May 30, 2017

Hindustan Media Ventures Limited (Revised)

Summary of rated instruments

Instruments*	**Rated amount (Rs. crore)**	**Rating Action**
Long-term Borrowing Programme	25.0	***[ICRA] AA+ (Stable); Outstanding***
Commercial Paper Programme	400.0 (enhanced from 200.0)	***[ICRA] A1+; Assigned/ Outstanding***
Total	**425.0**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] to the Rs. 400.0-crore[2] (enhanced from Rs. 200.0 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-crore long-term borrowing programme of the company. The outlook on the long-term rating is 'Stable'.

Rationale

The ratings assigned continues to favourably factor in the healthy operational and business synergies of HMVL with its parent company, HT Media Limited (HTML); strong brand recognition of its key publication '*Hindustan'* - being the 4th largest Hindi daily in terms of circulation and enjoying a leadership position in key Hindi-speaking markets in India; healthy scale-up in operations and robust margins and profitability indicators. The rating also takes cognisance of the company's strong credit metrics as evidenced by a long-term debt-free financial profile, sizeable equity base, significant cash balances, healthy cash flows from operations and robust coverage indicators.

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, the ratings continue to be constrained on account of the company' single publication-driven revenue model and limited geographical diversity, which is primarily restricted to North and East India. Notwithstanding favourable demand prospects, ICRA notes that the competition 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.* This has impacted the growth in circulation revenues to some extent. 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 and/or specific events, on account of an advertising revenue-driven business model, inherent to the nature of the print media industry. A case in point being the demonetisation exercise during second half of FY2017, which hit the advertising spends across industries and though the effects of the same are transient, revenue growth of HMVL was subdued for FY2017, in line with the entire media industry. While the company has a strong

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[1] For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

[2] 100 lakh= 1 crore= 10 million

credit profile with robust debt metrics and sizeable cash balances, any large inorganic growth plans that may adversely impact the debt metrics would remain a key rating sensitive.

Going forward, the company's ability to - maintain its leadership position in key markets (in the backdrop of rising competitive intensity, with the entry of other large Hindi dailies); maintain its credit profile regardless of any chance funding of organic or inorganic growth initiatives through borrowings; derive benefits of improved efficiency from group level cost optimization initiatives and successfully monetize its digital properties, shall remain the key rating sensitivities.

Key rating drivers

Credit strengths

- Healthy operational synergies with parent company HTML having the same line of core business and diversified presence across other media offerings including radio and digital media; editorial and content sourcing however remain independent
- Healthy brand recognition and leadership position of '*Hindustan*' in key Hindi-speaking markets in India; ranked 4th in terms of circulation by the Audit Bureau of Circulation among Hindi dailies; amongst the top newspapers in both readership and circulation in key markets
- Favourable industry growth drivers supported by an increasing literacy rate; higher penetration and strong domestic consumption driven growth in rural markets
- Healthy scale-up in operations supported by consistent growth in circulation revenues; margins, accruals and profitability indicators to remain robust
- Adequate financial flexibility on account of a sizeable equity base; sizeable cash balances and healthy cash flows from operations indicate sound liquidity profile; debt protection metrics remain robust

Credit weaknesses

- Single publication-driven revenue model in a highly competitive print media industry; although synergies with parent company's English daily, 'The Hindustan Times' and Business daily, 'Mint', and diversified presence across media verticals mitigates the risk to an extent.
- Geographical diversity remains low, restricted to northern and eastern India
- Threat of change in advertiser preferences towards alternate media platforms, like radio in tier II and III markets, and resultant advertisement revenue de-growth
- Vulnerability of revenues to economic cycles on account of an advertising revenue driven business model inherent to the nature of industry; partially mitigated by a well diversified end-user client profile.
- Margins remain susceptible to the demand–supply dynamics in the newsprint market with newsprint accounting for more than 90% of the raw material cost component of printing a newspaper; longstanding relationships with suppliers mitigates the risk partially.

Description of key rating drivers:

HMVL's key publication, *Hindustan*, is ranked amongst the leading publications in India being positioned 5th in the daily newspaper segment and 4th in the Hindi daily segment with a daily circulation of 2.6 million copies[3]. The ratings also take 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*

[3] As per data reported by the Audit Bureau of Circulation (ABC) for the period July-Dec 2016

Times (circulation of 1.2 million copies per day and ranked third in the English Daily Segment[3]), and the financial daily, *Mint*. HTML also has considerable presence in the radio space (*Fever 104 FM* and *Radio Nasha 107.2 FM)* and digital business (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.

While HMVL's strong financial profile marked by a low gearing (0.1 times as on March 31, 2017); significant cash balances and liquid investments (~Rs. 850 crore as on March 31, 2017) and robust coverage indicators are a credit positive, the ratings are constrained due to its single publication driven revenue model in a highly competitive print media industry, limited geographical diversity, susceptibility of revenues to economic cycles, changing advertiser preferences and demand–supply dynamics in the newsprint market.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria
Corporate Credit Rating Methodology
Rating Methodology for Entities in the Print Media Industry

About the company:

Hindustan Media Ventures Limited is a Patna-based company, primarily involved in the newspaper publishing industry. It is a part of Hindustan Times Group, with 74.3% shareholding with HT Media Limited (HTML), and publishes the leading Hindi daily newspaper, *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 UP and Uttarakhand. HMVL also publishes two Hindi magazines '*Nandan*', a children's magazine, and '*Kadambini*', a general interest magazine. In addition print publications, HMVL also operates the website, *www.livehindustan.com*, which focuses on providing news in Hindi with regional content.

As per limited results for FY2017, the company reported a Profit after Tax (PAT) of Rs. 189.5 crore on an Operating Income (OI) of Rs. 933.3 crore as against a PAT of Rs. 178.7 crore on an OI of Rs. 917.7 crore in FY2016.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years

Table

S.N	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years			
		Type	**Rated amount (Rs. Crores)**	**Date & rating**	**Date & rating in FY2017**		**Date & rating in FY2016**	**Date & rating in FY2015**
				May 2017	Nov 2016	Sep 2016	Oct 2015	Sep 2014
1	Long term Borrowing Programme	Long Term	25.0	[ICRA] AA+ (stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)
2	Commercial Paper Programme	Short Term	400.0	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Details of Instrument

Instrument	Date of issuance/ sanction	Coupon rate	Maturity Date	Amount rated (Rs. crore)	Current Rating and Outlook
NCD (proposed)	-	-	-	25.0	[ICRA] AA+ (Stable)
Commercial Paper (proposed)	-	-	-	300.0	[ICRA]A1+
Commercial Paper	Dec 2016	6.25-6.50%	7-365 days	40.0	
Commercial Paper				35.0	
Commercial Paper				25.0	

Source: HMVL

Note: No long term borrowings availed by the company as on date.

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