

Hind Samachar Limited

January 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	219.00	CARE A; Negative	Reaffirmed; Outlook revised from Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has taken a view on the combined financials of Punjab Kesari Group which includes, Hind Samachar Limited (THSL), Vijay Printing Press Private Limited (VPPPL) and Jagat Vijay Printers (JVP) on account of business linkages, inter-dependence of resources and common management team for the group entities.

The ratings assigned to the bank facilities of 'Punjab Kesari group' continues to derive strength from the dominant market position in its operating regions, experienced promoters, long track record of operations, it's established presence and brand name in the print media segment especially in the northern India, diversification into renewable segment and comfortable capital structure albeit with elevated debt levels. The ratings also take cognizance of long impending settlement of family dispute resulting in addition of new territory to expand along with gross block addition by virtue of getting clear title to the land and building and other machineries and subsequent waiver of all claims on THSL including cash payout which was envisaged in the original settlement in 2005.

These rating strengths, however, are partially offset by moderation in operational performance of the company in FY23 (refers to the period from April 01 to March 31) on account of considerable increase in newsprint prices during FY23, working capital-intensive nature of operations, susceptibility of profitability margins to newsprint prices, forex fluctuations, high dependence on advertisement revenues mitigated by growing share of power generation business, competitive nature of print media industry and increasing penetration of alternate media.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the group to increase its income from the advertising and printing operations by 20-25% from current levels along with sustainability of the profitability margins.

Negative factors

- Any increase in the collection period of more than 150 days leading to elongation in the operating cycle on a sustained basis.
- Any sizeable capex undertaken by the group adversely impacting the capital structure with the overall gearing exceeding 0.75x on a sustained basis.
- Decline in operational performance on account of higher traction in digital space.

Analytical approach: Combined Approach owing to business linkages, inter-dependence on resources and common management for the following entities:

- Hind Samachar Limited
- Vijay Printing Press Private Limited
- Jagat Vijay Printers

Outlook: Negative

The outlook has been revised to 'Negative' from 'Stable' on CARE's expectation of moderation in profitability on a full year basis in the current fiscal, and its debt coverage indicators amidst elevated debt level. The outlook may be revised to stable in the event of improved traction of advertisement and subscription revenue from new geographies added and stabilization of newsprint prices.

Detailed description of the key rating drivers:

Key strengths

Long track record and experienced promoters

THSL is a closely held public limited company incorporated in the year 1949 by late Lala Jagat Narain, veteran freedom fighter and Ex. Member of Parliament (Rajya Sabha). THSL has a long track record of more than 7 decades in the print media segment,

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

which is now being run by the family's second generation. Mr. Vijay Kumar Chopra, the son of late Lala Jagat Narain, is presently the Chairman-cum-Managing Director of the company. The day-to-day operations are handled by his two sons, Mr. Amit Chopra, and Mr. Avinash Chopra. The promoters are supported by a management team having extensive experience in the newspaper industry. Over the years, THSL has earned strong brand image with its flagship daily "Punjab Kesari" in the print media segment in North Indian states. In July 2022, THSL has been allotted with the additional territory 'Rajasthan' post family settlement.

Established presence in the print media segment with dominant market position

THSL is engaged in the publishing of the four daily newspapers i.e. Punjab Kesari (Hindi), Jag Bani (Punjabi), Hind Samachar (Urdu) and Navodaya Times (Hindi) with average combined daily circulation of more than 9 lakh copies consistently over the past few years. THSL has earned strong brand image in the print media segment, and it continues to dominate the newspaper market in circulation and readership amongst all its major competitors in Northern India which includes Punjab, Haryana, Himachal Pradesh, and Jammu & Kashmir. The Hindi language daily, Punjab Kesari and Punjabi language daily, Jag Bani contributed most to the revenues of THSL, both in subscription and advertisement segment during FY23. However, the readership base has been stagnant over the years. With the addition of new geography – Rajasthan by virtue of settlement of family dispute, the company's ability to penetrate deeper in new region to scale up with higher circulation and readership base while improving and sustaining advertising revenue will be a key monitorable.

Comfortable financial risk profile albeit with elevated debt level

The financial risk profile of the group is characterized by low overall gearing and moderate debt coverage indicators. As on March 31, 2023, the overall gearing of the group stood comfortable at 0.71x (PY: 0.62x). The moderation in gearing ratio was on account of increase in long-term debt owing to addition of new bailors in biomass plant and some maintenance capex. Debt coverage indicators stood moderate with Interest coverage ratio of 2.24x (PY: 3.77x) and total debt/GCA (Gross Cash Accruals) at 10.61x (PY: 4.70x) as on March 31, 2023. Further, the total debt also increased to Rs 275.22 crore as on March 31, 2023, vis-à-vis Rs 254.18 crore as on March 31, 2022.

Diversified revenue via biomass plant along with solar power plants in group entities

Vijay Printing Press Private Limited has commissioned two grid connected solar power projects, one in Maharashtra for 10MW and the other in Punjab for 7.5 MW during FY18. Out of VPPPL's total operating income of Rs. 29.91 Cr during FY23, the revenue from the sale of power forms a major proportion of 42%. The Power Purchase Agreement (PPA) is entered for 25 years for both the plants and the average PLF (Plant Load Factor) was ~21% for Maharashtra plant and ~11% for Punjab Plant. Additionally, the revenue from 15MW Biomass plant also increased to Rs 55.58 Cr in FY23 as compared to Rs 8.38 Cr in FY22. The project for biomass plant was awarded by Uttar Haryana Bijli Vitran Nigam under the policy formulated by the Ministry of New and Renewable Energy to support the promotion of biomass-based projects in India. The company has signed a PPA with Haryana Power Purchase Centre (HPPC) for a period of 20 years at an agreed tariff of Rs. 7.27 per unit. However, the company is receiving the payments at a lower tariff rate of around Rs. 6 per unit than agreed as per PPA and matter continue to remain sub judice. Also, paddy husk which is the raw material of this plant is available in abundance, being situated in Haryana.

Improvement in readership base leading to higher advertisement revenue

The group's performance was severely impacted for the past few years due to COVID-19 pandemic, however, the daily average circulation remained stable at 9,72,928 copies as on March 31, 2023 (9,21,928 copies as on Dec 31, 2022), reaching at 91% of pre-covid levels. As a result, the circulation and advertising revenues showed improvement. The group recorded growth of ~41% in revenue in FY23 which stood at Rs 386.09 Cr (PY: Rs. 272.83 Cr). The advertising revenue and circulation revenue grew by 4.57% to Rs 151.88 Cr and 5.77% to Rs 103.94 Cr respectively owing to economic activity returning to normal, and businesses increasing their advertising budgets. Further, the growth in revenue was also on account of operationalisation of biomass plant.

Key weaknesses

Moderation in operating margins owing to inherent exposure to volatile raw material prices and forex risk

Despite a healthy growth in the revenues, the PBILDT margin of the company was impacted due to increase in newsprint prices in FY23. The price escalation was driven by a newsprint shortage caused by the Ukraine-Russia conflict, with Russia being a significant newsprint supplier along with rise in freight costs and rupee depreciation. Though, company shifted from imported newsprint to domestic manufactured newsprint in order to insulate itself partially from the rising price of newsprint along with better absorption of expenses. The PBILDT margin had reduced to 12.30% in FY23 (PY: 22.71%). Further, the group recorded net loss of Rs 0.57 Cr in FY23.

H1FY24: In H1FY24 (refers to the period from April 01 to September 30), the group recorded turnover of Rs 197.25 crore with a PBILDT margin of 16.97% on account of high-cost inventory of newsprint. However, with the stabilization in global newsprint prices along with a healthy PLF from the solar plant and higher contribution from the biomass plant, the margins might improve during the second half of the year.

Working capital intensive operations of the company

The operations of the company remain working capital intensive on account of lower credit period being extended by the creditors and higher credit period offered to the advertisers and agents. The company provides a credit period of around 2-3 months to the customers, however, has to make payments to its vendors for the purchase of newsprint on advance basis. As on March 31, 2023, the operating cycle of the company stood at 114 days (PY: 139 days). The operations of the company are funded largely

through working capital facilities where the utilisation of the limits remain high at approximately 90% for 12 months ending November 2023.

High dependence on advertisement revenues

The cover price of the newspaper covers a part of the newspaper publishing cost. The group, like all other print media companies, is heavily dependent on the advertisement revenues to drive growth and profitability. In last two fiscals, the contribution of the advertising revenues to group's total operating income has remained within the range of 50%-60%. The advertisement revenues, in turn, are directly linked to the growth of the economy and is a function of the advertisement spending. Thus, the growth in the revenue and profitability of THSL is vulnerable to the economic cycles and any reduction in advertising income due to downturn in economy may adversely affect the profitability of the group. Though, with the commercialisation of 15MW bio-mass power plant and operational solar power plants in VPPPL will lead to diversification the revenue of the group in the long run.

Increasing competition and penetration of alternate media

THSL has strong presence in Punjab, Haryana, Chandigarh, Jammu & Kashmir, Himachal Pradesh, and Delhi NCR. However, the revenue of the group is concentrated in the north with Punjab contributing the maximum to the circulation base of the company. Over the years, other print media players have also entered these markets which have resulted in intense competition. As a result, THSL has lost some of its market share, though it continues to be the market leader in the region based on the circulation and leadership. The print media is facing stiff competition from the alternate media. People are increasingly shifting their preferences to alternate media like Television and Internet etc. as they are prompt and easy to access. However, the Hindi and other regional newspapers till now have had negligible impact due to advent of digital media. The regional dailies essentially cover the untapped news which is very much localized and attracts the larger audiences.

Liquidity: Adequate

The group has adequate liquidity marked by projected gross cash accruals of Rs. 49.29 Cr vis-à-vis scheduled repayment obligations of Rs.30 Cr during FY24 and cash and cash equivalents (including current investments) of around Rs. 24 Cr as on September 30, 2023. The operations of the group are funded largely through working capital facilities. The utilization of the fund-based limits has remained high in the range of 90% in last trailing 12 months ending November 2023. High reliance on the working capital limits is due to the procurement of newsprint and paddy straw in bulk in order to get pricing benefits.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Solar Power Projects](#)

About the company and industry

Industry classification

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

The Hind Samachar Limited (THSL) is a closely-held public limited company incorporated in the year 1949. Presently, Mr. Vijay Kumar Chopra is the Chairman-cum-Managing Director of the company. THSL is engaged in the printing and publishing of the four daily newspapers viz. Punjab Kesari (Hindi), Jag Bani (Punjabi), Hind Samachar (Urdu) and Navodaya Times (Hindi) with an average combined daily circulation of more than 9 lakh copies. The newspapers of the company are circulated in Punjab, Haryana, Chandigarh, Jammu & Kashmir, Himachal Pradesh, Delhi NCR and Rajasthan. THSL purchases the newsprint and published the newspapers, however, does not undertake any printing activities as these are completely outsourced to the group entities.

Hind Samachar Limited (Standalone):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)	H1FY24 (UA)
Total operating income	260.68	322.28	162.83
PBILDT	24.70	14.35	15.45
PAT	12.80	-12.95	0.96
Overall gearing (times)	0.45	0.60	NA
Interest coverage (times)	2.66	1.01	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Punjab Kesari Group (combined financials of THSL, VPPPL and JVP):

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)	H1FY24 (UA)
Total operating income	272.83	386.09	197.25
PBILDT	61.97	47.49	33.48
PAT	27.05	-0.57	6.01
Overall gearing (times)	0.62	0.71	NA
Interest coverage (times)	3.77	2.24	NA

A: Audited UA: Unaudited; NA: Not available; 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		-	-	-	115.67	CARE A; Negative
Fund-based - LT-Term Loan		-	-	August 2024	1.00	CARE A; Negative
Fund-based - LT-Term Loan		-	-	May-2028	102.33	CARE A; Negative

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*	115.67	CARE A; Negative	-	1)CARE A; Stable (02-Jan-23)	1)CARE A; Stable (31-Mar-22) 2)CARE A; Stable (01-Apr-21)	1)CARE A; Stable (03-Apr-20)
2	Fund-based - LT-Term Loan	LT*	1.00	CARE A; Negative	-	1)CARE A; Stable (02-Jan-23)	1)CARE A; Stable (31-Mar-22) 2)CARE A; Stable (01-Apr-21)	1)CARE A; Stable (03-Apr-20)
3	Fund-based - LT-Term Loan	LT*	102.33	CARE A; Negative	-	1)CARE A; Stable (02-Jan-23)	1)CARE A; Stable (31-Mar-22)	-

*Long term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**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	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender detailsTo 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.

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