Hindustan Media Ventures Limited

Instrument	Amount	Rating Action
		August 2016
Long term borrowing programme	Rs 25.0 crore	[ICRA]AA+ (Stable) outstanding
Commercial Paper programme	Rs 200.0 crore (enhanced from Rs 75.0 crore)	[ICRA]A1+ assigned

Source: ICRA

ICRA has assigned a short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] to the Rs 200.0 crore[2] (enhanced from Rs 75.0 crore) Commercial Paper programme of Hindustan Media Ventures Limited ('HMVL' or 'the company').

ICRA also has a long term rating outstanding of [ICRA]AA+ (pronounced ICRA double A plus) on the Rs 25.0 crore long term borrowing programme of the company. The outlook on the long term rating is 'Stable'.

The assigned ratings continue to factor in the healthy operational and business synergies of HMVL with parent company, HT Media Limited (HTML); strong brand recognition of *Hindustan* being the fourth largest Hindi daily in terms of circulation and enjoying a leadership position in key Hindi speaking markets in India and the healthy scale up in operations of HMVL; robust margins and profitability indicators. The company enjoys strong credit metrics marked by a long term debt-free financial profile; strong equity base; significant cash balances; healthy cash flows from operations and robust coverage indicators and the same has been factored in the ratings favourably.

The ratings, however, continue to be constrained on account of a single publication driven revenue model and limited geographical diversity restricted to North and East India; albeit favourable industry growth drivers supported by an increasing literacy rate offer opportunities to improve penetration and strong domestic consumption driven growth in rural markets provide some comfort. Notwithstanding favourable demand prospects, ICRA notes that the competitive intensity in the Hindi print media sector has been growing with most of the large print media players entering markets that have traditionally been the stronghold for *Hindustan* which has to some extent restricted the growth in circulation revenues in FY2016. Further, ICRA also takes note of the susceptibility of HMVL's margins to volatility in newsprint prices and vulnerability of revenue growth to economic cycles on account of advertising revenue driven business model inherent to the nature of the print media industry. While the company has a strong credit profile with robust debt metrics as well as cash balances, any large debt funded inorganic growth plans of the company that may adversely impact the debt metrics would remain a key rating sensitivity.

HMVL's key publication, *Hindustan*, is ranked amongst the leading publications in India being positioned fifth in the daily newspaper segment and fourth in the Hindi daily segment with a daily circulation of 2.4 million copies[3]. The ratings also takes into consideration the strong operational linkages of HMVL with its parent company, HTML – both having print media as their core business and HTML having a diversified presence across other media offerings. HTML publishes the leading English daily, *Hindustan Times* (circulation of 1.3 million copies per day and ranked third in the English Daily Segment[3]), and the financial daily, *Mint*. HTML also has presence in the radio space through *Fever 104 FM* and has recently launched *Radio Nasha 107.2 FM.* In the digital business it has presence through *shine.com*, *desimartini.com* and *HT Campus*. As a part of the HT Media Group, HMVL derives benefits from brand leverage, infrastructure and common marketing teams.

The ratings continue to draw comfort from HMVL's strong financial profile marked by a low gearing (0.2 times as on March 31, 2016); significant cash balances and liquid investments (Rs 763.8 crore as on March 31, 2016); healthy cash flow from operations and robust coverage indicators.

The ratings are, however, constrained on account of the single publication driven revenue model of the company in a highly competitive print media segment and low geographical diversity restricted to North and

[1] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications
[2] Rs 1 Crore = Rs 100 Lakh = Rs 10 Million
[3] As per data reported by the Audit Bureau of Circulation (ABC) for the period July-December 2015

East India; albeit favourable industry growth drivers supported by the increasing literacy rate; higher penetration and strong domestic consumption driven growth in rural markets.

ICRA also takes note of the risks inherent to the print media industry in terms of susceptibility of its margins to volatility in newsprint prices and the vulnerability of revenue growth to economic cycles as well as events (such as elections) on account of an advertising revenue driven business model and the same constrains the ratings.

Going forward, the company's ability to maintain its leadership position in the existing markets in the backdrop of rising competitive intensity with the entry of other large Hindi dailies in HMVL's key markets; any organic and inorganic growth initiatives funded through borrowings thereby adversely impacting the credit profile of the company shall remain the key rating sensitivities.

Company Profile
Hindustan Media Ventures Limited is a 75% subsidiary of HT Media Limited (HTML) and is listed on the Bombay Stock Exchange and the National Stock Exchange. The company was incorporated on July 9, 1918 under the name '*The Behar Journals Limited'*. '*Hindustan*' began its publications in 1936, owing its origins to and serving as a medium for the freedom movement, and has been one of India's eminent Hindi newspaper dailies for over 70 years. The company's name was changed to *'Searchlight Publishing House Limited'* on November 17, 1987 and subsequently to *'Hindustan Media Ventures Limited'* on November 11, 2008 when a fresh certificate of incorporation was issued. *Hindustan*, the flagship publication of HMVL, has the largest readership in key Hindi-speaking markets of Bihar and Jharkhand, with a strong and growing presence in Delhi NCR and the states of Uttar Pradesh and Uttarakhand.

Recent Results
As per audited results, HMVL reported a Profit after Tax (PAT) of Rs 180.5 crore on an operating income (OI) of Rs 918.5 crore in FY2016 as against a PAT of Rs 140.9 crore on an OI of Rs 818.6 crore in FY2015. Also, as per published results for Q1FY2017, HMVL reported an OI of 239.2 crore.

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