Investor's Delight

10th January, 2011

Company	DB Corp Ltd. (DBCL)
BSE Code	533151
FV	Rs. 10
Equity Capital (Rs in mn)	1,815
Market Capitalization (Rs in mn)	45,920
CMP	Rs. 255
Target Price	Rs. 300
Upside	17.6 %

A) About the company

Background

It is one of the leading print media companies in India, publishing seven newspapers, 48 newspaper editions and 128 sub editions in three languages in 11 states of India. The company's flagship newspapers, Dainik Bhaskar, Diya Bhaskar and Saurashtra Samachar, have a combined average daily readership of 15.5 million readers, making it one of the most widely read newspaper groups in India.

Dainik Bhaskar, with total average daily readership of 11.7 million readers, is a widely read newspaper in Madhya Pradesh, Chattisgarh, Rajasthan, Haryana, Punjab and Chandigarh. Divya Bhaskar is the number one Gujarati daily newspaper in terms of circulation in Gujarat. In addition to newspapers, the company publishes five periodicals, namely, Aha Zindagi, a monthly magazine published in Hindi and Gujrati, Bal Bhaskar, a Hindi magazine for children, Young Bhaskar, a children's magazine in English and Lakshya, a career magazine in Hindi.

B) Investment Rationale

1) **Established brands in the Indian print media business:** DBCL is one of the strong established brands in the Indian print media sector. Company's flagship newspapers - Dainik Bhaskar, Divya Bhaskar and Saurashtra Samachar, have a combined average daily readership of 15.5 million readers, making it one of the most widely read newspaper groups in India.

2) **Geographical reach and leadership in key markets:** The company has a strong geographical presence in key markets of North, Central and Western India which is competitive advantage.

   Dainik Bhaskar is the market leader in terms of readership in the daily newspaper segment in states like Madhya Pradesh, Chhattisgarh, Chandigarh and Haryana; having operated for more than three years (i.e. Madhya Pradesh, Chhattisgarh, Rajasthan, Chandigarh and Haryana).

3) **Strong distribution platform:** DBCL manages and operates with ~ 3447 distributors, 22 sales offices ~ 515 bureau offices. This large scale platform helps in promotion & campaigns to launching new publications in the existing markets.

4) **Buoyant contribution from advertising segment:** The ad market is creating wonders for the company. Presently, ad revenue account for 77% of revenue. Advertising revenue is well diversified with ~60% coming from local markets – growing at 1.5-2x market which compares favourably to peer Jagran. In FY09, when advertising revenue were under pressure, the company witnessed advertising revenue growth of ~12 per cent, helped by regional advertising. The company's subscription revenue also

grew by over 10 percent. Going ahead, the company is set to witness rising ad yields (10-12% rate hikes in FY11) and better volumes.

C) **Outlook and Valuation:** The company witnessed revenue CAGR of 19% over the period FY06-10 while PAT has witnessed a CAGR of 17.6%. In Madhya Pradesh, readership base grew by five percent over IRS Q2FY10 whereas Gujarat and Punjab witnessed growth of six and five percent respectively. The company also increased its share in one of the key market Jaipur-Rajasthan. With new launches the company is well placed to benefit from increase in readership.

Premium valuations to sustain….

Strong play in the local language print market

The company's revenue are expected to grow at a much faster rate as compared to its peers. This is on account of its strong positioning in the local language space in key Tier-II/III cities, which also indicates an uptick in advertising revenue. As on Q2FY11, the company had healthy OPM of 31.5% and PAT margin of 18.3%. At CMP, the stock currently trades at a P/E of 18.5x at annualized H1FY11EPS.

We believe that the company is well placed to tap the opportunity presented by Indian Print Media Sector. With due consideration to factors like a) established brands, b) leadership in key markets, c)strong distribution network as compared to peers, d) buoyant advertising revenue supported by local advertising, we recommend a 'BUY' with a target price of Rs.300 for investors with a six months horizon.

Disclaimer