

## Hari Bhoomi Communications Private Limited

December 14, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	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 and satisfactory capital structure. The rating, however, continues to be constrained by geographical concentration risk, moderation in financial performance in FY20 (refers to the period April 01 to March 31) and H1FY21, low revenue with losses in TV segment and digital segment, profitability susceptible to volatility in newsprint prices and adverse impact of Covid-19 pandemic on the circulation & advertisement income.

### Rating Sensitivities

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

- Increase in scale of operations and improvement in operating margin beyond 10% alongwith turnaround in TV segment
- Increase in market share in print media in MP, Haryana & Delhi along with increase in market share in digital media
- Sustenance of overall gearing and TDGCA below 0.5x and 4.5x respectively

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

- Decline in scale of operations and decline in operating margin below 3%
- Deterioration in Overall gearing and TDGCA beyond 1x and 7x respectively
- Any debt laden capex to enter into a new market in newspaper/digital media
- Worsening of operating cycle beyond 80 days

### 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**

HBCPL is the top Hindi Daily in Chhattisgarh (among competitors like Dainik Bhaskar, Nava Bharat, Patrika, Nai Dunia, etc) forming 27.54% Total Readership (TR) and 31.19% Average Issue Readership (AIR) of the top five Hindi publications. Further, the company also occupies 5<sup>th</sup> position in the top Hindi dailies in the state of Haryana (among competitors like Dainik Bhaskar, Dainik Jagran, Punjab Kesari, Amar Ujala). The TR for Hari Bhoomi in Haryana gradually increased from 6.09 lakhs as per IRS Q1, 2019 to 10.10 lakhs as per IRS Q4, 2019.

##### **Satisfactory Capital structure**

The overall gearing improved from 0.87x as on March 31, 2019 to 0.40x as on March 31, 2020 in view of part repayment of unsecured loan. TDGCA also improved from 5.40x as on March 31, 2019 to 4.37x as on March 31, 2020 in view of decline in debt levels. As on Sep 30, 2020, overall gearing and TDGCA stood stable at 0.40x and 3.56x respectively.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

## Key Rating Weaknesses

### Geographical Concentration Risk

The company has 46.34% of its total circulations in Chhattisgarh followed by Madhya Pradesh (25.73%), Haryana (17.49%) and Delhi (10.45%). Hence the company's operation is limited to four states while its competitors have national presence restricting its access to national level advertisement. Further, the company's advertisement is also concentrated as majority of its revenue (>50%) is derived out of Chhattisgarh and mainly from government bodies. The top 10 contributors to advertisement revenue in FY20 form about 39% of the total advertisement revenue.

### Moderation in financial performance in FY20 and H1FY21

The company reported decline in total operating income by 10.4% y-o-y to Rs.129.25 crore in FY20 on account of lower advertisement revenue. PBILDT margin declined from 5.35% in FY19 to 3.39% in FY20 mainly on account of under absorption of fixed overheads. Interest coverage declined to 1.79x in FY20 (6.31x in FY19) on account of lower PBILDT level along with increase in finance charges due to higher amount of unsecured loan in FY20. The company reported non-operating income of Rs.2.63 crore comprising mainly of bad debts recovered of Rs.2.25 crore. The company reported gross cash accruals of Rs.3.88 crore in FY20 vis-à-vis negligible term debt obligation.

In H1FY21, the company reported PAT of Rs.0.71 crore on a total operating income of Rs. 33.87 crore on account of disruption in business activities due to Covid-19 pandemic.

### Low revenue with losses in TV segment and digital segment

HBCPL forayed into television segment with acquisition of Legend Travels Private Limited (which operated free-to-air 24x7 Hindi news channel 'Janta TV' in Punjab, Haryana and Himachal Pradesh) in March 2017. The license for operating 'Janta TV' was subsequently transferred to HBCPL in Jan, 2019. The company is also operating another free-to-air 24x7 Hindi news channel- INH in the state of Madhya Pradesh and Chhattisgarh. This apart, the company is expected to widen its reach to Uttar Pradesh and Uttarakhand by launching Janta TV in these states by January, 2021.

In FY20, the company reported loss of Rs.3.76 crore on total operating income of Rs.11.63 crore in TV segment (as against profit of Rs.0.23 crore on total operating income of Rs.3.53 crore in FY19). In digital media segment, the company reported loss of Rs.1.33 crore on total operating income of Rs.0.34 crore in FY20 (as against loss of Rs.1.62 crore on a total operating income of Rs.0.23 crore in FY19).

### Profitability susceptible to volatility in newsprint prices

Newsprint (NP) cost is the major raw material cost for HBCPL (constituting ~60% of cost of sales in FY20). Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices. HBCPL mainly procures NP domestically. Domestic NP prices are linked to import price, as majority of domestic NP demand is met through imports (~60% of the NP consumption in India is met through imports).

### Adverse impact of Covid-19 pandemic on the circulation & advertisement income

Due to Covid-19 pandemic led lockdowns from the end of March 2020, there had been significant decline in circulation of newspaper affecting HBCPL's circulation and advertisement income. The circulation per day significantly dropped from 8,36,290 copies in FY20 to 4,07,118 copies in H1FY21 leading to decline in circulation revenue. Further muted commercial activities in Q1FY21 led to significant decline in advertisement revenue in H1FY21. However, the same was compensated to an extent by the decline in newsprint cost and cutting down on the number of pages of its daily subscription (reduced from 15-16 pages to 12 pages in H1FY21) and decline in frequency of supplements, while keeping the cover price unchanged. The major adverse impact of Covid-19 pandemic is expected on the advertisement income of HBCPL during FY21 as the key advertisement sectors are already facing challenging times, thus their advertisement budgets may witness curtailment in the medium term. Government spending on advertisement may also remain subdued in medium term, as states too are facing challenging times in managing their deficit. The circulation revenue is also impacted due to shift of the consumers to digital media.

### Industry Outlook

Print media's business model, based on circulation and advertisement revenue, has been the dominant operational model for newspapers over the last few decades. However, as readers shift from newspaper to webpage, the long term outlook of the print media industry is subdued.

In the period from 2014 to 2015, print media advertising grew at a rate of 8%, while digital advertising grew by 38%. Digital advertising is expected to grow at a rate of around 27% to Rs.17,377 crore by CY20, while print advertising is projected to grow at a relatively meagre growth of 3%. In FY19, print media had a market size of Rs.33,300 crore and it is projected to reach Rs.37,500 crore in FY22 resulting a CAGR of 4.03% over FY19-22.

### **Liquidity: Adequate**

Adequate liquidity characterized by gross cash accruals of Rs.3.88 crore vis-à-vis negligible debt repayment obligations in FY20 and moderate cash balance of Rs.2.62 crore as on Mar 31, 2020 and Rs.2.90 crore as on September 30, 2020. Its capex requirements are modular to the extent of Rs.1.50-3.00 crore over the next 3 years. Its average bank utilization is around 73% for the last 12 months ended November, 2020. The operating cycle stood stable at 69 days in FY20 vis-à-vis 61 days in FY19. Further, the company has not availed any deferment of interest on its cash credit facility or any additional/ad-hoc limit as per Covid relief measures announced by RBI.

**Analytical approach: Standalone.** The analytical approach has been changed from combined to standalone in FY20 on account of transfer of operations of "Janta TV" erstwhile under Legend Travels Private Limited to HBCPL.

### **Applicable Criteria**

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

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

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

[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'. The printing facilities are located in Haryana, Chhattisgarh and Madhya Pradesh. 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 Chhattisgarh and Madhya Pradesh.

Brief Financials (Rs. crore)	FY19 (A)*	FY20 (A)
Total operating income	144.20	129.25
PBILDT	7.72	4.38
PAT	3.13	0.64
Overall gearing (times)	0.87	0.40
Interest coverage (times)	6.31	1.79

A: Audited

\*The figures for FY19 have been taken on the basis of combined approach with its 100% subsidiary, Legend Travels Private Limited. However the operations of the subsidiary have been transferred to HBCPL w.e.f. Jan, 2019 and hence standalone figures have been considered for FY20 for like-to-like comparison.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Complexity level of various instruments rated for this company:** Annexure 3

### **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 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-Term Loan	LT	-	-	-	-	1)Withdrawn (18-Mar-19)	1)CARE BBB; Stable (02-Jan-18)
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE BBB; Stable	-	1)CARE BBB; Stable (24-Feb-20)	1)CARE BBB; Stable (18-Mar-19)	1)CARE BBB; Stable (02-Jan-18)

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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