

Hari Bhoomi Communications Private Limited

February 24, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	6.00 (Rs. Six crore only)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Hari Bhoomi Communications Pvt Ltd (HBCPL) continues to draw strength from the experienced promoter group with diversified business interests, qualified and experienced editorial team, leadership position in Chhattisgarh in Print Segment, satisfactory capital structure and improvement in financial performance in FY19 (refers to the period April 01 to March 31) albeit moderation in 9MFY20. The rating, however, continues to be constrained by geographical concentration risk, low revenue from TV segment with losses in digital segment and profitability susceptible to volatility in newsprint prices.

Rating Sensitivities

Positive rating sensitivities

- Increase in scale of operations and improvement in operating margin to ~10%
- Increase in market share in print media in MP, Haryana & Delhi along with increase in market share in digital media
- Sustenance of capital structure and debt protection metrics below 0.5x and 2x respectively

Negative rating sensitivities

- Decline in scale of operations and decline in operating margin below 4.5%
- Any debt laden capex to enter into a new market in newspaper/digital media

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Promoter Group with diversified business interests

HBCPL, belongs to the Aryan group and is headed by Haryana based Mr. Rudra Sen Sindhu having diverse business interest in a number of companies engaged in the business of logistics, coal beneficiation & power generation and print media, etc. ACB (India) Limited, the flagship company of the group is involved in coal beneficiation business with seven coal washeries with installed capacity of 38.77 mtpa, thermal power generation capacity of 330 MW and 15 MW wind farm capacity. Sindhu Trade Link Limited is the parent entity of HBCPL and is engaged in business of transportation service along with the trading of oil and lubricants.

Qualified and experienced editorial team

HBCPL possesses an experienced employee pool having considerable experience in the related field. Editorial columns of the dailies are headed by Mr. Himanshu Dwivedi, an eminent journalist, with over 25 years of experience in the field of journalism. He is holding a Master degree and PhD in Journalism and Communication. Mr. S. S. Kataria, Vice President (Marketing) has a vast experience in media marketing and planning with experience in media industry over 30 years.

Leadership position in Chhattisgarh in Print Segment though geographical concentration remains

HBCPL is the top Hindi Daily in Chhattisgarh and has a Total Readership of 37.42 lakhs and Average Issue Readership of 12.56 lakhs. The company has 44.34% of its total circulations in Chhattisgarh followed by Madhya Pradesh (31.33%), Haryana (15.99%) and Delhi (8.34%). Hence the company's operation is limited to four states while its competitors have national presence restricting its access to national level advertisement.

Satisfactory Capital structure

The group's overall gearing moderated from 0.28x as on March 31, 2018 to 0.87x as on March 31, 2019 but stood comfortable. Debt protection metric marked by TDGCA improved from 18.94x in FY18 to 5.40x in FY19 on account of increase in cash accruals.

On a standalone basis, overall gearing and TDGCA moderated from 0.20x and 2.18x as on March 31, 2018 to 0.71x and 6.19x respectively as on March 31, 2019. As on Dec 31, 2019 overall gearing stood at 0.46x and TDGCA improved to 4.12x.

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

Improvement in financial performance in FY19 albeit moderation in 9MFY20

The group's total operating income increased by 16.90% y-o-y to Rs.144.20 crore in FY19. PBILDT margin of the group improved from 1.51% in FY18 to 5.35% in FY19. Interest coverage ratio also improved from 2.11x in FY18 to 6.31x in FY19. The group reported GCA of Rs.5.86 crore in FY19 as against debt repayment obligation of Rs.0.44 crore.

On a standalone basis, HBCPL reported PBILDT of Rs.7.13 crore on total operating income of Rs.140.12 crore in FY19 as against PBILDT of Rs.5.26 crore on total operating income of Rs.120.24 crore in FY18. PBILDT margin of the company improved from 4.37% in FY18 to 5.09% in FY19. Interest coverage ratio remained stable at 5.86x in FY19 (6x in FY18). The company reported GCA of Rs.5.10 crore in FY19 as against debt repayment obligation of Rs.0.42 crore. In 9MFY20, HBCPL (on a standalone basis) reported PBILDT of Rs.5.14 crore on a total operating income of Rs. 97.63 crore.

Key Rating Weaknesses**Profitability susceptible to volatility in newsprint prices**

Newsprint cost, the major raw material constitutes ~62% of Cost of Sales in FY19 vis-à-vis ~65% in FY18. HBCPL mainly procures newsprint domestically. Domestic NP prices are linked to import price, as majority (~55-60%) of domestic NP demand is met through imports. Being a significant component of cost, players are sensitive to price fluctuations.

Low revenue from TV segment with losses in digital segment

HBCPL had forayed into digital media with acquisition of Legend Travels Private Limited (LTPL) in March 2017 which operated free-to-air TV Channel "Janta TV" in Punjab, Haryana and Himachal Pradesh. The company got approval from Department of Ministry of Information & Broadcasting for transfer of license rights of the channel from LTPL to HBCPL in Nov'18 and the operations of the channel has been accounted in the books of HBCPL from Jan 2019 onwards. HBCPL also operates free-to-air TV channel "INH" in Chhattisgarh & Madhya Pradesh. In FY19, the group reported PBIT of Rs.0.58 crore on total operating income of Rs.9.58 crore in TV segment. In digital media segment, the company reported loss of Rs.1.62 crore on total operating income of Rs.0.23 crore in FY19 as against loss of Rs.1.37 crore on a total operating income of Rs.0.37 crore in FY18.

Industry Outlook

The Indian Media & Entertainment Sector (M&E) registered revenue of INR 1.67 trillion, a growth of 13.4% over 2017. Television continues to be the largest segment followed by the print segment. Print segment grew 0.7% in 2018 to reach INR 305.5 billion. Advertising revenues grew 0.4% in 2018, while circulation grew 1.2%. The Indian print segment imports more than 50% of its newsprint consumption, mainly from the US, Russia and Canada. Operating margin of print media companies declined during 2018 due to rise in cost of newsprint. Given that newsprint prices have reduced, the margin of the print segment is expected to improve going forward.

In case of electronic media, advertising comprised 41% of segment revenues in 2018. Number of channels increased to 885, of which 43% were news channels. While television will retain its leadership position as the largest M&E segment, digital is expected to grow at a higher rate.

Liquidity : Adequate

Adequate liquidity characterized by gross cash accruals of Rs.5.86 crore vis-à-vis debt repayment obligations of Rs.0.44 crore and moderate cash balance of Rs.1.83 crore. With a gearing of 0.87x as on March 31, 2019, the issuer has sufficient headroom to raise additional debt for its capex as well as working capital requirement. Its average bank utilization is around 70% for the last 12 months ended January, 2020. The company's operating cycle remained stable at 58 days in FY19 vis-à-vis 61 days in FY18.

Analytical approach: Combined. CARE has combined the financials of HBCPL and Legend Travels Pvt. Ltd. (LTPL) as LTPL is a wholly owned subsidiary. Hereinafter referred to as a group.

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Hari Bhoomi Communications Pvt. Ltd. (HBCPL), incorporated in 2007 and promoted by Haryana-based Mr Rudra Sen Sindhu and his brothers, is engaged in printing and publishing of daily Hindi newspaper in the State of Chhattisgarh, Madhya Pradesh, Delhi and Haryana in the name of 'HariBhoomi'. Currently HBCPL is running six editions of the newspaper, namely

'Rohtak', 'Delhi', 'Bilaspur', 'Raipur', 'Raigarh' and 'Jabalpur'. The company is also engaged in operating of free to air TV channels 'Janta TV' in Punjab, Haryana and Himachal Pradesh and 'INH' (Indian News Haryana) in Chhatisgarh and Madhya Pradesh.

Brief Financials (Standalone) (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	120.24	140.12
PBILDT	5.26	7.13
PAT	1.80	2.39
Overall gearing (times)	0.20	0.71
Interest coverage (times)	6.00	5.86

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	-	-	-	6.00	CARE BBB; 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 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-Term Loan	LT	-	-	-	1)Withdrawn (18-Mar-19)	1)CARE BBB; Stable (02-Jan-18)	1)CARE BBB; Stable (23-Dec-16) 2)CARE BBB (11-Apr-16)
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE BBB; Stable	-	1)CARE BBB; Stable (18-Mar-19)	1)CARE BBB; Stable (02-Jan-18)	1)CARE BBB; Stable (23-Dec-16) 2)CARE BBB (11-Apr-16)

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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