DB Corp Limited

December 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	148.25	CARE AA+ (CWN) (Double A Plus) (Under Credit watch with Negative Implications)	Continues to be on Credit watch with Negative Implications
Long-term / Short-term Bank Facilities	126.00 (Reduced from 151.00)	CARE AA+ (CWN) / CARE A1+ (Under Credit watch with Negative Implications/A One Plus)	Long Term Continues to be on Credit watch with Negative Implications
Total Bank Facilities	**274.25 (Rs. Two hundred seventy four crore and twenty five lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings has reaffirmed the ratings assigned to the bank facilities of DB Corp Limited (hereinafter referred to as 'DBCL' or the 'Company). The ratings were earlier placed under 'Credit watch with Negative implications' vide CARE Ratings' Press Release dated July 30, 2021, with regard to the search conducted by the Income Tax Department (ITD) across various offices of the group. The aforementioned Press Release can be accessed here.

CARE Ratings has continued to maintain the ratings under 'Credit watch with Negative implications' since clarity is still awaited on the outcome of the search. CARE Ratings is continuing to closely monitor the developments pertaining to the aforementioned event and periodically engaging with DBCL management. The rating watch is likely to be resolved by CARE Ratings and a final rating action shall be taken once further clarity emerges.

The ratings continue to derive strength from the leadership position of DBCL in Hindi print media industry under its flagship brand "Dainik Bhaskar" (DB). The ratings also positively factor in the comfortable financial risk profile of DBCL characterized by low leverage, comfortable debt coverage indicators and strong liquidity. The ratings also factor an improvement in the operating performance in Q2FY22 post facing severe headwinds during 1st & 2nd wave of Covid. CARE Ratings estimates recovery to continue going forward, provided Covid-related challenges subside.

The above strengths are tempered by the pledge of the shares held by the promoters of DBCL as security against debt raised by its group entity Writers and Publishers Private Limited (WPPL). The share pledge continues to be at 12.40% of total shares of the company as on September 30, 2021 and shall cease to exist once the borrowings of WPPL are repaid on April 30, 2022. The ratings also take cognizance of the stretched receivable position of DBCL with around 50% of the total receivables as on September 30, 2021, being outstanding for more than six months. CARE Ratings expects that the receivable position shall improve with assuage of Covid impact on the economy. The ratings also continue to remain constrained by the susceptibility of DBCL's operating profit margins to newsprint prices and economic cycles.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Decline in pledged shareholding below 10% of promoter's shareholding and no further additional shares being pledged subsequent to repayment of the group entity's debt.
- Decline in debtor days / Debtor Cycle below 50 days
- Maintenance of comfortable leverage marked by Overall Gearing < 0.20x

Negative Factors- Factors that could lead to negative rating action/downgrade:

- PBILDT margin on quarterly basis declining below 13% on a sustained basis
- Decline in interest cover below 10x on sustained basis

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters & strong execution skills

The promoters of DBCL have been in the print media business for more than five decades, since the first edition of Dainik Bhaskar (DB) was launched in 1958. Mr Sudhir Agarwal, promoter and managing director of DBCL, has been instrumental in pursuing growth opportunities and has demonstrated strong execution skills while expanding into new markets and launch of new editions. DBCL with its various publications has presence in 12 states in North, Central & West India and across three languages (Hindi, Gujarati and Marathi).

Strong brand presence and leadership position

DBCL is one of the leading print media groups amongst national dailies in terms of readership. DBCL's flagship newspaper Dainik Bhaskar is the most widely read Hindi newspaper in India. While Dainik Bhaskar has maintained its leadership position in the legacy markets, it has increased its presence in the newer markets of Bihar, Rajasthan, Chhattisgarh and Gujarat.

DBCL acquired 13 radio frequencies in FY17 (refers to the period April 1 to March 31) in the Phase III auction in Ahmednagar, Akola, Aurangabad, Bikaner, Dhule, Hissar, Jalgaon, Karnal, Nanded, Nashik, Rajkot, Sangli and Solapur totalling the overall 30 stations under the frequency 94.3 "MY FM". The radio business maintained its leadership position across Chandigarh, Punjab, Haryana, Madhya Pradesh, Chhattisgarh and Rajasthan. It is the largest player in rest of Maharashtra.

DB Digital has six portals and four mobile apps which provide content across genres such as news, sports and entertainment. DB digital provides tailored content relevant for the Tier II and Tier III cities of India in four languages. DBCL launched "Dainik Bhaskar+" App – a new app that is set to provide news in the Hindi speaking markets. It also launched a new version of Divya Bhaskar Plus App to strengthen its leadership position in Gujarat.

Witnessing rebound in Q2FY22, expected to continue with further assuage of covid impact on economy

Several restrictions imposed due to 1st wave of Covid in FY21 had resulted in a steep y-o-y decline of 32% in DBCL's revenue with decline in advertisement and circulation revenues. Similar headwinds were faced on account of the second wave of Covid in Q1FY22 where revenue declined q-o-q by 33% from Rs.460 crore in Q4FY21 to Rs.308 crore in Q1FY22. However, DBCL's operating performance has improved significantly in Q2FY22 with 47% q-o-q growth in revenue to Rs.451 crore, backed by both circulation revenue (90% of pre-covid levels) and advertising revenue (82% of pre-covid levels). Furthermore, in Q2FY22, DBCL reported PAT of Rs.54 crore as compared to loss of Rs.22 crore in previous quarter. CARE Ratings expects an upward trajectory to continue with further assuage of covid impact on economy, enhanced pace of vaccinations and festive season resulting in higher advertisement revenue. Cover price hike and cost rationalizing measures enabled profitability margins to improve in Q2FY22. The PBILDT margin for Q2FY22 was 23.36% vis-à-vis 21.30% for the corresponding quarter previous year.

Comfortable leverage and debt coverage indicators

The company's debt metrics continue to remain comfortable as on September 30, 2021 with overall gearing at 0.11x and interest coverage at 10.77x. The debt comprises working capital borrowings and buyer's credit (to import raw material, i.e., newsprint) and lease liabilities on account of Ind-As 116 and no term debt. Prudent cash management during uncertain times has led to improvement in DBCL's operating cashflow which has reduced dependence on working capital borrowing, thereby reflecting improvement in Overall Gearing from 0.22x as on March 31, 2020 to 0.11x as on September 30, 2021. CARE Ratings continues to factor in the pledge of the shares held by the promoters of DBCL for debt (NCD) raised by its group entity Writers and Publishers Private Limited (WPPL). Although the percentage pledge has reduced due to reduction in the quantum of debt at WPPL and increase in DBCL's share price, it still remains at 12.40% of the total shareholding (or 17.27% of the promoter's shareholding) as on September 30, 2021. CARE Ratings also notes that these NCDs mature fully on April 30, 2022, after which pledge shall cease to exist and also takes into account articulation from DBCL management that such pledges are unlikely to be created again going forward. The promoters in their personal capacity would be required to repay the debt of WPPL and it is not through DBCL.

Key Rating Weaknesses

Operating profitability susceptible to fluctuation in newsprint prices and economic cycles

Newsprint constitutes a key raw material accounting for around 40%-45% of the operating cost for DBCL. DBCL sources newsprint through an equal mix of domestic suppliers and imports. Thus, apart from volatility in newsprint prices, rupee dollar fluctuations could also impact the company's profitability. Furthermore, operating margin of media houses remains vulnerable to economic downturns as advertisement revenue is linked to economic conditions.

Elevated receivable position continues

DBCL's debtor position remains elevated with about 40% - 50% of the receivables outstanding for more than 6 months. Debtors comprise primarily of advertising debtors with around 30% of the receivables being outstanding from Government agencies and the balance from commercial clients. Although CARE Ratings expects the receivable position to improve, further uncertainties associated with the pandemic could result in delays in collection of receivables in particular from commercial clients. Outstanding receivables stood at Rs.485 crore as on September 30, 2021 (Rs.496 crore as on March 31, 2021).

Liquidity: 'Strong'
Liquidity of DBCL is marked by healthy cash accruals from operations against no long-term debt repayment apart from the lease payments. Additionally, the presence of unencumbered cash and investments balance of Rs.336 crore as on September 30, 2021, provides support to the company's liquidity position. Unutilized working capital lines of Rs.148 crore provide adequate buffer during exigencies.

Analytical approach:
CARE Ratings has considered consolidated financials of DBCL and its subsidiaries as subsidiaries are in a similar line of business. The list of entities which have been consolidated is placed in Annexure-6.

Applicable Criteria
Criteria on assigning Outlook and Credit Watch to credit ratings
Policy on default recognition
Rating Methodology: Consolidation
Liquidity Analysis of Non-financial sector entities
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
CARE's methodology on liquidity analysis of non- financial sector companies

About the Company
DB Corp Ltd (DBCL) is one of the leading print media companies in India, which started operations in 1958 with the launch of its first edition of Hindi newspaper in Bhopal, Madhya Pradesh. Currently, the company publishes five newspapers with 64 editions and 211 sub-editions in three languages, i.e., Hindi, Gujarati and Marathi across 12 states in India. DBCL's newspaper portfolio includes Dainik Bhaskar (DB- 45 editions), Divya Bhaskar (8 editions), Divya Marathi (6 editions), Saurashtra Samachar (1 edition) and DB Star (4 editions). Other than newspapers, DBCL also publishes certain periodicals, namely Bal Bhaskar and Young Bhaskar and Madhurima, Rasrang, Kalash, Dharma Darshan, Navrang, Bal Bhaskar, with its newspapers. DBCL has 51 printing units in the states of Rajasthan, Gujarat, Chandigarh, Punjab, Haryana, Himachal Pradesh, Madhya Pradesh, Chhattisgarh, Jharkhand, Maharashtra and Bihar.
DBCL also has radio licenses for 30 cities across seven states, under brand name 'My FM'. Apart from printing, publishing and radio business, DBCL also has presence in the digital media with six portals and four mobile apps, wind energy and event management, however, these businesses form a very minor portion of the total revenue.

Brief Financials (Rs. crore)	FY20 (A)	FY21(A)	H1FY22(UA)
Total operating income	2,235.09	1,524.44	759.23
PBILDT	495.35	321.46	110.55
PAT	274.88	141.33	31.52
Overall gearing (times)	0.22	0.14	0.11
Interest coverage (times)	19.73	12.80	10.77

A: Audited; UA: Unaudited
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	148.25	CARE AA+ (CWN)
Non-fund-based - LT/ ST-BG/LC		-	-	-	126.00	CARE AA+ (CWN) / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	148.25	CARE AA+ (CWN)	1)CARE AA+ (CWN) (30-Jul-21)	1)CARE AA+; Stable (28-Sep-20) 2)CARE AA+; Stable (29-May-20)	1)CARE AAA; Stable (11-Sep-19)	1)CARE AAA; Stable (03-Oct-18)
2	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (03-Oct-18)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	126.00	CARE AA+ (CWN) / CARE A1+	1)CARE AA+ (CWN) / CARE A1+ (30-Jul-21)	1)CARE AA+; Stable / CARE A1+ (28-Sep-20) 2)CARE AA+; Stable / CARE A1+ (29-May-20)	1)CARE AAA; Stable / CARE A1+ (11-Sep-19)	1)CARE A1+ (03-Oct-18)
4	Non-fund-based - LT-Bank Guarantees	-	-	-	-	-	-	1)CARE AAA; Stable (03-Oct-18)

** Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this company

To view the lender-wise details of bank facilities please click here

Annexure 6: List of subsidiaries which are consolidated

Sl. No.	Name of the company	% shareholding as on Mar 31, 2021 (Mar 31, 2020)
1	I Media Corp Limited	100% (100%)
2	DB Infomedia Private Limited	100% (100%)

Note on complexity levels of the rated instrument: *CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name: Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careratings.com

Analyst Contact
Name: Arti Roy
Contact no.: +91-22-67543456
Email ID: arti.roy@careratings.com

Relationship Contact
Name: Saikat Roy
Contact no.: +91-98209 98779
Email ID: saikat.roy@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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