DB Corp Limited

September 28, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	148.25 (Enhanced from 135.00)	**CARE AA+; Stable (Double A Plus; Outlook: Stable)**	Reaffirmed
Long-term / Short-term Bank Facilities	151.00 (Reduced from 185.00)	**CARE AA+; Stable/ CARE A1+ [(Double A Plus; Outlook: Stable)/ A One Plus]**	Reaffirmed
Total 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

The ratings assigned to the bank facilities of D. B. Corp Limited (DBCL; CIN No. L22210GJ1995PLC047208) factors in DBCL's 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 primarily across Tier II, Tier III cities. DBCL's performance was adversely impacted in Q1FY21 on the back of restrictions/ lockdowns imposed to contain the spread of CoVID -19. Both circulation and advertisement revenue registered steep decline during the quarter. Nevertheless, as restrictions are being lifted across geographies, both circulation and advertisements have started reviving. In August 2020, circulation (no of copies sold) had reached ~76% of the pre-CoVID levels and advertisement revenue had reached 71% of the pre- CoVID levels. This speedy recovery for DBCL has been primarily on the back of increased presence in Tier II, Tier III cities and towns where the spread of CoVID -19 was to some extent minimal as such, economic recovery was faster.

CARE believes that going forward, the onset of an elongated festive season, declaration of exam results and upcoming elections in the states where DBCL has a significant presence will give a boost to advertisement revenue. Circulation will also increase once all the points of cash sales (such as railway stations, newspaper stands etc.) become fully operational.

Steep decline in advertisement income in Q1FY21 led to the company reporting an operating loss during the quarter. However, with the revival of advertisement income in the coming quarters, operating profit is likely to improve. CARE also notes the several cost rationalization measures being implemented by the management during the year, which may translate into tangible cost savings.

The ratings also positively factor in the comfortable financial risk profile of DBCL characterized by low leverage, comfortable debt coverage indicators and liquidity position.

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 as compared to the levels in May 2020 (when CARE had revised the ratings for DBCL) due to reduction in the quantum of debt at WPPL in absolute terms has declined on back of pre- payments and increase in DBCL's share price, the share pledge percentage continued to be elevated at 36.95% as on August 31, 2020. The ratings also take cognizance of the stretched receivable position of DBCL with ~50% of the total receivables being outstanding for more than 6 month. 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 promoters 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

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

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 with a total readership of ~69 million readers across its various publications. 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 6 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.

Significant de-growth in operating income in Q1FY21 on the back of the lockdowns imposed due to CoVID -19; however, recovery is seen in the recent months in both circulation and ad revenue

DBCL has a diversified source of advertising revenue with Government, education, automobile and healthcare being the top contributing segments. Advertisement income for print media industry has strong correlation with general economic growth and overall economic slowdown had adversely impacted advertisement revenue for the company in FY20. However, several restrictions/ lockdowns imposed due to CoVID -19 in the current financial year had resulted in a steep decline both in advertisement and circulation revenue in Q1FY21. 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 in April 2020 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. Till August 2020 circulation had reached 76% of the pre-CoVID levels with the remaining copies expected to pick up once railways stations, airports and offices open up and start with their subscriptions. Advertisement revenue in August 2020 had also reached 71% of the last year's level with advertisements pouring in from FMCG, Automotive and to some extent real estate sectors. CARE believes that going forward, the onset of an elongated festive season, declaration of exam results and upcoming elections in the states where DBCL has a significant presence will give a significant boost to advertisement revenue.

Comfortable leverage and debt coverage indicators, however pledge of shares held by the promoters to raise debt in a group entity remains elevated

DBCL's overall gearing increased to 0.22x as on March 31, 2020 from 0.03x as on March 31, 2019) on the back of Inclusion of finance lease obligations in long term debt as well as higher utilization of working capital limits. Higher utilization as on March 31, 2020 was partly on account of delay in realization of debtors and partly as the company decided to park Rs. 100 crore as FD (with maturity of more than 3 months and less than 12 months) to keep liquidity in hand in these uncertain times. Interest coverage also seems to have moderated in FY20 as compared to FY19 on account of inclusion of interest on finance lease obligations in interest and finance charges.

CARE notes that the pledge of the shares held by the promoters of DBCL for debt raised by its group entity Writers and Publishers Private Limited (WPPL) remains elevated at 36.95% as on August 31, 2020. Although, the % pledge has reduced as compared to the levels in May 2020 (when CARE had revised the ratings for DBCL) due to reduction in the quantum of debt at WPPL in absolute terms has declined on back of pre- payments and increase in DBCL's share price.

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 as evident from the operating loss reported by the company in Q1FY21.

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. 135.06 crore as on March 31, 2020 (of Rs. 146 crore as on June 30, 2020) provides support to the company's liquidity position. While in the past DBCL has been reporting healthy cash flow from operations, FY21 is expected to be a challenging year for the company on the back of steep reduction in advertisement revenue in Q1, which is likely to remain somewhat subdued in Q2 as well before it picks up again. The utilization of fund based working capital limits had increased in the month of March 2020 but the same has been declining since then. The high utilization in March 2020 was partly on account of delayed receivables and partly as the company had decided to draw the limit to the extent of Rs. 100 crore and park the same in FD to maintain liquidity in these uncertain times Nevertheless, average utilization in the past 12 months remains comfortable. Also, the company has not availed any moratorium on its debt obligations, the option for which was available to it as per RBI's Covid-19 relief package.

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 & Factoring Linkages in Ratings
CARE's policy on liquidity

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). 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, 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 6 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)	Q1FY21 (UA)
Total operating income	2,477.55	2,234.08	215.69
PBILDT	520.82	494.31	-27.78
PAT	273.84	274.98	-48.05
Overall gearing (times)	0.03	0.22	Not available
Interest coverage (times)	61.24	19.69	Not meaningful

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+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	151.00	CARE AA+; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	148.25	CARE AA+; Stable	1)CARE AA+; Stable (29-May-20)	1)CARE AAA; Stable (11-Sep-19)	1)CARE AAA; Stable (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)
2.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	151.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (29-May-20)	1)CARE AAA; Stable / CARE A1+ (11-Sep-19)	1)CARE A1+ (03-Oct-18)	1)CARE A1+ (28-Sep-17)
4.	Non-fund-based - LT-Bank Guarantees	-	-	-	-	-	1)CARE AAA; Stable (03-Oct-18)	1)CARE AAA; Stable (28-Sep-17)

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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