

Hari Bhoomi Communications Pvt Ltd

January 02, 2018

Ratings

Facilities	Amount (Rs. Crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	12.74 (Reduced from 13.7)	CARE BBB; Stable (Triple B; Outlook: Stable)	Reaffirmed
Total	12.74 (Rupees Twelve Crore and Seventy Four Lakh only)		

Details of 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 derive strength from the strong promoter group, qualified and experienced editorial team, satisfactory market position in Chhattisgarh and Haryana, comfortable capital structure and debt protection metrics as well as stable industry outlook. The rating, however, continues to be constrained by relatively small scale of operations, geographical concentration risk, susceptibility of profits to volatility in newsprint prices, absence of national level ad revenue in view of only regional focus, and working capital intensive nature of business. The rating also factors in business risk associated with venturing into digital media through acquisition of Legend Travels Pvt Ltd (LTPL), a company operating Hindi-news channel.

The ability to retain its market share in the existing market of print media, to derive benefits from the recent acquisition in digital media platform and debt laden capex to enter into a new market in newspaper/digital media, significantly impacting the leverage position shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoter group

The Sainik Aryan group is the largest private sector player in coal washing business with an installed capacity 76 million tonnes per annum (MTPA) on group level. The group also operates thermal power plants aggregating 1390 MW in Chhattisgarh and 15 MW wind power plant in Maharashtra. The group has diverse business interests including transportation service, coal mining, coal washing, EPC for power transmission and distribution, bio power generation and media.

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 24 years of experience in the field of journalism. He is holding a Master degree and PhD in Journalism and Communication.

Satisfactory market position in Chhattisgarh and Haryana, though geographical concentration remains

Although the company has steadily increased its penetration in both Chhattisgarh & Haryana market, its operation is limited to only four States (Chhattisgarh, Madhya Pradesh, Haryana and Delhi) while its competitors have national presence.

Robust capital structure and debt protection metrics

The capital structure of HBCPL remain comfortable with overall gearing ratio of 0.19x as on March 31, 2017 on account of lower utilization of working capital and fresh infusion of equity by the promoters. The total debt/ GCA was also comfortable at 1.65x as on March 31, 2017 which deteriorated from 0.93x as on March 31, 2016.

Small scale of operation with moderate financial performance in FY17

The company's scale of operation is relatively small with total operating income of Rs.123.44 crore in FY17. Networth of the company remained moderate at Rs.39.15 crore as on March 31, 2017. The small scale of operations limits the profitability and restricts the financial flexibility of the company in times of stress. Operating income declined by 3% y-o-y in FY17 as a result of decline in advertisement revenue (by 11%) from Chhattisgarh and Haryana due to impact of

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

demonetisation and moderate growth in the circulation revenue (5%). Consequently, PBILDT margin also declined, in view of lower operating income vis-à-vis higher newsprint cost.

Key Rating Weaknesses

Foray into Digital Media (TV)

HBCPL has forayed into digital media with acquisition of Legend Travels Pvt Ltd (LTPL) in March 2017. LTPL, incorporated in 1997, operates free-to-air 24x7 Hindi news channel 'Janta TV' in Punjab and Haryana since 2011. The purchase consideration of Rs.9.8 crore was funded out of money infused by the promoters (Rs.4.7 crore) and balance from the internal accruals. The company is also launching Hindi news channel 'Janta TV' in Chhattisgarh & Madhya Pradesh in the next one year. Going forward, the performance of 'Janta TV' by deriving advantage from the established presence of its newspaper in these States shall be the key monitorable.

Profitability susceptible to volatility in newsprint prices

Newsprint cost is the major raw material cost for HBCPL (constituting ~77% of cost of sales in FY17). Since the raw material is the major cost driver, the profitability of the company is susceptible to fluctuation in raw material prices. The domestic prices of newsprint are closely linked to international prices as bulk of domestic newsprint demand is met through imports. HBCPL, however, procures newsprint from the domestic supplier; which mitigates the forex fluctuation risk.

Working capital intensive nature of operation

The company's operation is working capital intensive in nature mainly on account of higher collection period and maintenance of newsprint inventories for around 10-15 days. Operating cycle increased from 38 days in FY16 to 51 days in FY17 due to increase in collection period. The elongation in collection period is due to extended credit period provided to Chhattisgarh Govt. and Haryana Govt. who are also the source of major advertisement revenue.

Industry outlook and company prospect

Though the circulation revenue for print media tends to be stable, advertising revenues have a greater linkage with the economic cycle. The growth in the revenue and profitability of HBCPL are also exposed to the economic cycles, given the proportion of advertisement revenue (48% of in FY17).

Demand outlook for print media companies in Chhattisgarh, Madhya Pradesh and Haryana is stable on the back of low readership penetration. It is expected that the growth in television advertisement will outpace growth in print ads going forward. Hence, foray into high growth segment, through recent acquisition, shall be beneficial for HBCPL in the long-run.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

[Rating Methodology - Service Sector Companies](#)

About the Company

Hari Bhoomi Communications Pvt Ltd (HBCPL), incorporated in 2007, 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. The company belongs to the Sainik Aryan group, headed by Haryana-based Mr. Rudra Sen Sindhu.

'Hari bhoomi' was launched in 1996, as a Hindi weekly in Rohtak (Haryana) under 'Param Mitra Manav Nirman Sansthan', a charitable trust. With gaining popularity of the newspaper, it was converted into a daily newspaper in December 1997. In 2000, the news printing and publishing business was transferred to Sindhu Holdings Limited which was later merged with Sindhu Trade Links Limited (STLL). STLL was then engaged in the business of news publishing, transportation, trading of oil & lubricant and coal mining. With a view to provide a focused approach the news publishing business was hived off in 2008 to Hari Bhoomi Communications Pvt Ltd with 79% stake of STLL and balance stake held by Param Mitra Investment Pvt Ltd, belonging to the promoters. Flagship company of the group, ACB (India) Ltd is a leading player in coal beneficiation.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	127.20	123.44
PBILD	9.52	6.04
PAT	3.75	1.73
Overall gearing (times)	0.18	0.19
Interest coverage (times)	8.18	8.30

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History (Last three years): Please refer Annexure-2

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.

Analyst Contact

Name: Ms. Richa Bagaria

Tel: 033-4018 1653

Cell: +91 99034 70650

Email: richa.jain@careratings.com

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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-Term Loan	-	-	Jan. 2019	6.74	CARE BBB; Stable
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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	6.74	CARE BBB; Stable	-	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 (23-Dec-16) 2)CARE BBB (11-Apr-16)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 851111-53511/99251-42264
 Tel: +91-172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com