

**CARE Ratings:**

Care has assigned “**CARE IPO GRADE 4**” to the issue .CARE IPO GRADE 4 indicates above average fundamentals .

**How will the capital raised by be used?**

- Setting up new publishing units.
- Upgrading existing plant and Machinery.
- Enhanced brand image through sales and marketing.
- Reducing existing working capital loans.
- Prepaying existing term loans .
- Achieving the benefit of listing.

**Investment Rational:**

- Established Brand in Indian Print Media business
- Geographical reach and leadership in Key markets
- Experienced Management Channel

**Key Risk:**

- **Delay in Approval of regulation and permits from government:** Media Industry operates in highly regulated environment in India. The company has applied or in the process of making applications for the renewal or the new license and permits. The uncertainty on time front and term & conditions for the approval can weigh on the future operations of the company.
- **Foreign Exchange Risk:** As a media company, It is exposed to exchange rate risk. Newsprint, which is an essential to printing papers, is generally priced in US dollars and many of their capital expenditures for printing presses and other machines are also priced in foreign currencies, in particular US dollars and Euros



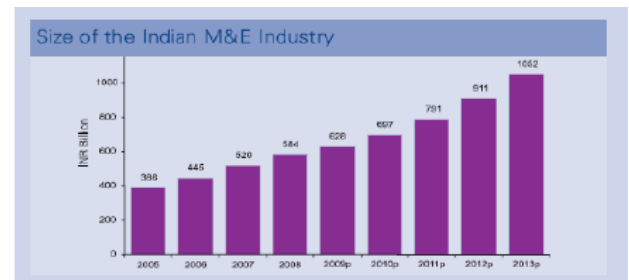
## Financials and Valuations:

Restated profit before tax decreased by Rs. 546.36 million, or 41.14%, to Rs. 781.69 million for the year ended March 31, 2009 from Rs. 1,328.06 million for the year ended March 31, 2008. The decrease was primarily attributable to higher newsprint and personnel costs, which increased by 21.07% and 42.20% respectively. The newspaper industry has extremely high costs of entry into new markets. New editions of newspapers usually make losses for the first two to four years of publication due to heavily subsidized cover prices, high marketing costs and lower advertisement revenues. As of March 31, 2009, The company had 16 editions (namely, two editions of DB Star, Ratlam, Amritsar, Jalandhar, Ludhiana, three Editions of DNA, and 7 editions of Business Bhaskar) which have been in publication for less than four years and had not yet achieved the profitability levels which they are expected to achieve in the longer term. The losses incurred in relation to these emerging newspaper editions. The emerging editions will be mature and become profitable over the time.

DB Corp has set a price band of Rs 185 to Rs 212 per equity share of Rs 10 face value. At the lower band of Rs 185 per share, the P/E is 17.6 times the annualized consolidated EPS of Rs 10.5 for the half-year ended September 2010 and 70.4 times the consolidated EPS of Rs 2.6 for the fiscal ended March 2009 (FY 2009). At the upper price band of Rs 212 per share, the P/E will be 20.1 times the annualized EPS for the half-year ended September 2010 and 80.7 times the EPS for FY 2009.. Comparable player Jagran Prakashan is currently trading at P/E of 39 times FY 2009 EPS as against which DB Corp is offering its shares at P/E of 70.4-80.7 times

## Conclusion:

The Indian Media and Entertainment (M&E) industry is one of the fastest growing industries in the country. Its various segments-film, television, advertising, prints ,media and music among others have witness tremendous growth in last few years. Thus the company is a good player in long run with good fundamentals, Strategy and innovation in the near future. Investors with high risk profile can invest in IPO for the immediate listing gains.



Source: FICCI-KPMG Media Entertainment Industry



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