DB Corp Limited
October 07, 2024

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

Reaffirmation of ratings assigned to bank facilities of DB Corp Limited (DBCL) continues to derive strength from market leadership position in Hindi print media industry under its flagship brand "Dainik Bhaskar" (DB). Ratings also factors in DBCL's robust financial risk profile characterised by low debt, resulting in strong debt coverage indicators and strong liquidity position supported by significant free cash balance/liquid investments. Ratings continue to draw strength from the company's experienced promoters and management.

Ratings also factor the company's strong performance in FY24 evinced by 13% y-o-y growth in total operating income (TOI) to ₹2,402.09 crore in FY24 (FY23: ₹2,129.22 crore) aided by increased advertisement revenue which grew by 18.2% y-o-y in FY24. Advertisement revenue witnessed significant growth with increased spending by government and political parties for the elections in April/May 2024. Circulation revenue witnessed a modest growth of 3.5% y-o-y to ₹479 crore supported by increase in cover prices. Newsprint prices declined to ₹51,917 in FY24 (average for the year) compared to ₹61,815 in FY23 (average for the year) aiding margin improvement with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins improving to 25.93% in FY24 (FY23: 15.17%). In Q1FY25, the company reported TOI of ₹590 crore and healthy profitability of ₹117.87 crore. CARE Ratings Limited (CARE Ratings) expects the company to maintain healthy profitability aided by its market leadership position and stable newsprint prices in the short-to-medium term.

The above rating strengths are however offset by susceptibility of profitability margins to newsprint prices, stretched debtors' position, forex fluctuations and economic cycles affecting especially advertising segment. Ratings also factor challenges faced by newspapers in the age of digital communication.

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 while maintaining return on capital employed (ROCE) above 30% on a sustained basis.

Negative factors

- The PBILDT margin declining below 13% on a sustained basis.
- 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 TOI.

Analytical approach: Consolidated; CARE Ratings has considered consolidated financials of DBCL and its subsidiaries as subsidiaries are in a similar 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

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

The company is expected to maintain its strong business risk profile aided by its market leadership position. Healthy cash accruals, strong cash and bank balances and minimal debt supports its robust liquidity and financial risk profile in the medium.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and strong execution skills

DBCL's promoters have been in the print media business for over 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 demonstrated strong execution skills, while expanding in new markets and launch of new editions. DBCL with its publications has presence in 12 states in north, central and west India and across three languages (Hindi, Gujarati and Marathi). Promoters are actively involved in the newspaper's day-to-day operations. The management functions managed by professionals who have been with DBCL for over two decades.

Strong brand presence and market leader in overall circulation and readership

DBCL is one of the leading print media groups among national dailies in terms of readership with ~66.3 million readers presence across 12 states in northern, western and central India. As on March 31, 2024, DBCL has 51 Printing centres with 84 state of the art machines and an installed capacity of ~32.93 lakh copies per hour. Audit Bureau of Circulation (ABC) Survey for January 2023 to December 2023, continues to position Dainik Bhaskar Group as the largest circulated newspaper group in India and placing Dainik Bhaskar in the top position as the largest circulated newspaper in India. In terms of highest language wise circulated daily newspapers, Dainik Bhaskar occupies # 1 position in Hindi.

DBCL is also the fastest growing News App of India per ComScore trend. DBCL has been steadily growing its monthly active user (MAU) base across its apps and has been able to maintain its direct active user base. DBCL's teams continue to work on the digital apps to improve the engagement with users which is helping overall retention of their readers across all formats. Their teams are also doing multiple experiments in multiple markets and different socioeconomic categories of readers to see how much they are willing to pay. DBCL's management is highly focussed on digital media and made significant efforts to expand in the digital market of Uttar Pradesh. Currently DBCL has 14 million active users on its digital app as on May, 2024. 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.

Strong operational performance led by growth in advertisement revenue

DBCL's TOI improved by 13% to ₹2,402.09 crore in FY24 (FY23: ₹2,129.22 crore) mainly due to increase in advertisement revenue by 18.2% in FY24. Major reason for increase in the segment was lok sabha elections in April/May 2024. Advertisements by government and different political parties before election contributed ~9% additional growth to the segment in FY24. Also, industries like real estate, automobile, education, jewellery, government and health sector have displayed improved performance and thus have also contributed heavily to print segment revenues. Advertisement revenue increased by 8.4% in Q1FY25 as compared to Q1FY24, majorly due to improvement in performance of sectors like automobile, real estate, jewellery, and healthcare among others.

DBCL's circulation division demonstrated a significant resilience post covid lockdown. However, from FY23 to FY24, circulation revenue grew at a stable pace of 3.50% from ₹463 crore to ₹479 crores. Growth in circulation revenues has been backed by increase in cover prices, with prices increasing to ₹3.25 per copy in FY24 as compared to ₹3.07 per copy in FY23, exhibiting a growth of 5.86%. But at the same time, total number of copies in circulation have moderated in FY24 by 2.16% to 14,729 lakh copies per annum. Copies under circulation have not reached pre-covid levels with hotels and offices opting out for newspaper as cost reduction measure, some part of market lost to other sources of news among others.

Moderating newsprint prices have significantly improved margins

The company's operating profitability across the newspaper media industry is primarily driven by advertisement segment only, with circulation division's contribution being modest because of newsprint costs and low cover pricing to ensure affordability to readers.

DBCL's PBILDT almost doubled to ₹622.91 crore in FY24 compared to ₹323.10 crore in FY23. PBILDT margins have improved to 25.93% in FY24 against 15.17% in FY23.

Newsprint constitutes a key raw material accounting for ~30-40% of the total operating costs for newspaper companies. Nearly 25-40% of newsprint requirement by DBCL is imported from European countries like Russia, Spain, Norway among otherswhile balance is sourced from domestic market. There is a price difference of ~15% between the imported and domestic newsprint.

In FY24, due to the improved logistics situation post the supply chain disruption in Russia-Ukraine war and still reduced global demand for newsprint post covid, prices of newsprint have moderated, resulting in improved margins for the print media industry. Newsprint prices have further moderated to ₹46,900 per MT in Q1FY25 and is expected to remain stable.

Strong financial risk profile
DBCL continued to maintain robust capital structure and strong coverage indicators with low reliance on debt. DBCL's capital structure is marked by a robust TNW base of ₹2,164 crore. (excluding intangible assets in the form of computer software, copyrights, and license among others) and overall gearing of 0.12x as on March 31, 2024 (PY 0.11x). ebt coverage indicators continued to remain robust, marked by interest coverage ratio of 26.61x in FY24 (P.Y. 15.19x) and total debt to gross cash accruals (TD/GCA) of 0.48x (PY:0.78x) as on March 31, 2024. DBCL stands net debt free as on March 31, 2024*.* There is no term debt with scheduled repayment structure in the company's books. The debt comprises of working capital borrowings and buyer's credit (to import raw material) and lease liabilities considering Ind-As 116. There is no debt funded capex planned.
Furthermore, in July 2021, IT Department carried out a search operation at the company's business premises u/s 132 of IT Act, 1961. The management is of the view that this will not likely to have material impact on the company's financial position as on March 31, 2024. Additionally, factors such as high cash outflow in the form of dividend or buyback will be monitorable as it can potentially undermine the financial flexibility.

Key weaknesses

Elevated debtors' position continues
DBCL's debtor position remains elevated with average collection period of 74 days in FY24 (FY23: 80 days) with ~31% receivables outstanding for over six months. Debtors comprise primarily of advertising debtors with majority collections pending from government agencies. Collection from government takes a longer time as compared to that from corporate debtors. Total outstanding debtors increased to ₹615.27 crore in FY24 (FY23: ₹564.16 crore).

Margins susceptible to newsprint prices, other inherent risk factors continue
Newsprint constitutes a key raw material accounting for ~50% of the operating cost for newspaper companies. Several factors led to the shortage in availability, including rise in freight rates, rupee depreciation, and fall in supplies following ongoing Russia-Ukraine conflict, especially since Russia is one of the key global suppliers of newsprint. Apart from volatility in newsprint prices, rupee-dollar fluctuations could also impact the company's profitability since considerable portion of newsprint is imported. Furthermore, the operating margins 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 advertisement revenues. The company is also exposed to intense competition among major print media players, which has been further exacerbated by the growing presence of TV/digital media platforms. The company's ability to adapt to rapidly changing industry dynamics and trends would be critical.

Liquidity: Strong
DBCL's liquidity is marked by healthy GCA of ₹527.40 crore in FY24 against no long -term debt repayment apart from the lease payments. Additionally, presence of unencumbered cash and investments balance of ₹1,017 crore as on March 31, 2024, provides support to the company's liquidity position majority of which are maintained in bank deposits/FDs/MFs. Due to prudent liquidity management, the fund based working limits remained unutilised for 12 months ended June 30, 2024. The management articulated that the healthy cash balance would continue to remain in the company.
~25-40% of the newsprint requirements are imported and DBCL gets an average credit period of 7-45 days from its domestic raw material suppliers and 60-90 days from international raw material suppliers

Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environmental	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 printing units is used for irrigation of plants warranting effective waste management.
Social	DBCL's social initiatives are focussed on environmental protection and helping the underprivileged sections of our society.
Governance	The company follows high standards of corporate governance. However there has been an incident in the past where Income Tax carried out a search on the company's premises.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Media, entertainment and publication	Media	Print media

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, including, Hindi, Gujarati and Marathi across 12 states in India. DBCL's newspaper portfolio includes Dainik Bhaskar (DB- 43 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, including Bal Bhaskar, Young Bhaskar, Madhurima, AHA! Zindagi, Kalash, Dharma Darshan, and Navrang, and 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 four portals and three mobile apps and event management; however, these businesses form a smaller portion of DBCL's total revenue.

Consolidated Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	2,129.22	2,402.09	589.85
PBILDT	323.10	622.91	164.46
PAT	169.09	425.52	117.87
Overall gearing (times)	0.11	0.12	-
Interest coverage (times)	15.19	26.61	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Annexure-2
Detailed explanation of covenants of rated facility: Annexure-3
Complexity level of 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 and 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 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	148.25	CARE AA+; Stable	-	1)CARE AA+; Stable (08-Aug-23)	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)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	126.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (08-Aug-23)	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)

LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	DB Infomedia Private Limited	Full	Wholly owned subsidiary
2	I Media Corp Limited	Full	Subsidiary of DB Infomedia Private Limited

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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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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