**	**30.7%**
Tax / PBT (%)	54.2%	37.7%	27.9%	32.7%	33.0%
Net Profit Margin (%)	5.0%	17.2%	20.4%	17.2%	18.7%
RoE (%)	**20.6%**	**40.0%**	**33.6%**	**26.6%**	**27.0%**
RoCE (%)	**9.6%**	**21.4%**	**24.1%**	**21.1%**	**22.8%**
Debt/ Equity (X)	**2.4**	**0.5**	**0.3**	**0.2**	**0.1**
Interest Coverage (x)	**2.9**	**9.6**	**26.3**	**36.4**	**58.1**
Interest / Debt (%)	11.3%	8.1%	5.5%	5.4%	5.3%
Growth in Gross Block (%)	16.3%	52.6%	17.3%	10.7%	5.4%
Sales Growth (%)	11.6%	10.7%	19.1%	15.6%	12.3%
EBITDA Growth (%)	(19.1%)	132.8%	17.5%	3.9%	20.5%
Net Profit Growth (%)	(36.6%)	283.9%	41.4%	(2.6%)	22.3%
Debtors (Days of net sales)	68	67	70	70	70
Creditors (Days of Raw Materials)	58	63	52	46	45
Inventory (Days of Optg. Costs)	32	37	31	26	24
Current Ratio (x)	**1.8**	**2.7**	**2.7**	**2.9**	**3.4**
Net Current Assets/Capital Employed (%)	20.6%	34.2%	32.8%	35.4%	43.2%
Number of Diluted Shares (mn)	168.8	172.2	181.8	181.5	181.5
Fully Diluted EPS (Rs.)	2.8	10.6	14.2	13.9	17.0
Fully Diluted EPS Excl. extraordinaries (Rs.)	**2.8**	**10.6**	**14.2**	**13.9**	**17.0**
EPS Growth Excl. extra-ordinaries (%)	(36.6%)	276.2%	34.0%	(2.5%)	22.3%
Dividend Payout (%)	20.7%	23.2%	32.9%	34.1%	27.9%
Fully Diluted CEPS (Rs.)	4.5	12.8	16.6	16.5	19.9
Book Value Per Share (Rs.)	14.0	36.9	45.0	54.3	66.5

DB Corporation's Business in Pictures…(FY11) (Consolidated)

(All figures are in Rs. Mn except where stated otherwise) All percentages are percent of revenues, unless Otherwise stated)

Operations/ Value added
Total Revenues: Rs 12,652 mn (100%)

Revenue Break-up
Advertisement: (75.5%)
Circulation: (16.9%)
Radio: (3.7%)
Event Mgmt: (1.4%)
Others: (2.5%)

Net Raw material:
Rs. 3,838 mn (30.3%)
Main Raw materials are newsprint & Ink. The company imports 21% of its newsprint requirement, while the rest are indigenous

Personnel:
Rs. 1,846 mn (14.6%)
S, G & Admin:
Rs. 1,458 mn (11.5%)
Operating Expenses:
Rs. 1,480 mn (11.7%)

Competitors
Dainik Jagran, Hindustan, Gujarat Samachar, Sandesh, Amar Ujala, Rajasthan Patrika

EBIDTA
Rs. 4,031 mn (31.9%)

Depreciation: Rs. 433 mn (3.4%)
Interest Paid: Rs. 153 mn (1.2%)
Non-Operating Income: Rs. 142 mn (1.1%)

Market
Rajasthan, Haryana, Punjab, Gujarat, Madhya Pradesh, HP, Chattisgarh, Chandigarh, Jharkhand, Maharashtra, Jammu & Kashmir, Delhi, Uttarakhand

Below Operating Line

Profit Before Tax
Rs. 3,587 mn (28.4%)

Taxes
Rs. 1,000 mn (7.9%)
Minority Interest
Rs. -3 mn (-0.02%)

Profit After Tax
Rs.2, 585 mn (20.4%)

Balance Sheet FY11

Assets
Rs. 13,548 mn (100%)

Fixed Assets: Rs. 6,678 mn (49.3%)
Capital WIP: Rs 680 mn (5.0%)
Investments: Rs 163 mn (1.2%)
Loans & Advances: Rs. 1,058 mn (7.8%)
Debtors: Rs. 2,401 mn (17.7%)
Inventory: Rs .728 mn (5.4%)
Cash & Bank Balance: Rs. 1,731 mn (12.8%)
Miscellaneous Assets: Rs. 110 mn (0.8%)

Liabilities
Rs.13, 548 mn (100%)

Debt: Rs.2, 372 mn (17.5%)
- **Secured Loans:** Rs. 2,082 mn (15.4%)
- **Unsecured Loans:** Rs. 290 mn (2.1%)

Sundry Creditors: Rs. 1,648 mn (12.2%)
Provisions: Rs. 541 mn (4.0%)
Reserves: Rs 6,427 mn (47.4%)
Equity: Rs. 1,862 mn (13.7%)
Deferred Tax Liability (Net): Rs. 695 mn (5.1%)
Minority Interest: Rs.4mn (0.03%)

The Story…

DB Corporation Ltd. (DBCL.IN) is a leading print media company in India. Its newspapers and magazines, published in four languages, have a strong readership base of around 18.1 mn.

Many of these states enjoy good economic growth prospects, because of which the company is a play on regional growth in the Indian print sector. In terms of average readership per day, DBCL's Hindi newspaper, Dainik Bhaskar, is a market leader in the states of Madhya Pradesh (3.5 mn), Chandigarh (0.2 mn), Chhattisgarh (1.0 mn) and Haryana (1.3 mn). The company is also the market leader in the urban areas of Gujarat, Rajasthan and Punjab

DBCL currently has a presence in 13 states i.e., Madhya Pradesh, Rajasthan, Gujarat, Haryana, Chattisgarh, Punjab, Maharashtra, Himachal Pradesh, Jharkhand, Jammu & Kashmir, Delhi, Uttarakhand and the Union Territory of Chandigarh. Many of these states enjoy good economic growth prospects, because of which the company is a play on regional growth in the Indian print sector. In terms of average readership per day, DBCL's Hindi newspaper, Dainik Bhaskar, is a market leader in the states of Madhya Pradesh (3.5 mn), Chandigarh (0.2 mn), Chhattisgarh (1.0 mn) and Haryana (1.3 mn). The company is also the market leader in the urban areas of Gujarat, Rajasthan and Punjab.

Since the year 2006, DB Corporation has been delivering impressive revenue and profit performance, as strong economic growth resulted in a surge in advertising revenues. The company's revenues grew from Rs.5.33 bn in FY06 to Rs.12.65 bn in FY11 thus registering a CAGR of 18.9% and its Net Profit increased from Rs.370 mn in FY06 to Rs.2.59 bn in FY011 i.e. a CAGR of 17.5%. In FY10, DBCL's margins expanded by 1963 bps Y-o-Y to 32.3%, aided by growth in advertising revenues, higher subscription volumes, cost control and lower newsprint prices. But FY11 saw margins dip by 40 bps Y-o-Y to 31.9% as the company incurred initial expenses for the launch of the Jharkhand edition.

The company's revenues grew from Rs.5.33 bn in FY06 to Rs.12.65 bn in FY11 thus registering a CAGR of 18.9% and its Net Profit increased from Rs.370 mn in FY06 to Rs.2.59 bn in FY011 i.e. a CAGR of 17.5%...

…but FY11 saw margins dip by 40 bps Y-o-Y to 31.9% as the company incurred initial expenses for the launch of the Jharkhand edition

DBCL also has a presence in the radio business that is operated under the brand name, MY-FM. The company runs 17 FM radio stations at locations where its publications have an established presence, and this helps it cross-sell advertising space/spots to local companies.

DBCL also operates Internet and Short Messaging Service (SMS) portals through its subsidiary, I Media Corp. Ltd. (IMCL), but the business has been incurring losses for the last three years. A division of DB Corp, DB Activation, is engaged in organizing events such as road shows, mall activities, live entertainment shows, trade shows, conferences, trade meetings, exhibitions and shopping festivals.

Advertising spend as a percentage of GDP in India is far lower than the global average but is likely to increase on the back of strong economic growth, rising disposable income, growing consumerism and changing demographics. We believe DBCL will continue to record growth in advertising revenues. The company had last hiked advertising rates by about 14% in April 2010, for all editions (excluding Divya Bhaskar) across states, which is an indication of the return of pricing power into its hands and increasing confidence in India's economic growth. The ratio of colour and black & white advertisements in DBCL's publications stood at 70:30 in FY11. As the rates for colour advertisements are twice that of black & white advertisements, the company will earn higher realisations and yields, going forward. DBCL has recently launched its publications in Jharkhand & Maharashtra and it also plans to enter Bihar, where it faces stiff competition from Hindustan. We expect the company to initially incur losses in these markets. The increased volatility in newsprint prices could also significantly impact the company's margins. On the valuation front, the stock currently trades at a P/E of 17.2x our FY12 EPS estimate of Rs.13.9 and EV/EBIDTA of 10.2x our FY12 estimate, which appears fairly valued. We rate DB Corporation as Market Perform.

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Comparative Valuations

Company	EPS (Rs)		P/E (x)		P/S (x)		P/BV (x)		EV/Sales (x)		EV/EBITDA (x)		EBITDA (%)	ROE (%)	ROCE (%)	Annual EPS Growth (%)	Annual Sales Growth (%)
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY12E	FY12E	13E/12E	13E/12E
DB Corp.	**13.9**	**17.0**	**17.2**	**14.0**	**3.0**	**2.6**	**4.4**	**3.6**	**3.0**	**2.5**	**10.2**	**8.1**	**28.6%**	**26.6%**	**21.1%**	**22.3%**	**12.2%**
Jagran Prakashan	7.1	8.4	14.1	11.8	2.5	2.2	4.0	3.4	2.6	2.2	8.8	7.3	29.1%	27.5%	21.8%	19.0%	13.7%
HT Media	9.3	11.4	15.8	12.8	1.7	1.5	2.2	1.9	1.7	1.5	8.8	7.3	19.6%	17.1%	NA	23.3%	13.3%
HMVL	10.0	13.2	14.1	10.7	1.7	1.5	2.3	1.9	1.3	1.1	6.9	5.3	19.1%	17.7%	NA	31.9%	15.7%

Source: Company Reports, FG Estimates, Bloomberg Estimates for Hindustan Media Ventures Ltd. &HT Media.
NM-Not Meaningful *NA-Not Applicable*

Outlook

Entry into new territories and economic growth to drive increase in advertising revenues…

DBCL entered the state of Jharkhand with the launch of the Dhanbad edition in April 2011. Subsequently, a Marathi edition was launched in Maharashtra in June 2011. We expect the company to complete its Bihar foray by FY13, where it is likely to face stiff competition from Hindustan of Hindustan Media Ventures Ltd.

We believe DBCL's expansion into new territories, coupled with economic growth will drive growth in advertising revenues, going forward. However, we expect the company to incur losses in the new markets initially due to competitive pressures in the medium term. We expect DBCL's sales in FY12 and FY13 to grow by 15.7% Y-o-Y and 12.2% Y-o-Y respectively to Rs.14.64 bn and Rs.16.44 bn. The company is likely to record a pro-forma diluted EPS of Rs.13.9 in FY12, down 2.5% Y-o-Y, and Rs.17.0 in FY13, up 22.3% Y-o-Y.

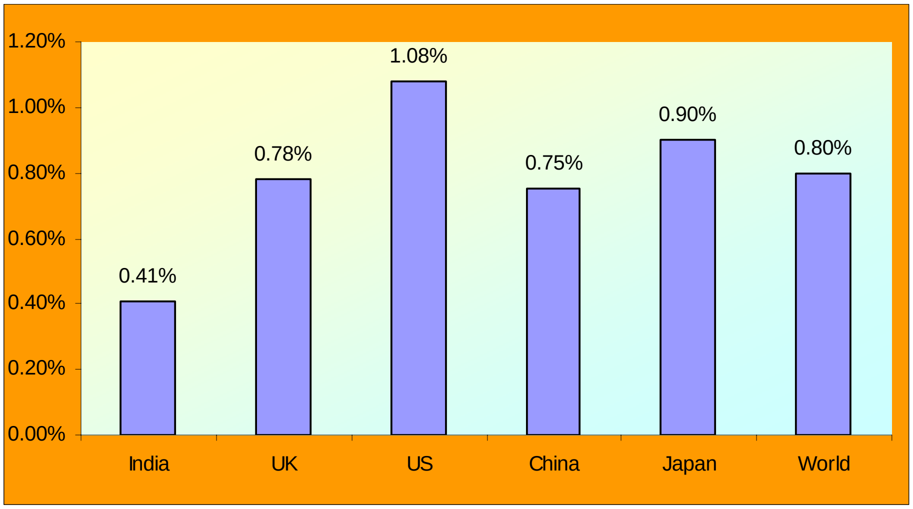
We believe DBCL's expansion into new territories, coupled with economic growth will drive growth in advertising revenues, going forward. However, we expect the company to incur losses in the new markets initially due to competitive pressures in the medium term

Key Growth Drivers

Low media spend as percentage of GDP indicates room for growth

India's total media spend, as a percentage of GDP, stands at around 0.41%, which is quite low in comparison to 1.08% in the US, 0.9% in Japan, and a global average of around 0.8%.

Media spend as percentage of GDP



Source: Worldwide Media & Marketing forecasts, Group M, Summer 2009

We believe that there will be an increase in advertising spend as a percentage of GDP, on the back of strong economic growth, rising disposable income, growing consumerism and changing demographics.

Significant potential for growth in circulation

As per the Indian Readership Survey (IRS) Q4 2010, in which about 881 mn were expected to be surveyed, the reach of the print media (dailies and magazines) has increased from 339.2 mn in Q3 2010 to 342.7 mn in Q4 2010. Press reach has stabilized in urban India at 35.8% (of the surveyed population) as per IRS Q4 2010 and, in rural India, at 13.2%, thus remaining significantly lower than the global average readership which is estimated at over 50%. This highlights the significant potential for growth in the Indian print media market.

Growing literacy rates improve prospects for print media

Moreover, with literacy in urban India (as measured in the National Readership Survey 2006) growing by 90 bps Y-o-Y to 85.3% in 2006 and by 120 bps Y-o-Y to 64.8% in rural India, the print media assumes significant importance. Over the last three years, the time spent on reading has remained stagnant at around 39 minutes daily, further indicating the potential for growth in the segment. There still exists significant scope for growth in print media, as according to estimates, 359 mn people who can currently read and understand any language do not read any publication. It is not just affordability that is a constraint, since 20 mn of these literate non-readers belong to the upscale SEC A and B segments.

Key Concerns

Economic slowdown could result in cut in ad spend

Advertising is one of the primary revenue sources for newspapers. The risk attached to such high dependence on advertising revenues is significant, especially in times of an economic slowdown when the inevitable cuts in advertising budgets could severely impact the topline.

Rise in newsprint costs to impact margins

Rising crude oil prices, coupled with higher transportation costs, have also led to an increase in the production cost of newsprint, which is a highly energy-intensive process and this has affected the margins of all print media companies – these factors continue to remain a threat to margins, going forward

In FY09, there was an increase in newsprint prices due to consolidation in the Canadian newsprint industry, capacity closures in China for conserving energy and reducing emissions, increasing Chinese demand due to the Olympics, and higher cost of raw materials that goes into manufacturing newsprint. Rising crude oil prices, coupled with higher transportation costs, have also led to an increase in the production cost of newsprint, which is a highly energy-intensive process and this has affected the margins of all print media companies – these factors continue to remain a threat to margins, going forward.

Competitive pressures could impact growth

DBCL recently launched its Jharkhand & Maharashtra editions and plans to expand its presence in Bihar in the coming months. Hindustan has a strong readership in these states and in trying to establish itself in the face of stiff competition, DBCL has incurred losses in the initial months. ***The PRB Act prohibits DBCL from publishing its flagship newspaper, Dainik Bhaskar in Western UP, Maharashtra and 20 districts of MP – it can do so only through a joint-venture with an existing player or through an independent firm with any other name. This could be a hurdle for DBCL's future growth plans, which the company may try to overcome by aiming for incremental growth through greater penetration in the states where it already has a presence.***

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Industry Background

Over the last three years, revenue of the Indian Media & Entertainment sector grew at a CAGR of 8% to Rs.652 bn in CY10 and is estimated to reach Rs.738 bn in CY11, up 13.2% Y-o-Y, out of which, advertisement revenue is expected to contribute 41.5%. Over the last three years, revenue of the Print industry grew at a CAGR of 6.5% to Rs.193 bn in CY10 and is estimated to reach Rs.211 bn in CY11, up 9.3% Y-o-Y. Over the last three years, print ad revenue grew at a CAGR of 8.0% Y-o-Y to Rs.126 bn, while subscription revenue grew at a CAGR of 3.8% Y-o-Y to Rs.67 bn in CY10. Advertisement revenue contributed 65.3% to the Print industry's total revenue, while the remaining was contributed by subscription revenue.

Size of Indian Print industry

Rs. Bn	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
Advertisement	100	108	110	126	143	162	183	208	236
Y-o-Y Growth	*17.6%*	*8.0%*	*1.9%*	*14.5%*	*13.5%*	*13.3%*	*13.0%*	*13.7%*	*13.5%*
Subscription	60	64	65	67	68	70	71	72	74
Y-o-Y Growth	*11.1%*	*6.7%*	*1.6%*	*3.1%*	*1.5%*	*2.9%*	*1.4%*	*1.4%*	*2.8%*
Total Print Industry	**160**	**172**	**175**	**193**	**211**	**231**	**254**	**280**	**310**
Y-o-Y Growth	***15.1%***	***7.5%***	***1.7%***	***10.3%***	***9.3%***	***9.5%***	***10.0%***	***10.2%***	***10.7%***

Source: FICCI-KPMG

Generally, advertisement spending follows economic recovery with a lag, as witnessed in the previous downturns of 1992 and 2001, when advertisement spending lagged by 18 months and 12 months respectively. Hence, a sustained economic revival will provide a boost to ad spending in the long term.

Over the last three years, revenue of the Indian advertising industry grew at a CAGR of 10.7% to Rs.266 bn in 2010 and is expected to increase to Rs.541 bn over the period 2010-15, marking a CAGR of 15.3%. Over the last three years, revenue of the Print advertising industry grew at a CAGR of 8.0% to Rs.126 bn in 2010 and is expected to increase to Rs.236 bn over the period 2010-15, marking a CAGR of 13.4%.

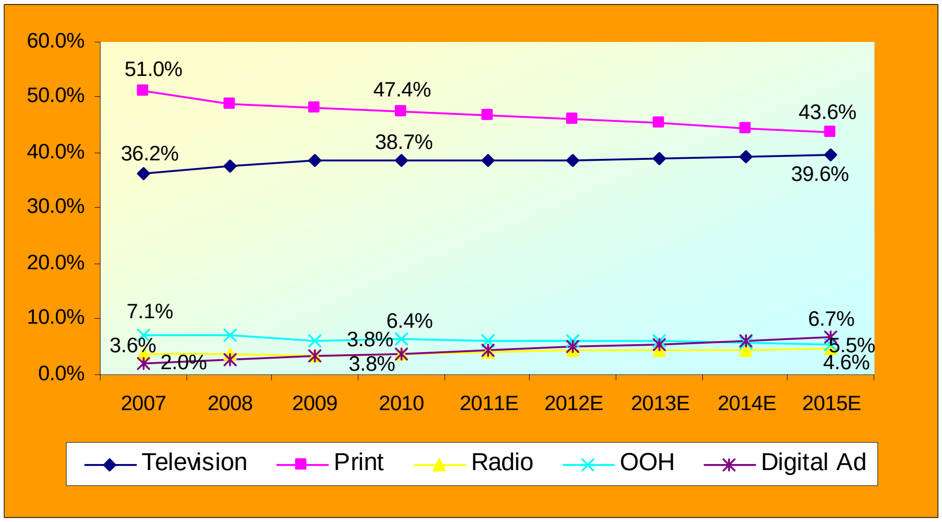
Size of Indian Advertising industry

Rs. Bn	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**
TV	71	83	88	103	118	136	157	183	214
Y-o-Y Growth		*16.9%*	*6.0%*	*17.0%*	*14.6%*	*15.3%*	*15.4%*	*16.6%*	*16.9%*
Print	100	108	110	126	143	162	183	208	236
Y-o-Y Growth		*8.0%*	*1.9%*	*14.5%*	*13.5%*	*13.3%*	*13.0%*	*13.7%*	*13.5%*
Radio	7	8	8	10	12	15	18	21	25
Y-o-Y Growth		*14.3%*	*0.0%*	*25.0%*	*20.0%*	*25.0%*	*20.0%*	*16.7%*	*19.0%*
OOH	14	16	14	17	19	22	24	27	30
Y-o-Y Growth		*14.3%*	*-12.5%*	*21.4%*	*11.8%*	*15.8%*	*9.1%*	*12.5%*	*11.1%*
Digital Ad	4	6	8	10	13	18	22	28	36
Y-o-Y Growth		*50.0%*	*33.3%*	*25.0%*	*30.0%*	*38.5%*	*22.2%*	*27.3%*	*28.6%*
Total Ad Revenues	**196**	**221**	**228**	**266**	**306**	**352**	**404**	**467**	**541**
Y-o-Y Growth		***12.8%***	***3.2%***	***16.7%***	***15.0%***	***15.0%***	***14.8%***	***15.6%***	***15.8%***

Source: FICCI-KPMG

The contribution of advertisement revenue from the Print segment to the total ad revenue declined from 51.0% in 2007 to 47.4% in 2010 and is expected to fall further to 43.6% in 2015.

Segment-wise contribution to total ad revenue



Source: FICCI-KPMG

Company Background

DBCL operates in three business segments, namely Print, Radio and Internet (under its subsidiary, IMCL), with the Print business being its primary revenue source. DBCL's promoters have been in the print media business for over four decades and together with the promoter group, currently own 86.13% of the company's equity capital.

DBCL is one of the leading print media companies in India, publishing 8 newspapers, 62 newspaper editions and 191 sub-editions across 13 states in India. The company's newspapers are published in four languages (Hindi, Gujarati, Marathi and English) and its flagship newspapers, *Dainik Bhaskar*, *Divya Bhaskar* and *Saurashtra Samachar*, have a combined average daily readership of 18.1 mn. Through its newspapers, DBCL has a key presence in the areas of north, central and western India. The company also publishes other newspapers, such as ***Business Bhaskar, DB Gold, DB Star*** **and, on a franchisee basis, *DNA*** (in Gujarat and Rajasthan). DBCL is the only Hindi language newspaper to have been awarded ISO 9001:2000 certification. *Dainik Bhaskar* has a total average daily readership of 14.0 mn readers and is the area leader in terms of readership in the dailies segment in Madhya Pradesh, Chattisgarh, Chandigarh and Haryana. *Divya Bhaskar* is the No 1 Gujarati daily newspaper in terms of circulation in Gujarat. The company also publishes a **Hindi business newspaper, *Business Bhaskar*** which is present across the country in Bhopal, Indore, Raipur, Panipat, New Delhi, Jalandhar and Ludhiana and plans to increase the number of editions to 17, spanning major cities across nine states. The company also publishes five periodicals, namely ***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.

Business Highlights

Ad revenue skewed toward local advertisers

Revenue from local advertisers formed about 60% of DBCL's total ad revenue in FY11, with the remaining being contributed by national advertisers. Currently, the company enjoys a strong relationship with about 300,000 advertisers, both at the local as well as national level. In terms of advertisers from various industries, the company's top customers are usually from the automobile, education, banking & financial services, electronics and retail sectors. Some of the company's top customers include Maruti Suzuki India Ltd., LG Electronics India Pvt. Ltd. and Samsung India Electronics Pvt. Ltd.

Higher share of colour ads leads to increasing yields

Colour ads enjoy a premium of around 2x over B/W ads, thus leading to an increase in the company's overall yields. The continuous increase in colour ads is expected to result in a higher revenue growth for DBCL, going forward

In view of the strong GDP growth recorded in the markets where DBCL has a presence, advertisers increasingly prefer colour ads over black and white (B/W) ads, as they enhance the visibility of the ads. This has resulted in the share of colour to B/W ads increasing from 63:37 two years ago to the present 70:30. Colour ads enjoy a premium of around 2x over B/W ads, thus leading to an increase in the company's overall yields. The continuous increase in colour ads is expected to result in a higher revenue growth for DBCL, going forward.

Hike in advertising rates effective April 1, 2010

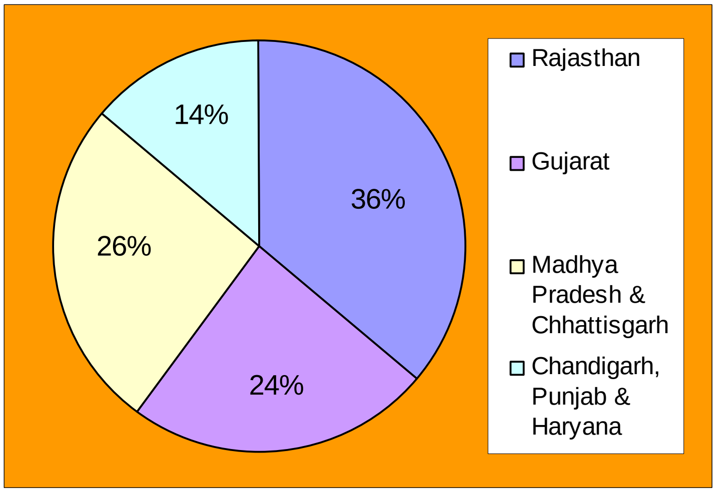
DBCL has hiked its ad rates by about 14% for all editions (excluding Divya Bhaskar) across all states, with effect from April 1, 2010, reflecting increasing confidence in India's economic growth and the return of pricing power for the company. DBCL's earlier annual average rate hike was around 30% for all the editions of Dainik Bhaskar, excluding Divya Bhaskar. This year, the company hiked its ad rates by around 14%, though there is a possibility of a further hike in ad rates, given the continued buoyancy expected in the Indian economy. Moreover, the ratio of colour versus B/W ads stands at 70:30, as colour ads command twice the rate enjoyed by B/W ads, which will result in higher realisation and yields for the company.

DBCL's earlier annual average rate hike was around 30% for all the editions of Dainik Bhaskar, excluding Divya Bhaskar. This year, the company hiked its ad rates by around 14%, though there is a possibility of a further hike in ad rates, given the continued buoyancy expected in the Indian economy

Diverse & sustainable business model

DBCL's business in Madhya Pradesh, Chhattisgarh, Rajasthan, Gujarat, Haryana, Punjab, Chandigarh, etc. individually contributes towards the EBIDTA, thus reducing its dependability on any one single market. The company's 17.9 mn average daily readers are evenly distributed across al the markets.

State-wise contribution to Average Daily Readership



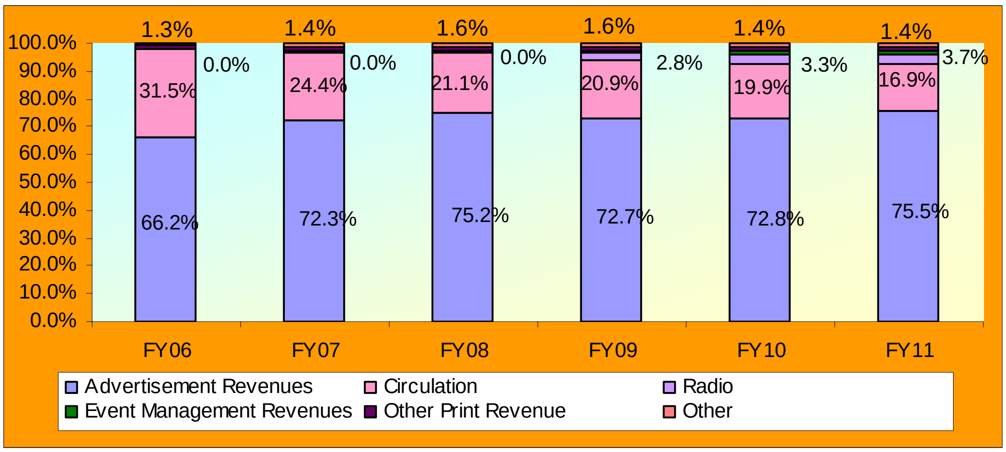
Source: Company, IRS Q4 CY10

Financial Highlights

Revenue Mix

DBCL's ad revenue grew at a CAGR of 22.0% from Rs.3.53 bn in FY06 to Rs.9.95 bn in FY11, contributing 75.5% of the company's total revenue.

Revenue Break Up



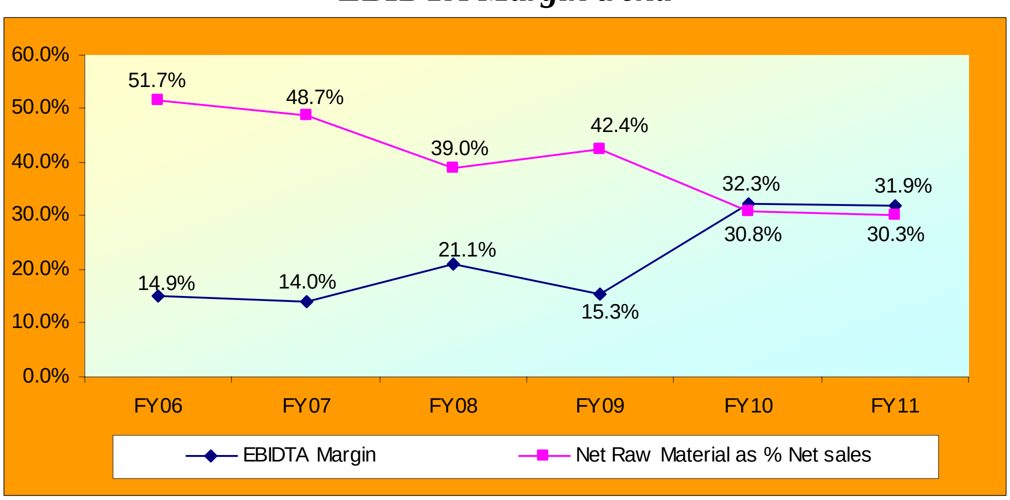
Source: Company Reports

Circulation revenue contributed 16.9% to the company's total revenue, while the Event Management and Radio businesses contributed 1.4% and 3.7% respectively in FY11.

EBIDTA margin improves sharply due to decline in newsprint prices

The volatile newsprint prices over the past years, coupled with initial launch expenses of its radio business, has led to the company's EBIDTA margin hovering at around 15%.

EBIDTA Margin trend



Source: Company Reports

However, the decline in newsprint prices, coupled with increase in advertisement volume resulted in the EBIDTA margin increasing from 15.3% in FY09 to 32.3% in FY10. Nevertheless, the company's EBIDTA margin declined 40 bps Y-o-Y to 31.9% in FY11, due to its expansion in the Jharkhand market. We expect the company's EBIDTA margin to stabilise at over 28%, going forward.

Declining cash cycle & increasing EBIDTA helps generate positive operating cash flow

DBCL's cash cycle has improved over the past four years, primarily on account of a decline in the debtor days and an increase in the creditor days.

Working Capital Ratios

	FY06	FY07	FY08	FY09	FY10	FY11
Debtors (Days of net sales)	79	80	75	68	67	70
Creditors (Days of Raw Materials)	28	60	61	58	63	52
Inventory (Days of Optg. Costs)	45	40	36	32	37	31
Cash Cycle	**97**	**60**	**50**	**42**	**41**	**49**

Source: Company Reports

The company's debtor days have declined to 70 days in FY11 from 79 days in FY06, while its inventory days have declined to 31 days in FY11 from 45 days in FY06. Moreover, DBCL's creditor days have increased from 28 days in FY06 to 52 days in FY11, resulting in the company's cash cycle declining from 97 days in FY06 to 49 days in FY11.

Moreover, an increase in the company's EBITA helped it generate a positive operating cash flow in FY11.

Operating Cash Flows

YE March 31 (Rs. mn)	FY07	FY08	FY09	FY10	FY11
EBITA	**823**	**1,601**	**1,183**	**3,051**	**3,598**
Less: Adjusted Taxes	107	764	641	1,150	1,003
NOPLAT	**716**	**836**	**542**	**1,901**	**2,595**
Plus: Depreciation	120	220	290	378	433
Gross Cashflow	**835**	**1,057**	**832**	**2,280**	**3,028**
Less: Increase in Working Capital	9	(936)	(323)	455	584
Operating Cashflow	**826**	**1,992**	**1,155**	**1,825**	**2,444**
Less: Net Capex	842	1,079	3,138	382	1,316
Less: Increase in Net Other Assets	(42)	(382)	255	(393)	(223)
FCF From Operation	**27**	**1,295**	**(2,237)**	**1,836**	**1,351**

Source: Company Reports

The company's EBITA increased 17.9% Y-o-Y to Rs.3.60 bn in FY11, resulting in an operating cash flow of Rs.2.44 bn in FY11, as against Rs.1.83 bn in FY10. Despite a higher net capex in FY11, the company reported a positive free cash flow of Rs.1.35 bn for the year, as against Rs.1.84 bn in FY10.

Return Ratios

The company's EBIDTA margin increased from 15.3% in FY09 to 31.9% in FY11 on account of cost control and a decline in newsprint prices.

DuPont Model

YE March 31	FY07	FY08	FY09	FY10	FY11
EBIDTA/Sales (%)	**14.0%**	**21.1%**	**15.3%**	**32.3%**	**31.9%**
Sales/Operating Assets (x)	1.3	1.5	1.4	1.2	1.3
EBIDTA/Operating Assets (%)	**17.8%**	**32.2%**	**21.0%**	**40.1%**	**42.5%**
Operating Assets/ Net Assets(x)	1.0	0.9	0.9	0.9	0.9
Net Earnings/ EBIDTA (%)	57.5%	41.2%	32.3%	53.3%	64.1%
Net Assets/ Equity (x)	3.9	3.0	3.2	2.1	1.4
Return on Equity (%)	**38.9%**	**38.2%**	**20.6%**	**40.0%**	**33.6%**

Source: Company Reports, FG Research

This coupled with increase in the proportion of Net Earnings to EBIDTA have resulted in the company's Return on Equity increasing from 20.6% in FY09 to 33.6% in FY11.

Quarterly Result Analysis

YE March 31 (Rs. mn)	Q1 FY12	Q1 FY11	*Y-o-Y change %*	Q4 FY11	*Q-o-Q change %*
Net Sales	**3,537**	**2,987**	***18.4%***	**3,174**	***11.5%***
Less:					
Net Raw Material consumed	1,184	832	*42.3%*	1,042	*13.6%*
Employees Cost	575	411	*40.1%*	492	*16.9%*
General Administrative Expenses	210	171	*23.1%*	226	*(6.9%)*
Selling distribution Expenses	174	114	*51.9%*	210	*(17.4%)*
Other Operating Expenses	391	323	*21.1%*	408	*(4.1%)*
Total Expenditure	**2,534**	**1,851**	***36.9%***	**2,378**	***6.6%***
EBIDTA	**1,003**	**1,136**	***(11.7%)***	**796**	***26.1%***
Less: Depreciation	117	104	*12.5%*	111	*5.2%*
Less: Interest	27	47	*(42.8%)*	34	*(21.3%)*
Add: Other income	37	43	*(15.7%)*	36	*0.7%*
Profit Before Extra-ordinary items and Tax	**896**	**1,028**	***(12.8%)***	**687**	***30.5%***
Less: Total Tax	284	311	*(8.5%)*	235	*20.8%*
Profit After Tax	**612**	**717**	***(14.7%)***	**451**	***35.5%***
Profit After Tax before Minority Interest	**612**	**717**	***(14.7%)***	**451**	***35.5%***
Minority Interest	(1)	(0)	*NM*	(1)	*NM*
Profit After Tax	**611**	**717**	***(14.8%)***	**450**	***35.8%***
Profit After Tax Excl. extra-ordinaries	**611**	**717**	*(14.8%)*	**450**	*35.8%*
Shares Outstanding (mn)	183	182		183	
Reported EPS (Rs.)	**3.33**	**3.95**	***15.6%***	**2.46**	***35.8%***
Proforma EPS (Rs.)	**3.33**	**3.95**	***15.6%***	**2.46**	***35.8%***
Margin Analysis					
EBIDTA Margin	28.4%	38.0%	*-9.66%*	25.1%	
PBT Margin	25.3%	34.4%		21.6%	
Proforma NPM	17.3%	24.0%	*-6.73%*	14.2%	
Effective Tax Rate	31.7%	30.2%		34.3%	

In Q1 FY12, DBCL reported sales of Rs.3.5 bn, up 18.4% Y-o-Y, on the back of strong growth in advertisement revenue. The company's ad revenue grew 20.6% Y-o-Y to Rs.2.7 bn and contributed 76.6% to the total revenue, while circulation revenue rose 5.7% Y-o-Y to Rs.568.1 mn and contributed 16.0% to the topline. The company's radio revenue grew 17.2% to Rs.124.6 mn and contributed 3.5% to the total revenue, while the event management business fell 2.8% Y-o-Y to Rs.36.2 mn and contributed 1.0% to the topline.

However, the company's total operating costs increased 36.9% Y-o-Y to Rs.2.5 bn, on account of a rise of 42.3% Y-o-Y in raw material costs, primarily due to expansion in new markets, launching new editions, increase in number of pages and rise in newsprint prices, 40.1% Y-o-Y in personnel costs, on account of expansion into new territories resulting in a higher headcount and annual increment and 51.9% Y-o-Y increase in selling & distribution expenses on the back of launch of new editions. Moreover, general & administrative expenses grew 23.1% Y-o-Y, while other expenses grew 21.1% Y-o-Y during the quarter. The higher than proportionate increase in the company's total operating costs led to a decline of 11.7% Y-o-Y in the EBIDTA to Rs.1.0 bn, while the EBIDTA margin contracted by 966 bps Y-o-Y to 28.4% in the quarter.

The company's publishing business reported an EBIT of Rs.915 mn in Q1 FY12, as against Rs.1.1 bn in Q1 FY11, while the radio business reported a negative EBIT of Rs.10 mn for the quarter, as against a negative EBIT of Rs.16 mn in Q1 FY11. The Event Management business reported an EBIT of Rs.10 mn in Q1 FY12, as against an EBIT of Rs.6 mn in Q1 FY11, while the other business reported a negative EBIT of Rs.26 mn for the quarter, as against a negative EBIT of Rs.9 mn in Q1 FY11.

Depreciation expense increased 12.5% Y-o-Y, while interest cost declined 42.8% Y-o-Y, on account of repayment of debt by the company. Moreover, a higher effective tax rate (31.7% in Q1 FY12, as against 30.2% in Q1 FY11) led to a decline of 14.8% Y-o-Y in the net profit to Rs.611 mn. The company's net margin fell 673 bps Y-o-Y to 17.3% in the quarter, while the EPS decline by 15.6% Y-o-Y to Rs.3.33 in Q1 FY12.

Financials (Consolidated)

Earnings Model

YE March Rs. mn	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	FY11	Q1 FY12	Q2 FY12E	Q3 FY12E	Q4 FY12E	FY12E
Total Revenue	**2,987**	**3,010**	**3,482**	**3,174**	**12,652**	**3,537**	**3,462**	**3,992**	**3,652**	**14,643**
Less:										
Net Cost of Raw material	832	901	1,065	1,042	3,838	1,184	1,177	1,257	1,187	4,805
Employees Cost	411	459	485	492	1,846	575	554	559	573	2,261
General Administrative Expenses	171	179	205	226	782	210	204	240	237	891
Selling distribution Expenses	114	158	194	210	676	174	180	228	230	811
Other Operating Expenses	323	363	386	408	1,480	391	398	443	453	1,686
Total Cost	**1,851**	**2,059**	**2,334**	**2,378**	**8,621**	**2,534**	**2,514**	**2,726**	**2,681**	**10,455**
EBIDTA	**1,136**	**951**	**1,148**	**796**	**4,031**	**1,003**	**949**	**1,265**	**971**	**4,189**
Interest Paid	47	38	34	34	153	27	28	29	30	115
Less: Depreciation	104	107	110	111	433	117	120	121	122	480
Non-operating Income	43	32	30	36	142	37	35	36	37	144
Profit Before Tax	**1,028**	**839**	**1,034**	**687**	**3,587**	**896**	**835**	**1,151**	**856**	**3,737**
Profit Before Tax Excl. extra-ordinaries	**1,028**	**839**	**1,034**	**687**	**3,587**	**896**	**835**	**1,151**	**856**	**3,737**
Tax	311	308	382	235	1,000	284	275	380	282	1,222
Profit After Tax before Minority Interest	**717**	**531**	**652**	**451**	**2,587**	**612**	**559**	**771**	**573**	**2,515**
Minority Interest	(0)	20	7	(1)	(3)	(1)	1	1	1	1
Profit After Tax	**717**	**551**	**659**	**450**	**2,585**	**611**	**560**	**772**	**574**	**2,516**
Profit After Tax Excl. extra-ordinaries	**717**	**551**	**659**	**450**	**2,585**	**611**	**560**	**772**	**574**	**2,516**
No. of Shares (Diluted) (mn)	182	182	182	183	182	183	183	183	183	183
Diluted EPS (Rs.)	**3.95**	**3.03**	**3.63**	**2.46**	**14.2**	**3.33**	**3.1**	**4.2**	**3.1**	**13.7**
Diluted EPS Excl. extraordinaries (Rs.)	**3.95**	**3.03**	**3.63**	**2.46**	**13.1**	**3.33**	**3.1**	**4.2**	**3.1**	**13.7**
Margins										
EBIDTA Margin (%)	38.0%	31.6%	33.0%	25.1%	31.9%	28.4%	27.4%	31.7%	26.6%	28.6%
PBT Margin (%)	34.4%	27.9%	29.7%	21.6%	28.4%	25.3%	24.1%	28.8%	23.4%	25.5%
NPM (%)	24.0%	18.3%	18.9%	14.2%	20.4%	17.3%	16.2%	19.3%	15.7%	17.2%
NPM Excl. extra-ordinaries (%)	24.0%	18.3%	18.9%	14.2%	20.4%	17.3%	16.2%	19.3%	15.7%	17.2%
Effective Tax Rate (%)	30.2%	36.7%	36.9%	34.3%	27.9%	31.7%	33.0%	33.0%	33.0%	32.7%

Profit & Loss A/c.

YE March 31 (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Total Revenue	**9,610**	**10,630**	**12,652**	**14,643**	**16,437**
Less:					
Cost of Raw Material	4,075	3,279	3,838	4,805	5,178
Personnel	1,331	1,318	1,846	2,261	2,466
Selling, Distribution & Administrative Expenses	1,205	1,167	1,458	1,703	1,890
Miscellaneous Expenses	1,526	1,437	1,480	1,686	1,857
Total Operating Expenditure	**8,137**	**7,200**	**8,621**	**10,455**	**11,391**
EBIDTA	**1,473**	**3,429**	**4,031**	**4,189**	**5,046**
Less: Depreciation	290	378	433	480	530
EBIT	**1,183**	**3,051**	**3,598**	**3,709**	**4,517**
Interest Paid	510	357	153	115	87
Non-operating Income	109	112	142	144	164
Profit Before tax	**782**	**2,806**	**3,587**	**3,737**	**4,594**
Tax	423	1,057	1,000	1,222	1,516
Minority Interest	118	79	(3)	1	0
Net Profit	**476**	**1,828**	**2,585**	**2,516**	**3,078**
Net Profit Excl. extra-ordinaries	**476**	**1,828**	**2,585**	**2,516**	**3,078**

Commonsized Profit & Loss A/c

YE March 31	FY09	FY10	FY11	FY12E	FY13E
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Less:					
Cost of Raw Material	42.4%	30.8%	30.3%	32.8%	31.5%
Personnel	13.9%	12.4%	14.6%	15.4%	15.0%
Selling, Distribution & Administrative Expenses	12.5%	11.0%	11.5%	11.6%	11.5%
Miscellaneous Expenses	15.9%	13.5%	11.7%	11.5%	11.3%
Total Operating Expenditure	**84.7%**	**67.7%**	**68.1%**	**71.4%**	**69.3%**
EBIDTA	**15.3%**	**32.3%**	**31.9%**	**28.6%**	**30.7%**
Less: Depreciation	3.0%	3.6%	3.4%	3.3%	3.2%
EBIT	**12.3%**	**28.7%**	**28.4%**	**25.3%**	**27.5%**
Interest Paid	5.3%	3.4%	1.2%	0.8%	0.5%
Non-operating Income	1.1%	1.0%	1.1%	1.0%	1.0%
Profit Before tax	**8.1%**	**26.4%**	**28.4%**	**25.5%**	**27.9%**
Tax	4.4%	9.9%	7.9%	8.3%	9.2%
Minority Interest	1.2%	0.7%	0.0%	0.0%	0.0%
Net Profit	**5.0%**	**17.2%**	**20.4%**	**17.2%**	**18.7%**
Net Profit Excl. extra-ordinaries	**5.0%**	**17.2%**	**20.4%**	**17.2%**	**18.7%**

Balance Sheet

YE March 31(Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Liabilities					
Equity Capital	1,688	1,815	1,833	1,833	1,833
ESOPS Outstanding	0	13	29	29	29
Reserves & Surplus	889	4,659	6,427	8,086	10,306
Net Worth	**2,577**	**6,487**	**8,289**	**9,947**	**12,168**
Minority Interest	124	44	4	3	2
Net Deferred tax liability/(Asset)	393	609	695	695	695
Total Loans	**5,631**	**3,207**	**2,372**	**1,900**	**1,400**
Capital Employed	**8,724**	**10,347**	**11,359**	**12,545**	**14,265**
Assets					
Gross Block	4,695	7,165	8,408	9,308	9,808
Less: Depreciation	932	1,305	1,729	2,210	2,739
Net Block	**3,763**	**5,861**	**6,678**	**7,098**	**7,068**
Capital WIP	2,708	614	680	745	785
Investments	**238**	**205**	**163**	**163**	**163**
Current Assets					
Inventories	711	722	728	745	749
Sundry Debtors	1,774	1,934	2,401	2,768	3,107
Cash and Bank Balance	452	1,926	1,731	2,200	3,683
Loans and Advances	1,052	1,032	1,058	1,098	1,151
Total Current Assets	**3,988**	**5,614**	**5,918**	**6,812**	**8,690**
Less: Current Liabilities & Provisions					
Sundry Creditors	1,292	1,238	1,220	1,318	1,404
Provisions	372	367	541	541	567
Other Current Liabilities	525	468	428	513	559
Total Current Liabilities & Provisions	**2,189**	**2,073**	**2,189**	**2,371**	**2,530**
Miscellaneous Assets	217	126	110	99	89
Capital Applied	**8,724**	**10,347**	**11,359**	**12,545**	**14,265**

Commonsized Balance Sheet

YE March 31	FY09	FY10	FY11	FY12E	FY13E
Liabilities					
Equity Capital	19.3%	17.7%	16.4%	14.8%	13.1%
Reserves & Surplus	10.2%	45.0%	56.6%	64.5%	72.2%
Net Worth	**29.5%**	**62.7%**	**73.0%**	**79.3%**	**85.3%**
Minority Interest	1.4%	0.4%	0.0%	0.0%	0.0%
Net Deferred tax liability/(Asset)	4.5%	5.9%	6.1%	5.5%	4.9%
Total Loans	64.5%	31.0%	20.9%	15.1%	9.8%
Capital Employed	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Assets					
Gross Block	53.8%	69.2%	74.0%	74.2%	68.8%
Less: Depreciation	10.7%	12.6%	15.2%	17.6%	19.2%
Net Block	43.1%	56.6%	58.8%	56.6%	49.5%
Capital WIP	31.0%	5.9%	6.0%	5.9%	5.5%
Investments	**2.7%**	**2.0%**	**1.4%**	**1.3%**	**1.1%**
Current Assets					
Inventories	8.1%	7.0%	6.4%	5.9%	5.3%
Sundry Debtors	20.3%	18.7%	21.1%	22.1%	21.8%
Cash and Bank Balance	5.2%	18.6%	15.2%	17.5%	25.8%
Loans and Advances	12.1%	10.0%	9.3%	8.8%	8.1%
Total Current Assets	**45.7%**	**54.3%**	**52.1%**	**54.3%**	**60.9%**
Less: Current Liabilities & Provisions					
Sundry Creditors	14.8%	12.0%	10.7%	10.5%	9.8%
Provisions	4.3%	3.5%	4.8%	4.3%	4.0%
Other Current Liabilities	6.0%	4.5%	3.8%	4.1%	3.9%
Total Current Liabilities & Provisions	**25.1%**	**20.0%**	**19.3%**	**18.9%**	**17.7%**
Miscellaneous Assets	2.5%	1.2%	1.0%	0.8%	0.6%
Capital Applied	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Cash Flow Statement

YE March 31 (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Cash Inflows					
From Operations					
Profit Before Tax	782	2,806	3,587	3,737	4,594
Depreciation	290	378	433	480	530
Less:					
Dividend Payout	99	424	849	858	858
Tax Paid	423	1,057	1,000	1,222	1,516
Operating Cash flow	**549**	**1,703**	**2,171**	**2,138**	**2,750**
Changes in Capital Structure					
Increase in Equity Share capital	(0)	140	34	0	0
Increase in Share premium	0	2,366	7	0	0
Increase in Other reserves	120	79	23	1	0
Increase in Others	47	216	86	0	0
Inc/(Dec) in Loans	2,195	(2,424)	(835)	(472)	(500)
Inc/(Dec) in Minority Interest	(118)	(79)	(41)	(1)	(0)
Inc/(Dec) in Equity/Loans/MI	**2,243**	**298**	**(726)**	**(472)**	**(500)**
Adjustments					
Diff.in Depreciation	(8)	(5)	(8)	0	0
Total Inflows	**2,784**	**1,996**	**1,436**	**1,666**	**2,250**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	31	(6)	175	(0)	26
Inc/(Dec) in Current Liabilities	445	(111)	(58)	182	133
Less:					
Inc/(Dec) in Inventory	40	11	6	17	4
Inc in Debtors	19	161	467	367	339
Inc/(Dec) in Loans & Advances	74	(20)	26	40	52
Inc/(Dec) in Working Capital	**(343)**	**268**	**382**	**243**	**237**
Capex/Investments					
Inc/(Dec) in Investments	170	(33)	(42)	0	0
Addition to Gross Block	659	2,471	1,242	900	500
Inc/(Dec) in Capital WIP	2,470	(2,094)	66	65	40
Inc. in Misc. Assets	184	(91)	(16)	(11)	(10)
Inc/(Dec) in Fixed Assets/ Investments	**3,483**	**253**	**1,250**	**954**	**530**
Inc/(Dec) in Cash/Bank Balance	(356)	1,474	(195)	469	1,483
Total Outflows	**2,784**	**1,996**	**1,436**	**1,666**	**2,250**

Commonsized Cash Flow Statement

YE March 31	FY09	FY10	FY11	FY12E	FY13E
Cash Inflows					
From Operations					
Profit Before Tax	28.1%	140.6%	249.7%	224.4%	204.2%
Depreciation	10.4%	19.0%	30.1%	28.8%	23.5%
Less:					
Dividend Payout	3.5%	21.2%	59.1%	51.5%	38.1%
Tax Paid	15.2%	53.0%	69.6%	73.4%	67.4%
Operating Cash flow	**19.7%**	**85.3%**	**151.1%**	**128.3%**	**122.2%**
Changes in Capital Structure					
Increase in Equity Share capital	(0.0%)	7.0%	2.3%	0.0%	0.0%
Increase in Share premium	0.0%	118.5%	0.5%	0.0%	0.0%
Increase in Other reserves	4.3%	4.0%	1.6%	0.1%	0.0%
Increase in Others	1.7%	10.8%	6.0%	0.0%	0.0%
Inc/(Dec) in Loans	78.8%	(121.4%)	(58.1%)	(28.3%)	(22.2%)
Inc/(Dec) in Minority Interest	(4.2%)	(4.0%)	(2.8%)	(0.1%)	(0.0%)
Inc/(Dec) in Equity/Loans/MI	**80.6%**	**14.9%**	**(50.5%)**	**(28.3%)**	**(22.2%)**
Adjustments					
Diff.in Depreciation	(0.3%)	(0.3%)	(0.6%)	0.0%	0.0%
Total Inflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	1.1%	(0.3%)	12.1%	(0.0%)	1.1%
Inc/(Dec) in Current Liabilities	16.0%	(5.6%)	(4.0%)	10.9%	5.9%
Less:					
Inc/(Dec) in Inventory	1.4%	0.5%	0.4%	1.0%	0.2%
Inc in Debtors	0.7%	8.0%	32.5%	22.1%	15.1%
Inc/(Dec) in Loans & Advances	2.7%	(1.0%)	1.8%	2.4%	2.3%
Inc/(Dec) in Working Capital	**(12.3%)**	**13.4%**	**26.6%**	**14.6%**	**10.5%**
Capex/Investments					
Inc/(Dec) in Investments	6.1%	(1.6%)	(2.9%)	0.0%	0.0%
Addition to Gross Block	23.7%	123.8%	86.5%	54.0%	22.2%
Inc/(Dec) in Capital WIP	88.7%	(104.9%)	4.6%	3.9%	1.8%
Inc. in Misc. Assets	6.6%	(4.6%)	(1.1%)	(0.7%)	(0.4%)
Inc/(Dec) in Fixed Assets/ Investments	**125.1%**	**12.7%**	**87.0%**	**57.3%**	**23.6%**
Inc/(Dec) in Cash/Bank Balance	(12.8%)	73.9%	(13.6%)	28.2%	65.9%
Total Outflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Free Cash Flow Statement

YE March 31 (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
EBITA	**1,183**	**3,051**	**3,598**	**3,709**	**4,517**
Less: Adjusted Taxes	641	1,150	1,003	1,213	1,490
NOPLAT	**542**	**1,901**	**2,595**	**2,496**	**3,026**
Plus: Depreciation	290	378	433	480	530
Gross Cash flow	**832**	**2,280**	**3,028**	**2,976**	**3,556**
Less: Increase in Working Capital	(323)	455	584	285	273
Operating Cash flow	**1,155**	**1,825**	**2,444**	**2,691**	**3,283**
Less: Net Capex	3,138	382	1,316	965	540
Less: Increase in Net Other Assets	255	(393)	(223)	(12)	(10)
FCF From Operation	**(2,237)**	**1,836**	**1,351**	**1,739**	**2,753**
Less: Inc./(Dec.) in Investment	170	(33)	(42)	0	0
Total FCF	**(2,407)**	**1,869**	**1,393**	**1,739**	**2,753**

IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and nonfinancial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

The Risks that may hinder the achievement of our price target/investment thesis are:

- **More than expected growth in the Indian economy**
- **More than expected increase in advertisement spend by advertisers**

First Global's Rating System

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: CNX Nifty Index

Positive Ratings

(i) Buy (B) – *This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

(ii) Buy at Declines (BD) – *This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

(iii) Outperform (OP) – *This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

Neutral Ratings

(i) Hold (H) – *This rating means that we expect no substantial move in the stock price over the specified time period.*

(ii) Marketperform (MP) – *This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

Negative Ratings

(i) Sell (S) – *This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

(ii) Sell into Strength (SS) – *This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

(iii) Underperform (UP) – *This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

(iv) Avoid (A) – *This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*

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