DB Corp Limited

July 30, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	148.25	CARE AA+ (CWN) (Double A Plus) (Under Credit watch with Negative Implications)	Placed on Credit watch with Negative Implications
Long Term / Short Term Bank Facilities	151.00	CARE AA+ (CWN) / CARE A1+ (Double A Plus) (Under Credit watch with Negative Implications/ A One Plus)	Long- term rating placed on credit watch with Negative Implications and Short-term rating reaffirmed
Total Bank Facilities	**299.25 (Rs. Two Hundred Ninety-Nine Crore and Twenty-Five Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has placed the long- term ratings of DB Corp Limited (DBCL) on 'Credit watch with negative implications' following the disclosure made by DBCL on the exchanges as well as based on various media articles with regard to search conducted by the Income Tax Department (ITD) across various offices of the Group. CARE is trying to reach out to management to understand the impact of event and outcome of the IT raid. CARE will remove the rating from watch and take a final rating action once it has clarity on the impact of IT raid on business and financial profile of DBCL.

The short-term rating has been reaffirmed on the back of strong liquidity profile of the company as indicated by healthy cash accruals against no long- term debt repayments apart from lease payments. Additionally, the presence of unencumbered cash and bank balance of Rs. 312.21 crore as on March 31, 2021 provides support to the company's liquidity position.

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 and comfortable debt coverage indicators.

The above rating strengths are, however, tempered by the pledge of the shares held by the promoters of DBCL for debt raised by its group entity Writers and Publishers Private Limited (WPPL). Although, the % pledge has reduced due to reduction in the quantum of debt at WPPL and increase in DBCL's share price, the share pledge percentage continues to be at 11.77% as on June 30, 2021. The ratings also take cognizance of the stretched receivable position of DBCL with ~50% of the total receivables as on March 31, 2021 being outstanding for more than 6 months. CARE believes that the receivable position is expected to remain elevated in the current financial year as well on account of stressed economic scenario. The ratings continue to be constrained by the susceptibility of DBCL's operating profit margins to newsprint prices and economic cycles.

Rating sensitivities:

Positive factors:

- Decline in pledged shareholding below 10% of promoter's shareholding
- Decline in debtor days / Debtor Cycle below 50 days
- Maintenance of comfortable leverage marked by Total Debt to Cash Flow from Operations below 0.40x

Negative factors:

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

Recent Developments
DBCL wide exchange notification dated July 23, 2021 has reported that the officials from the Income Tax department had visited the company's offices to conduct a search. According to the filing DBCL is responding to all the queries raised by the Income Tax Authorities and it is fully cooperating with the IT department officials. As of now, no conclusion has been reached.
According to various media reports IT raid took place at over 30 locations of Dainik Bhaskar in Delhi, Madhya Pradesh, Rajasthan, Gujarat and Maharashtra. The homes and offices of the group's promoters were also raided.

CARE is trying to reach out to management to understand the impact of event and outcome of the IT raid. CARE will remove the rating from watch and take a final rating action once it has clarity on the impact of IT raid on business and financial profile of DBCL.

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 group 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 in the Phase III auction in Ahmednagar, Akola, Aurangabad, Bikaner, Dhule, Hissar, Jalgaon, Karnal, Nanded, Nashik, Rajkot, Sangli and Solapur totaling 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 5 portals and 4 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.

De-growth in operating income in FY21 on the back of the lockdowns imposed due to CoVID -19
Several restrictions/ lockdowns imposed due to CoVID -19 in FY21 had resulted in a steep decline both in advertisement and circulation revenue. Shut down of operations across industries and sectors led to postponement of advertising spends, postponement of government tenders etc. which severely impacted advertisement revenue for DBCL. Circulation was also impacted in particular on account of closure of several modes of public transport impacting delivery, closure of offices, airports, railway stations impacting subscription of copies to these places. Nevertheless, as DBCL has more presence in Tier II, III cities and in rural areas, circulation picked up very fast once lockdown relaxations were announced.

Comfortable leverage and debt coverage indicators
DBCL's overall gearing improved to 0.12x as on March 31, 2021 from 0.22x as on March 31, 2020 on the back of lower utilization of working capital limits. Interest coverage has however, moderated in FY21 as compared to FY20 on account of decline in PBILDT.
CARE continues to factor in the pledge of the shares held by the promoters of DBCL for debt raised by its group entity Writers and Publishers Private Limited (WPPL). Although, the % pledge has reduced due to reduction in the quantum of debt at WPPL and increase in DBCL's share price, it still remains at 11.77% of the total shareholding.

Key Rating Weaknesses
Operating profitability susceptible to fluctuation in newsprint prices and economic cycles
Newsprint constitutes a key raw material accounting for ~40-45% of the operating cost for DBCL. DBCL sources newsprint through a mix of domestic suppliers (60%-65%) and imports (30%-35%). 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

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 ~30% of the receivables being outstanding from Government agencies and the balance from commercial clients. CARE notes that uncertainties associated with the pandemic could result in delays in collection of receivables in particular from commercial clients.

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. 312.21 crore as on March 31, 2021 provides support to the company's liquidity position.

Analytical approach: CARE 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 are placed in Annexure 4.

Applicable Criteria

Criteria on assigning Outlook and Credit Watch to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector
Rating Methodology: Consolidation
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 65 editions and 221 sub-editions in three languages i.e. Hindi, Gujarati and Marathi across 12 states in India. DBCL's newspaper portfolio includes Dainik Bhaskar (DB- 46 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 Aha! Zindagi, Bal Bhaskar and Young Bhaskar and circulates supplements such as Madhurima, Rasrang, Kalash, Rasik, with its newspapers. DBCL has 53 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 7 states, under brand name 'My FM'. Apart from printing, publishing and radio business, DBCL also has presence in the digital media with 5 portals and 4 mobile apps, wind energy and event management, however, these businesses form a very minor portion of the total revenue.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	FY21 (A)
Total operating income	2,477.55	2,234.08	1524.48
PBILDT	520.82	494.31	321.59
PAT	273.84	274.98	141.42
Overall gearing (times)	0.03	0.22	0.14
Interest coverage (times)	61.24	19.69	12.80

A: Audited; Financials have been classified as per CARE's standards

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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	-	-	-	-	151.00	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+; 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	151.00	CARE AA+ (CWN) / CARE A1+	-	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)

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

Annexure 4: List of subsidiaries which are consolidated

Sl. No.	Name of the company	% shareholding
1	I Media Corp Limited	100%
2	DB Infomedia Private Limited	100%

Annexure 5: Complexity of rated instruments

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

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

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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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