DB Corp Limited

August 08, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	148.25	CARE AA+; Stable	Reaffirmed
Long-term / Short-term bank facilities	126.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of DB Corp Limited (hereinafter referred to as 'DBCL' or the 'Company') continue to derive strength from its leadership position in the Indian vernacular print media industry under its flagship brand, 'Dainik Bhaskar'. The ratings continue to positively factor in the strong financial risk profile characterised by low leverage, strong debt coverage indicators and robust liquidity position. The ratings continue to draw strength from the company's experienced promoters and management.

The ratings also factor the company's strong recovery y-o-y with revenue growth of 20% witnessed during FY23 (refers to the period April 1 to March 31) and Q1FY24, after sub-optimal performances during the previous two fiscal years on account of COVID-19 and ensuing macroeconomic headwinds. The growth has been supported largely by a resurgence in advertisement revenues, whereas circulation revenues continued to remain sluggish with muted circulation volumes.

The revenue growth of the company is expected to be steady in FY24 with traditional sectors increasing their advertising budgets and also higher contribution from government ad spending in view of few state assembly elections and national elections. However, the margins remained constrained on account of skyrocketing newsprint prices during FY23, which though has improved in Q1FY24 with a reduction in newsprint prices. Further newsprint prices are expecting on downward trended in ensuing quarter,which will improve the company profitability.

The above rating strengths are, however, partially tempered by profitability margins susceptible to volatility in newsprint prices and economic cycles, lower return on capital employed (ROCE), continued stretched receivable position, forex fluctuations, and increasing competition from alternate media platforms.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in circulation & advertisement revenue and diversifying revenue streams from digital media platform leading to substantial increase in market share/readership.
- Improvement in PBILDT margin and ROCE above 25% on a sustained basis.
- Decline in the debtor cycle below 50 days on a sustained basis.

Negative factors

- The PBILDT margin declining below 13% on a sustained basis.
- The debtor cycle stretching beyond 120 days on a sustained basis, impacting its liquidity.
- Substantial decline in the market share/readership- resulting in sustained decline in its revenue.

Analytical approach:

Consolidated; CARE Ratings has considered consolidated financials of DBCL and its subsidiaries as subsidiaries are in a similar line of business. However, the scale of operations in these subsidiaries is negligible. The list of entities which have been consolidated is placed in **Annexure-6**.

Outlook: Stable

Steady growth in the revenue is expected in FY24 with additional contribution from increase in government ad spending in view of upcoming election year. The margins nevertheless continue to remain exposed to inherent newsprint price volatility. Sustenance of the decreasing trend of newsprint prices from Q1FY24 onwards and its ensuing impact on profitability margins of DBCL remains to be seen. The ability to scale up digital business in light of dynamically changing industry trends and also monetise the same would be positive.

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

Detailed description of the key rating drivers:

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

Strong brand presence and leadership position, monetising digital business remains critical
DBCL is one of the leading print media groups amongst national dailies in terms of readership as per the latest report of Audit Bureau of Circulations. 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. Monetising digital business would also enable the company to adapt amidst volatility of advertisement revenue, increasing competition from alternate media platforms, such as TV, OTT, mobile and also successfully compete with peers who also have been increasing their focus on digital segment.

Resurgence in advertisement revenues as circulation continues to remain flat, FY24 prospects remain healthy
DBCL has registered a strong y-o-y operating revenue growth of 20% from ₹1,769 crore in FY22 to ₹2,127 crore in FY23 primarily led by higher advertising revenues with higher advertisement spend incurred by various industries. This is line with gradual easing of COVID-19 crisis and overall recovery in economic scenario, which had resulted in sub-optimal performance during previous two fiscal years.

However, in contrast the circulation division's revenue contribution remained flattish with muted circulation volumes during FY23. This was attributable to lingering impact of Omicron especially in Q1FY23, staggered opening of public places and changing readership trends especially post COVID-19. CARE Ratings takes cognisance from management articulation that number of copies circulated has nevertheless been increasing q-o-q from Q1FY23. CARE Ratings believes that due to the strong corelation between circulation and advertisement (as a widely circulated readership base enables advertisers to reach out to a wider target audience), a strong resurgence in circulation volumes remains critical for DBCL's future revenue growth prospects. The company nevertheless is undertaking efforts to increasing its circulation and expanding further across most of their key markets.

Increased advertising budget allocation amongst traditional sector, viz., real estate, education, healthcare, automobile, etc., in line with improving economic conditions domestically, along with higher expected Government ad spends with both Lok Sabha as well as few Vidhan Sabha elections in the next 12 months to 18 months augurs well for DBCL and is expected to contribute to growth in advertisement revenues of DBCL.

Financial risk profile continues to remain robust
DBCL continued to maintain robust capital structure and strong coverage indicators with low reliance on debt. The capital structure of DBCL is marked by a robust net worth base of ₹1,952 crore and overall gearing of 0.11x as on March 31, 2023 (P.Y. 0.11x). The debt coverage indicators continued to remain robust, marked by interest coverage ratio of 16.93x in FY23 (P.Y. 17.74x). DBCL stands net debt free as on March 31, 2023. There is no term debt in the company's books. The debt comprises working capital borrowings and buyer's credit (to import raw material) and lease liabilities on account of Ind-As 116. There is no debt-funded capex planned.

Furthermore, in July 2021 the IT Department had carried out a search operation at the company's various business premises u/s 132 of IT Act, 1961. The management is of the view that this event is not likely to have any material impact on the company's financial position as on March 31, 2023. Additionally, factors such as high cash outflow in the form of dividend or buyback will be monitorable as it can potentially undermine the company's financial risk profile.

Key weaknesses

Margins susceptible to newsprint prices, other inherent risk factors continue
Despite a healthy growth in the revenues, skyrocketing newsprint prices dented DBCL's profitability in FY23. The company's PBILDT margin in FY23 has reduced by 140 bps to 16.62% from 18.04% in FY22. Newsprint constitutes a key raw material accounting for around 50% of the operating cost for newspaper companies. Several factors had led to this shortage in availability, 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 ensure price affordability amidst readership base and competitive cover pricing across the industry, DBCL was also constrained to undertake any significant hikes in cover prices to pass on the corresponding newsprint price rise. Nevertheless, DBCL has been engaging in other cost-cutting methods, alternative sourcing etc. in order to stem further margin erosion. With supply chain constraints being eased, the newsprint prices have started to show a downward trend of 8% y-o-y with prices at ₹56,637/MT in Q1FY24 vis-à-vis ₹62,090/MT in Q1FY23. In light of inherent cyclicality in newsprint prices, the trend of prices further declining in the near future and its impact on profitability remains to be seen.

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. High inflationary environment and volatility in commodity prices could cause businesses to trim the advertisement spending to offset rising costs in their operations, which could thus impact DBCL's advertisement 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. In digital business, the company has been seeing a declining trend in its customer base for its app. (monthly unique visitors in million) from 17.24 million in January 2022 to 14.15 million in March 2023 (inclusive of Dainik Bhaskar and Divya Bhaskar mobile app.). according to ComScore Mobile Metrix Media Trend The company continues to invest in digital business which is yet to achieve break even. CARE Ratings will continue to monitor the ability of the company to successfully monetise digital business.

Elevated debtors' position continues
DBCL's debtor position remains elevated with average collection period of 80 days in FY23 with about 40% 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's management, Government collection since last 8-10 months has been improving, as their internal payment release processes are being streamlined. CARE Ratings expects this to result in a further improvement in average collection period.

Liquidity: Strong
The liquidity of DBCL is marked by healthy gross cash accruals of ₹271 crore in FY23 against no long-term debt repayment apart from the lease payments. Additionally, the presence of unencumbered cash and investments balance of ₹631 crore as on March 31, 2023 provides support to the company's liquidity position majority of which are maintained in bank deposits and short-term liquid instruments. Due to prudent liquidity management, the working limits remained marginally utilised for 12 months ended May 31, 2023. The management has articulated that a healthy cash balance would continue to be maintained in the company.
DBCL extends a 60-90 days payment period to the advertisement agencies.

Covenants: Not available

Environment, social, and governance (ESG) risks
DBCL is committed to keeping minimum environmental impact for which it follows defined waste management processes. Newspaper being the world's most recycled material, the company has in place a structured mechanism for selling waste newspapers to newsprint manufacturers / traders for the purpose of recycling. Also, water waste from the company's various printing units is used for irrigation of plants thereby warranting effective waste management. DBCL's social initiatives are focussed on environmental protection and helping the underprivileged sections of the society. The company continues to follow high standards of corporate governance. However, there had been an incident in July 2021 where Income Tax carried out a search on the company's premises.

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
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Media	Print Media

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, 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 four portals and three mobile apps, wind energy and event management; however, these businesses form a minor portion of the total revenue.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	1,769	2,128	554
PBILDT	323	360	136
PAT	142	168	79
Overall gearing (times)	0.11	0.11	N/A
Interest coverage (times)	17.74	16.93	27.17

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	148.25	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Aug-22)	1)CARE AA+ (CW with Negative Implications) (07-Dec-21) 2)CARE AA+ (CW with Negative Implications) (30-Jul-21)	1)CARE AA+; Stable (28-Sep-20) 2)CARE AA+; Stable (29-May-20)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	126.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (09-Aug-22)	1)CARE AA+ (CW with Negative Implications) / CARE A1+ (07-Dec-21) 2)CARE AA+ (CW with Negative Implications) / CARE A1+ (30-Jul-21)	1)CARE AA+; Stable / CARE A1+ (28-Sep-20) 2)CARE AA+; Stable / CARE A1+ (29-May-20)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

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

Note on the 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.

Annexure-6: List of subsidiaries which are consolidated

Sl. No.	Name of the company	% shareholding as on March 31, 2023 (March 31, 2023)
1	I Media Corp Limited	100% (100%)
2	DB Infomedia Private Limited	100% (100%)

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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.

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