DB Corp Limited

August 09, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	148.25	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed and removed from Credit watch with Negative Implications; Stable outlook assigned
Long-term/Short-term bank facilities	126.00	CARE AA+; Stable/CARE A1+ (Double A Plus; Outlook: Stable/A One Plus)	Reaffirmed and removed from Credit watch with Negative Implications; Stable outlook assigned
Total bank facilities	**274.25 (₹ Two hundred seventy-four crore and twenty-five lakh only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of DB Corp Limited (hereinafter known as 'DBCL' or the 'Company') have been reaffirmed and removed from being placed under 'Credit Watch with negative implications (CWN)'. There has been no further development with respect to the IT search carried out in July 2021, subsequent to which the ratings were placed under CWN. During the period under credit watch, CARE Ratings Limited (CARE Ratings) had been engaging in dialogue with the company's management to understand developments pertaining to the event. CARE Ratings factors management articulation and public disclosures by the Company that the outcome will not have any material impact on the operations and financial position of the company. Furthermore, no provision for any liability has been recognised in these financial results for year and quarter ended March 31, 2022 and quarter ended June 30, 2022, respectively.

The ratings continue to derive strength from the leadership position of DBCL in the vernacular print media industry under its flagship brand, 'Dainik Bhaskar'. The ratings also positively factor in the strong financial risk profile of DBCL characterised by low leverage, strong debt coverage indicators and robust liquidity position. The ratings also factor the company's improved performance witnessed during FY22 (refers to the period April 1 to March 31) and Q1FY23, which has recovered substantially compared to y-o-y basis. The advertisement and circulation revenues have almost reached pre-COVID levels in Q1FY23. The above rating strengths are, however, partially tempered by moderation in profitability margins impacted by hike in newsprint prices and lower return on capital employed (ROCE) during the year, stretched receivable position, susceptibility of profitability margins to newsprint prices, forex fluctuations, economic cycles and increasing competition from alternate media platforms.

Rating sensitivities

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

- Improvement in circulation & advertisement revenue and diversifying revenue streams from digital media platform
- Improvement in EBIDTA margin to a range of 22%-25% on a sustained basis.
- Decline in the debtor cycle below 50 days.

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

- The PBILDT margin on quarterly basis declining below 13% on a sustained basis.
- Annual income declining below ₹1,200 crore.
- Substantial decline in the market share/readership.

Outlook: Stable

The Company has a stable outlook assigned on the basis of CARE Ratings' expectations that the company's business operations would continue to demonstrate the growth trajectory witnessed during FY22 and Q1FY23 post easing of COVID-19, along with a likely improvement in the profitability with expected moderation in newsprint prices.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters and 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. 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 and west India, across three languages (Hindi, Gujarati and Marathi).

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 four portals and three 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. DB is also the fastest-growing News App of India as per ComScore trend. The monthly active users (MAU) have increased to more than 17 million in March 2022 when compared with just 2 million in January 2020. Monetising digital business would also enable the company to adapt amidst volatility of advertisement revenue and increasing competition from alternate media platforms.

Improvement in operating performance with both circulation and advertisement almost at pre-COVID levels: DBCL's performance was severely impacted in FY21 due to COVID-19, which spilled over partly into FY22 with the second wave impacting the business operations considerably in Q1FY22. However, since Q2FY22, the company's performance demonstrated upward trajectory with gradual easing of COVID-19 restrictions. The circulation and advertising revenues have both improved and have now almost reached to the pre-COVID levels.
DBCL reported 17% y-o-y in the total operating income (TOI) from ₹1,522 crore in FY21 to ₹1,788 crore in FY22. The advertising revenue grew by 17% to ₹1,182 crore in FY22 and circulation revenue recorded a growth of 10% to ₹456 crore supported by gradual reopening of offices and public spaces post COVID-19 pandemic-led lockdowns. With economic activity returning to normal, and businesses increasing their advertising budgets, DBCL is also expected to undertake ad rate hike which is expected to ramp up revenue going ahead.

Strong financial risk profile; existing pledge has been released: DBCL continued to maintain a robust capital structure and strong coverage indicators. The capital structure of DBCL is marked by a robust tangible net worth base of ₹1,815 crore (excluding intangible assets in the form of computer software, copyrights, license etc.) and Overall Gearing of 0.11x as on March 31, 2022 (P.Y.: 0.12x). The debt coverage indicators improved, marked by interest coverage ratio of 16.82x (P.Y.: 12.30x) in FY22 and total debt/gross cash accruals (GCA) of 0.81x (PY: 1.00x) as on March 31, 2022. DBCL stands net debt free as on March 31, 2022.
Previously, there was a pledge of the shares held by the promoters of DBCL for debt raised by its group entity, Writers and Publishers Private Limited (WPPL). The share pledge was at 12.40% of the total shares of the company as on September 30, 2021. Incorporated on January 13, 1981, WPPL is a part of the Dainik Bhaskar group. The debt has been fully repaid in Q4FY22 and consequently the pledge has been released.

Key rating weaknesses
Rising newsprint prices, high inflation and other global macro issues remain key constraining factors: Despite growth in the revenues, skyrocketing newsprint prices dented DBCL's profitability in FY22. The company's PBILDT margin in FY22 has reduced by 324 bps to 17.29% from 20.44% in FY21. Newsprint constitutes a key raw material accounting for around 50% of the operating cost for newspaper companies. Several factors have led to this shortage, viz., rise in freight rates, rupee depreciation, and fall in supplies following the ongoing Russia-Ukraine conflict, especially since Russia is one of the key global suppliers of newsprint. To offset the increasing newsprint price increase, DBCL has been engaging in cost-cutting methods, such rationalisation of newsprint intake, reduced pagination, etc., to protect the margins from declining further. The circulation business which has been historically loss making has seen further widening in losses. In Q1FY23, DBCL's circulation revenue was ₹116 crore as against newsprint cost of ₹202 crore.
Apart from volatility in the newsprint prices, rupee-dollar fluctuations could also impact the company's profitability since considerable portion of newsprint is imported. Furthermore, the operating margins of DBCL remain vulnerable to the economic downturns, as advertisement revenue is linked to economic conditions. The present soaring inflation and commodity prices could cause businesses to trim the advertisement spending to offset rising costs in their operations, which could thus impact DBCL's adverisement revenues. The company is also exposed to intense competition amongst major print media players, which has been further exacerbated by the growing presence of TV/digital media platforms. The ability of the company to adapt to rapidly changing industry dynamics and trends would be critical.

Elevated debtors' position: DBCL's debtor position remains elevated with about 50% of the receivables outstanding for more than six months. The debtors comprise primarily of advertising debtors with around 30% of the receivables being outstanding from Government agencies and the balance from commercial clients. As articulated by DBCL management, Government debtors remained held because of budgetary constraints due to COVID-19 pandemic and economic uncertainty. As articulated by DBCL management, Government collection since last 8-10 months has been improving. Due to a higher revenue base in FY22, the average collection days in FY22 was comparatively lower at 104 days in FY22 vis-à-vis 140 days in FY21.

Liquidity: Strong
The liquidity of DBCL is strong, marked by healthy GCA of ₹246.17 crore in FY22 against no external long-term debt repayment. Additionally, the presence of unencumbered cash and investments balance of ₹517.04 crore as on March 31, 2022, provides support to the company's liquidity position, majority of which are maintained in bank deposits. Due to prudent liquidity management, the working limits remained marginally utilised for 12 months ended June 30, 2022.

Analytical approach: Consolidated
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
Policy on default recognition
Consolidation
Financial ratios – Non-financial sector
Liquidity analysis of Non-financial sector entities
Rating outlook and credit watch
Short-term instruments
Manufacturing companies

About the company
DB Corp Limited (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 61 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- 43 editions), Divya Bhaskar (7 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, Young Bhaskar, Madhurima, Rasrang, Kalash, Dharma Darshan, and Navrang, along 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 businesses, DBCL also has presence in the digital media with 4 portals and 3 mobile apps, wind energy and event management; however, these businesses form a minor portion of the total revenue.

Brief Financials (₹ crore)	FY21 (A)	FY22 (A)	Q1FY23 (UA)
Total operating income	1,507.70	1,768.54	494.09
PBILDT	319.30	322.80	73.75
PAT	141.32	142.56	31.00
Overall gearing (times)	0.14	0.11	-
Interest coverage (times)	12.30	16.82	14.74

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	148.25	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	126.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash credit	LT	148.25	CARE AA+; Stable	-	1)CARE AA+ (CWN) (07-Dec-21) 2)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)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	126.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+ (CWN) / CARE A1+ (07-Dec-21) 2)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)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not available

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 March 31, 2022 (March 31, 2021)
1	I Media Corp Limited	100% (100%)
2	DB Infomedia Private Limited	100% (100%)

Note on complexity levels of the rated instruments: 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@careedge.in for any clarifications.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Arti Roy
Phone: +91-22-6754 3456
E-mail: arti.roy@careedge.in

Relationship contact
Name: Saikat Roy
Phone: +91-98209 98779
E-mail: saikat.roy@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in