DB Corp Limited

September 11, 2019

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long Term Bank Facilities- Fund Based	135.00	**CARE AAA; Stable (Triple A; Outlook: Stable)**	Reaffirmed
Long term /Short Term Bank Facilities	185.00	**CARE A1+ (A One Plus)**	Reaffirmed
Total Facilities	**320.00 (Rs. Three hundred and twenty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of DB Corp Limited (DBCL; CIN No. L22210GJ1995PLC047208) continues to derive strength from its leadership position in Hindi print media industry under its flagship brand “Dainik Bhaskar” (DB). DBCL through its various publications has the largest readership base and the same is diversified across Hindi dominant states. It continues to maintain leading position in old geographies, while continues to gain market share from other Hindi newspapers, in newly entered geographies.

The ratings also takes cognizance of the steady growth in its advertising revenue, which continues to remain aptly diversified across sectors. Typically, advertising revenue has strong linkages to prevailing economic scenario and advertisement pricing remains exposed to economic cycles. Despite current weakness witnessed in Indian economy, CARE believes, DBCL would continue to garner better advertising rates owing to its scale and reach. Further, the hike of 25% in the advertising rates announced by the Directorate of Advertising and Visual Publicity (DAVP) is also likely to benefit DBCL going forward as sizable quantum of advertising revenue is generated from Government.

The operating profit margin (PBILDT %) for DBCL witnessed some moderation during FY19 on account of elevated newsprint (key raw material) prices. Large part of newsprint demand of domestic newspaper industry is met through imports, thus, global demand supply dynamics and foreign exchange fluctuations affect the profitability. During Q1FY20, the newsprint prices have softened, as supply from Chinese manufacturers, that were facing closure owing to pollution concerns, has been partially resorted. As a result, DBCL’s PBILDT margin improved during the period. CARE believes, the declining trend witnessed in newsprint prices would continue in the ensuing quarters and same would settle around Rs.40 per kg as against the high of Rs.56 per kg witnessed in Nov. 2018, which would result in favorable operating profit margin and improved cash accruals for DBCL in FY20.

DBCL has recently concluded capacity expansion plan in congruence to its geographical expansion. As DBCL now has presence in most of the Hindi dominant region, the requirement of any further debt funded capex is minimal. Thus, we believe, the leverage (Total Debt / PBILDT) and debt coverage indicators are expected to remain comfortable in medium term.

CARE would review the ratings in case of 5% or more decline witnessed in overall newspaper circulations, landed price of newsprint increases above Rs.46 Per Kg or any large debt funded plan (for organic or inorganic growth) declared by company which has substantial bearing on its leverage and debt coverage indicators.

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).

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

Strong brand presence and leadership position
DBCL is one of the leading print media group amongst national dailies in terms of readership with a total readership of ~66 million readers across its various publications. DBCL's flagship newspaper DB is the most widely read Hindi newspaper in India. As per Indian Readership (IRS) survey of Q1 2019, all Hindi newspapers added 93.27 lakh new readers, out of which DB added 63.55 lakh new readers (68% of the total additions). This growth in DB was primarily in legacy markets of Madhya Pradesh, Chhattisgarh, Rajasthan, Gujarat, Punjab and in the newer market of Bihar and Jharkhand.

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 13 portals 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. As per the latest comScore report (March 2019), DainikBhaskar.com is still holding the dominance with 33.5 million unique visitors and has emerged as India's No.1 Hindi news site. Also, DainikBhaskar.com site has secured number 1 position in the following categories: Daily Active users, Visits, and Total time spent. Also, www.divyabhaskar.com continues to remain No.1 Gujarati website. 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.

Growth in operating income in FY19 backed by higher advertising revenue, in particular from the Government and political segments; growth in circulation revenue in FY19 on account of increased coverage in newer geographies
The overall performance and growth reported continues to be driven by a clear and focused editorial strategy that centres on offering content that meets the readers' needs. Reader engagement activities with initiatives have been instrumental in the success of DBCL's circulation strategy. In particular, significant additions to readership in the newer markets of Bihar, Jharkhand and Rajasthan led to increase in the circulation base and consequently circulation revenue in FY19.
DBCL has a diversified source of advertising revenue with Government, education, automobile and healthcare being the top contributing segments. In FY19, advertising revenue from Government and political parties saw a surge on account of general elections.

Comfortable leverage and debt coverage indicators
DBCL's gearing remains comfortable at 0.03x as on March 31, 2019 (0.02x as on March 31, 2018) due to absence of long term debt, low utilization of working capital limits and healthy accretion to reserves. Debt coverage indicator such as Total Debt / PBILDT also remained comfortable at 0.10x as on March 31, 2019, despite some moderation in FY19 on account of decline in profitability. In the absence of any planned debt funded capex in the near future, DBCL's gearing and coverage indicators are likely to remain comfortable.

Key Rating Weaknesses
Persistent increase in newsprint prices led to moderation in profitability indicators
Newsprint constitutes a key raw material accounting for ~47% (41% in FY18) of the total cost of sales for DBCL in FY19. DBCL sources newsprint through a mix of domestic suppliers (65%-70%) and imports (30%-35%). The average price of newsprint consumed by DBCL increased to Rs.43.60/kg during FY19 as against price of Rs.36.16/kg during FY18. However, the average price of newsprint consumed during Q1FY20 reduced to Rs.40.47/kg. Any unprecedented change in the newsprint price going forward could directly impact profitability of DBCL; albeit it has sufficient cushion to absorb any such volatility.

Foreign exchange fluctuation risk
DBCL is exposed to foreign exchange fluctuation risk to the extent of newsprint import during the year. This risk is mitigated to the extent of forward contracts entered into by the company. The unhedged exposure as on March 31, 2019 stands Rs.81.89 crore (Rs. 60.25 crore in the previous year).

Liquidity Profile
DBCL has strong liquidity indicators, marked by low utilization of working capital limits, healthy cash accruals and absence of long term debt repayments. DBCL also has sufficient liquidity available in the form of cash & bank balance amounting to Rs.132.76 crore as on March 31, 2019, although the same has reduced from Rs.322.18 crore as on March 31, 2018, as cash balance was used for buyback and to pay interim dividend to its shareholders. DBCL had limited utilization of its sanctioned fund based limits of Rs.135 crore (reduced from Rs. 150 crore from May 2019) in the past twelve months ending June 2019 giving it an extra headroom.

Analytical approach:
Change in approach from Standalone to Consolidated is primarily on account of parent and subsidiary relationship, with subsidiary being in similar line of business.

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short-term Instruments
CARE's methodology for financial ratios (Non-Financial Sector)
Rating Methodology for manufacturing companies
Rating Methodology: Factoring Linkages in Ratings

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- 4 editions), Divya Bhaskar (9 editions), Divya Marathi (6 editions), Saurashtra Samachar and DB Star. DB Post, the English newspaper was discontinued by DBCL in Q3FY19 and the English content is now provided on its digital platform. Other than newspapers, DBCL also publishes certain periodicals namely Aha! Zindagi, Bal Bhaskar and Young Bhaskar and circulates supplements such as Madhurima, Rasrang, Navrang, Kalash, Dharmdarshan, Rasik, Lakshya with its newspapers. DBCL has 54 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 9 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)	FY18 (A)	FY19 (A)	Q1FY20
Total operating income	2,331.28	2,477.55	611.16
PBILDT	584.64	520.82	179.62
PAT	323.97	273.84	93.73
Overall gearing (times)	0.02	0.03	Not Available
Interest coverage (times)	87.27	61.24	33.78

A: Audited

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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	135.00	CARE AAA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	185.00	CARE AAA; Stable / 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	135.00	CARE AAA; Stable	-	1)CARE AAA; Stable (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)	1)CARE AAA; Stable (20-Jan-17) 2)CARE AAA (01-Apr-16)
2.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (20-Jan-17)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)	1)CARE AAA; Stable (20-Jan-17)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	185.00	CARE AAA; Stable / CARE A1+	-	1)CARE A1+ (03-Oct-18)	1)CARE A1+ (28-Sep-17)	1)CARE A1+ (20-Jan-17) 2)CARE A1+ (01-Apr-16)
5.	Non-fund-based - LT-Bank Guarantees	-	-	-	-	1)CARE AAA; Stable (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)	1)CARE AAA; Stable (20-Jan-17)

Annexure 3: 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 4: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

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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