

June 30, 2021

HT Media Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	500.0	500.0	[ICRA]A1+ reaffirmed
Total	500.0	500.0	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation takes into account the strong brand recognition of HT Media Limited (HTML)'s key publications – Hindustan Times (HT) and Hindustan, their strong market position in the core markets as well as HTML's presence across multiple media platforms, including radio and digital platforms. The rating reaffirmation also factors in HTML's robust capital structure (Total debt/Tangible networth of ~0.3x) and strong liquidity profile (net cash of nearly Rs. 1,121 crore) as on March 31, 2021.

Notwithstanding the above, HTML's operating performance has deteriorated over the past few years owing to a subdued macro-economic environment impacting advertisement volumes; further, HTML's performance was significantly impacted in FY2021 due to the Covid-19 pandemic. Consequently, the consolidated operating revenues declined by 46% in FY2021 and the consolidated OPBITDA loss stood at Rs. 124 crore in FY2021. However, the company's net cash position improved by around Rs. 115 crore in FY2021 due to better working capital management and various cost-rationalisation measures like restructuring of print operations, reduction in employee costs and other fixed costs. Due to the second wave of the pandemic, the business has been impacted in FY2022 as well.

ICRA takes cognisance of HTML's dependence on its print business (which generated 86% of the overall revenues in FY2021) which has been facing increased competition from alternative platforms. This has impacted its ability to raise the cover prices and grow circulation revenues. Furthermore, with ongoing Covid-19 outbreak, distribution constraints and consumer psyche towards physical copy might continue to result in lower subscriptions and higher digital consumption in the medium term. The company's radio and digital businesses remain in nascent stages and are yet to yield meaningful returns (contributed 15% to revenues, with PBIT losses of around Rs. 106 crore in FY2021). With the expectations of a weak operating environment in the near term, these segments will require funding support. Further, volatility in newsprint prices and adverse forex movement remain a monitorable.

ICRA has noted the ongoing amalgamation exercise with subsidiaries as well as certain group entities that are not currently consolidated; however, the same is not likely to have material impact on the consolidated credit risk profile.

Key rating drivers and their description

Credit strengths

Strong brand recognition of the Group's key publications - HTML's key publications include Hindustan Times- English daily newspaper and financial paper, Mint. In addition, HTML's subsidiary, Hindustan Media Ventures Limited (HMVL), publishes the leading Hindi daily, Hindustan which is among the top newspapers in key Hindi-speaking markets. HTML's strong linkages with HMVL, both having print media as their core business, augments the company's operational profile through synergies from a common management, raw material sourcing, printing infrastructure and distribution network.

Strong market position in newspaper segment in NCR and Hindi-speaking states – Hindustan Times, is ranked among India's leading publications in the English daily newspaper segment with a daily circulation of 1.07 million copies in Jul-Dec period 2019 as per Audit Bureau of Circulations data. In the Hindi daily segment, Hindustan with circulation of 2.22 million copies per day in July-Dec 2019 period is among the top newspapers in key Hindi-speaking markets of Bihar, Jharkhand and Uttar Pradesh. Mint is among the top publications in the business news segment and well recognized in the key tier-I markets of Delhi and Mumbai.

Healthy capital structure and cash surplus position – Despite weak operating performance over the past two years with lower earnings and margin pressures because of high newsprint prices, HTML's capital structure remains healthy, characterised by a strong equity base (TNW of Rs. 2089 crore as at March 31, 2021), robust capital structure (gearing of 0.3x and TOL/TNW of 0.7x as at March 31, 2021), significant cash and investment balances (around Rs. 1855 crore as at March 31, 2021) resulting in net debt negative position of around Rs. 1121 crore.

Presence across media platforms– HTML has presence across multiple media platforms – Hindi and English print, radio (owns 22 frequencies in 15 cities), digital (shine.com, vccircle.com and others) and mobile platforms This provides operational synergies through leveraging a common brand with access to advanced technology and infrastructure, common marketing teams, among several others.

Credit challenges

Operating performance expected to remain moderate due to extensive impact of Covid-19 - With widespread and extensive impact of the pandemic across the sectors, ad-spends, which is a discretionary expense for businesses, are expected to remain contracted in the near term. With an advertisement revenue driven business model, HTML's operating performance may continue to be impacted, with recovery contingent upon the pace of macro-economic revival. HTML had an OPBITDA loss of Rs. 124 crore in FY2021. However, PAT loss was lower at Rs. 61 crore in FY2021 from PAT loss of Rs. 342 crore in FY2020 on account of lower interest expense and also because the company had recognized loss against exceptional items of Rs. 432 crore in FY2020. Due to the second wave of the pandemic, HTML's business operations and earnings will be impacted in FY2022 as well.

Structural shift towards alternative media platforms resulting in decline in print subscriptions; competitive pressures constrain margin expansion - Print contributes nearly 86% to the revenues of HTML. With advent of digital media, the print industry has been witnessing shift in consumer preferences. The switch to digital platforms is happening rapidly in tier-I cities, led by the English-speaking higher socio-economic class. This has been impacting the growth of English dailies. While Hindustan provides diversity to HTML, the high competition is likely prevented significant cover price hikes or margin expansion. Furthermore, with ongoing Covid-19 outbreak, distribution constraints and consumer psyche towards physical copy might continue to result in lower subscriptions and higher digital consumption in the medium term. While presence across media platforms moderates the risk for HTML to an extent, the company's ability to withstand competition from alternative media platforms and changing consumption habits for content remains a key monitorable.

Susceptibility of operating profit margins to global newsprint prices and foreign exchange fluctuations - While HTML's bulk procurement capabilities and long-standing relationship with the suppliers partially mitigate the risk, inflationary trend in the international prices, like those witnessed in FY2019, can significantly impact margins. Furthermore, since company imports nearly 50% of newsprint, it is susceptible to adverse fluctuations in the foreign exchange rate; although the risk is mitigated to an extent by the efficient use of hedging transactions.

Digital segment yet to scale-up; would continue to require funding support - While presence across media platforms provides revenue diversity opportunities and avenues for future growth to HTML, the new business - digital - is either in losses or is yet to meaningfully start contributing to profits, impacting the overall return on capital employed (ROCE). Given the ad-revenue driven model and high operating leverage, revenue and profitability for the radio segment contracted significantly and while other segments witnessed recovery from Q2 FY21 onwards, recovery for radio business was very slow. Thus, the radio and digital businesses would require funding support for ramp-up and consolidation of market position in the medium term.

Liquidity position: Strong

HTML liquidity is strong. The company had cash and investments of around Rs. 1855 crore as on March 31, 2021 and net cash position of Rs. 1121 crore on consolidated basis as on March 31, 2021. The company also has unutilised bank limits of around Rs. 500 crore as on March 2021. Despite expectation of weak operating performance, due to Covid-19 outbreak, the liquidity is expected to be sufficient to cater to debt servicing and capex requirements, if any.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – Negative pressure on rating could arise due to sustained pressure on earnings owing to subdued advertising revenues, material investments/ funding support in non-core businesses impacting the liquidity position and/or debt-funded organic or inorganic initiatives impacting capital structure, among others.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Print Media Industry Consolidation and Rating Approach
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HTML. This includes its subsidiaries and JV, as listed under Annexure-2.

About the company

HT Media Limited (HTML) is one of the largest media conglomerates in India with presence across print media (English and Hindi), radio space, internet portals. The company's key publications are under iconic brands Hindustan Times and Hindustan, which are amongst the highest circulated English and Hindi dailies in India. Other publications include the Mint – a business paper. The company has 22 FM radio stations across 15 cities and operates under the brands Fever FM, Radio Nasha and Radio One. Its internet portals are shine.com (job search) and vccircle.com.

HTML is based out of New Delhi and is a 69.5% subsidiary of Hindustan Times Limited (HTL), a KK Birla Group Company. The day-to-day operations of HTML are managed by Ms. Shobhana Bhartia, backed by a professional management.

Key financial indicators (audited)

HTML Consolidated	FY2020	FY2021*
Operating Income (Rs. crore)	2082.6	1117.3
PAT (Rs. crore)	-341.9	-61.1
OPBDIT/OI (%)	10.0%	-11.1%
PAT/OI (%)	-16.4%	-5.5%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.7
Total Debt/OPBDIT (times)	4.4	-6.8
Interest Coverage (times)	2.1	-2.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation;

*Limited Annual results; Total debt includes lease liabilities of Rs. 142.4 crore in FY2020 and Rs. 103.0 crore in FY2021

Source: Company results; ICRA research; The above financial numbers and ratios reflect analytical adjustments made by ICRA and may not be comparable with HTML's reported financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on June 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					June 30, 2021			
1	Commercial Paper programme	Short Term	500.0	75.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
								Oct 18, 2018 July 20, 2018

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial Paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
INE501G14BX9	Commercial Paper	June 1, 2021	-	Aug 27, 2021	40.0	[ICRA]A1+
INE501G14BY7	Commercial Paper	June 6, 2021	-	Sep 2, 2021	35.0	[ICRA]A1+
NA	Commercial Paper (not placed)	NA	NA	NA	425.0	[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	HTML Ownership*	Consolidation Approach
HT Media Ltd	Parent Company	Full Consolidation
Hindustan Media Ventures Limited	74.40%	Full Consolidation
HT Music and Entertainment Company Limited	100.00%	Full Consolidation
HT Digital Media Holdings Limited	100.00%	Full Consolidation
Firefly e-Ventures Limited	99.99%	Full Consolidation
HT Mobile Solutions Limited	99.16%	Full Consolidation
HT Overseas Pte Ltd	100.00%	Full Consolidation
HT Education Limited	100.00%	Full Consolidation
HT Learning Centres Limited	100.00%	Full Consolidation
HT Global Education Private Limited (Formerly HT Global Education)	100.00%	Full Consolidation
Topmovies Entertainment Limited	100.00%	Full Consolidation
India Education Services Private Limited	99.00%	Full Consolidation
Next Mediaworks Limited	51.00%	Full Consolidation
Next Radio Limited	99.60%	Full Consolidation
Syngience Broadcast Ahmedabad Limited	100.00%	Full Consolidation
Shine HR Tech Limited	100.00%	Full Consolidation
HT Noida (Company) Ltd	100.00%	Full Consolidation
Mosaic Media Ventures Private Limited	100.00%	Full Consolidation
Sports Asia Pte. Ltd	50.50%*	Equity Method
HT Content Studio LLP	99.99%*	Equity Method

*Equity interest percentage as on March 2021

Source: HT Media Annual Report FY2020, HT Media Annual Results FY2021

Note: ICRA has taken a consolidated view of the parent (HTML), its subsidiaries and associates while assigning the ratings.

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