

Hind Samachar Limited

March 31, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	69.00	CARE A; Stable (Single A; Outlook: Stable)	Assigned
Long Term Bank Facilities	86.00 (Reduced from 118.90)	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Total Bank Facilities	155.00 (Rs. One Hundred Fifty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has taken a view on the combined financials of Punjab Kesari Group which includes, The Hind Samachar Limited, Vijay Printing Press Private Limited and Jagat Vijay Printers 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 The Hind Samachar Limited (THSL) continues to derive strength from the dominant market position in its operating regions, experienced promoters, long track record of operations albeit decline in scale, its established presence and brand name in the print media segment especially in the northern India and comfortable capital structure with adequate liquidity of the group. These rating strengths, however, are partially offset by the working capital-intensive nature of operations, susceptibility of profitability margins to the volatility in newsprint prices and exchange rate movements, high dependence on advertisement revenues, competitive nature of print media industry and increasing penetration of alternate media.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Ability of the group to increase its income from the advertising and printing operations by 20-25% from current levels while increasing its footprint in the digital segment and sustaining its market share
- Ability of the group to enhance its PBILD margin to more than 20% on a sustained basis from the current levels from its publishing operations.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- 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 0.50x on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record and experienced promoters

THSL is a 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 60 years in the print media segment, 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 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.

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 FY21 (refers to period from April 01 to March 31).

Decline in scale of operations albeit improvement in Margins

Total Operating Income (TOI) of the group declined by ~38% from Rs 329.67 crore in FY20 to Rs 224.42 crore in FY21 on account of COVID-19 outbreak during H1FY21. The company faced demand, supply and logistics-related challenges on account of readers fear of physically picking up newspaper copies, newspaper vendors being denied entry into residential complexes to

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

advertisers withdrawing ads due to the nationwide lockdown imposed to contain the spread of virus and subsequent shutdown of the economic activities. Since, the TOI of JVP and VPPPL largely depends on THSL (as both the entities are printing centres of THSL), therefore, negative impact in the TOI of THSL has impacted the scale of operations of the group.

Though, PBILDT margin of the group improved significantly to 27.04% during FY21 (PY:21.95%) primarily on account of subdued prices of newsprint coupled with cost optimizations measures taken which included reduction in employee cost, reduction in length and width of the paper leading to savings in material cost. Despite increase in PBILDT margin, PAT declined drastically due to adjustment made in P&L on account of reversal of Input tax credit booked under loans and advances based on the judgement regarding input tax credit not to be allowed for input services. However, this has not impacted the gross cash accruals as the transaction did not involve cash outflow. During 9MFY22, group has recorded turnover of Rs 195.02 crore till Dec 2021 with PBILDT margin of 25.72% with interest coverage ratio of 4.18x as on December 31, 2021

Comfortable financial risk profile

The financial risk profile of the group is characterized by low overall gearing and comfortable debt coverage indicators. As on March 31, 2021, the overall gearing of the group stood comfortable at 0.40x (PY: 0.27x). The deterioration in gearing was on account of increase in long-term debt, majorly, by way of Emergency Credit Line Guarantee Scheme (ECLGS) Loan and unsecured loans from related parties. Debt coverage indicators moderated with PBILDT Interest coverage at 3.51x (PY: 3.91x) and total debt/GCA at 5.89x (PY: 4.09x) as on March 31, 2021 on account of decline in the scale of operations.

Power Generation Income in group entities:

VPPL 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 VPPL's total operating income of Rs. 30.24 cr (PY: Rs. 25.36 cr) during FY21, the revenues from the sale of power form a major proportion of 50% (PY: 47%) at Rs. 12.75 cr (Rs. 12.95 cr) with both plants being operational for the entire year.

THSL has recently commissioned paddy straw-based bio-mass plant of 15MW in Kurukshetra in Feb22. The total cost of the project was Rs 150 crore (including cost overrun due to delay on account of COVID-19), started in FY19. The project was awarded by Uttar Haryana Bijli Vitran Nigam (UHBVN) under the policy formulated by the Ministry of New and Renewable Energy (MNRE) to support the promotion of biomass-based projects in India. The company has already signed a Power Purchase Agreement (PPA) with Haryana Power Purchase Centre (HPPC) for a period of 25 years at an agreed tariff of Rs. 7.27 per unit and has started supplying the power from Feb 22 only. Till March 16, 2022, Company has billed Rs 5.50 crore with collection period of 30-60 days, thus providing revenue visibility over the medium term. The company has incurred the total cost by way of ECLGS loans, unsecured loans from related parties and internal accruals. In Dec 2021, company has got sanction of Rs 70 crore from HDFC Bank for installation of the plant, out of which, disbursement of Rs 40 crore has already been taken in FY22 and remaining will be taken in FY23 which will give adequate liquidity cushion to the group. Also, paddy husk which is the raw material of this plant is available in abundance at cheap rates, being situated in Haryana.

Key Rating Weaknesses

Working capital intensive operations of the group

The operations of the group, mainly THSL 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 group provides credit period of around 2-3 months to the customers, however, has to make payments to its vendors for the purchase of newsprint within 15-30 days. During FY21, the operating cycle of the group increased to 125 days (PY:72 days) on account of the elongation in the collection cycle to 136 days (PY: 94 days) and inventory period to 64 days (PY: 46 days). Elongation in collection period is due to COVID-19 outbreak which impacted the realisations during the whole year along with major sales of the group were booked in last 2 quarters only followed by delayed payments from advertisers and newspaper agents. Increase in the inventory period is due to bulk purchase of newsprint in order to insulate itself from hike in the newsprint prices. The operations of the group are funded largely through working capital facilities. Group has sanctioned working capital limits of Rs. 94 cr for the business operations. The utilization of the fund-based limits remains in the range of 80-90% in last trailing 12 months ending January 2022.

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 group. 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 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. (primarily post COVID-19 outbreak) 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.

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 FY20 and FY21, 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 down turn in economy may adversely affect the profitability of the group.

Industry Outlook

Print media will continue remain popular in India on factors like low cover price, ability to deliver original and credible content and people's habit to read physical newspapers. Various other studies commissioned by the Advertising Standard Council of India (ASCI), Indian Society of Advertisers (ISA) and by Nielsen also found a high level of trust in newspapers, especially in era of widespread fake news and social media. Further, since onset of covid, newspapers continue to be classified as essential items and readily available, hence there's no significant supply constraint. With reopening of bulk cash sale points such offices, airports, railway stations etc, the circulation levels have been on an upward trajectory. According to the Indian Newspaper Society (INS), currently, the circulation revenue is at 80-90% of the pre-covid levels and has not been back to 100% yet.

Liquidity: Adequate

The group has adequate liquidity marked by healthy gross cash accruals of Rs. 96.68 crore vis-à-vis scheduled repayment obligations of Rs.33 crore during FY23 and cash and cash equivalents (including current investments) of Rs. 41.20 cr as on Feb 28, 2021. The group has incurred capex to the tune of Rs. 107.65 crore in FY21 and FY22, out of which, majority of the capex incurred was towards setting up of bio-mass based power plant Feb 22 by way of loans taken from related parties, ECLGS loans and internal accruals in THSL. THSL has received sanction of Rs 70 crore in Dec 21 for the bio-mass plant, out of which, company has taken disbursement of Rs 40 crore in FY22. In FY23, group has envisaged capex of Rs 45 crore for expansion of its business and regular maintenance at group level which shall be funded through the remaining debt balance and internal cash accruals. The debt entails a moratorium period of 6 months from the date of disbursement. The operations of the group are funded largely through working capital facilities. The utilization of the fund-based limits remains in the range of 80-90% in last trailing 12 months ending January 2022.

Analytical approach: Combined Approach, considering the following entities:

1. The Hind Samachar Limited
2. Vijay Printing Press Private Limited
3. Jagat Vijay Printers

Note: Earlier, the ratings of bank facilities of all the entities were done on standalone basis. However, due to collective management team of group entities, business linkages, inter-dependence of resources being in the same line of business as JVP and VPPPL are printing centres of THSL for majority of its printing activities.

Applicable Criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non-financial Sector](#)

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

[Criteria on assigning of Rating Outlook and Credit Watch](#)

[Rating Methodology for Service Sector Companies](#)

About the Company

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 and Delhi NCR. THSL purchases the newsprint and published the newspapers, however, does not undertake any printing activities as these are completely outsourced to the group entities.

The Hind Samachar Limited:

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (P)	9MFY22(UA)
Total operating income	312.93	207.81	182.03
PBILDT	14.56	6.45	19.20
PAT	-7.24	-8.40	-
Overall gearing (times)	0.33	0.46	-
Interest coverage (times)	1.31	0.62	-

Punjab Kesari Group:

Brief Financials (Rs. crore)	31-03-2020 (UA)	31-03-2021 (UA)	9MFY22(UA)
Total operating income	329.67	224.42	195.02
PBILDT	72.38	60.67	50.16
PAT	18.88	1.37	15.54
Overall gearing (times)	0.45	0.60	-
Interest coverage (times)	3.91	3.51	4.18

A: Audited; P: Provisional; UA: Unaudited

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 for this company: Annexure 4

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		-	-	-	85.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	August 2028	1.00	CARE A; Stable
Fund-based - LT-Term Loan		-	-	August 2028	69.00	CARE A; Stable

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	85.00	CARE A; Stable	1)CARE A; Stable (01-Apr-21)	1)CARE A; Stable (03-Apr-20)	1)CARE A+; Stable (01-Apr-19)	-
2	Fund-based - LT-Term Loan	LT	1.00	CARE A; Stable	1)CARE A; Stable (01-Apr-21)	1)CARE A; Stable (03-Apr-20)	1)CARE A+; Stable (01-Apr-19)	-
3	Fund-based - LT-Term Loan	LT	69.00	CARE A; Stable				

* Long Term / Short Term

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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