September 29, 2017

HT Media Limited Revised

Summary of rated instruments

Instruments*	Rated amount (Rs. crore)	Rating Action
Commercial Paper Programme	1000.0	[ICRA] A1+; assigned
Total		

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned short term rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] on the Rs. 1000.0-crore[2] Commercial Paper programme of HT Media Limited ("HTML" or "the company").

Rationale

The assigned ratings factor in the strong brand recognition of HTML's key publication '*Hindustan Times (HT)'* and its leadership position in – Delhi and National Capital Region (NCR), established position of group's hindi daily *Hindustan* in key hindi speaking markets; growing presence of its *Fever 104 FM* and *Radio Nasha* brands in the radio broadcasting space and diversified presence of HT group across media platforms. The ratings also take cognisance of company's healthy financial profile as evidenced by strong equity base, significant unencumbered cash balances, healthy cash accruals from operations and robust coverage indicators. Healthy operational synergies with subsidiary- Hindustan Media Ventures Limited (HMVL in terms of leveraging the HT brand, common printing infrastructure and marketing teams) and other HT group companies (digital content sourcing etc) also provide comfort.

Although favourable growth drivers for print media exist, which supported by an increasing literacy rate and emergence of an aspirational class offer opportunities to improve penetration and strong domestic consumption-driven growth provide some comfort, ICRA takes cognisance of the group's dependence on its key print publications – HT and Hindustan - within limited geographies. At the same time, competitive intensity in the print media has been growing, with most of the large print media players vying for leadership position in large tier- I and hindi speaking markets. This has impacted the ability of the company to raise cover prices and grow circulation revenues. ICRA also takes note of the susceptibility of HTML's margins to volatility in newsprint prices and vulnerability of revenue growth to economic cycles andor specific events, on account of an advertising revenue-driven business model. Demonetisation exercise during H2 FY2017 and GST implementation in H1FY2018 are examples of such event related volatilities, which adversely impacted the media industry. Furthermore, the company has made significant investments for launch of its ten new radio stations (acquired under Phase-III auctions) along with incremental investments in its financial daily *Mint* and digital businesses, which are yet to yield returns.

Going forward, the group's ability to - maintain its leadership position in key English and Hindi print markets (in the backdrop of rising competitive intensity), quickly scale-up its newly launched radio stations and leverage its digital business, while maintaining its credit profile shall remain the key rating monitorables.

[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

Key rating drivers

Credit strengths

- **Healthy brand recognition and leadership position of '*Hindustan Times*' in Delhi NCR**: HTML's key publication, *Hindustan Times*, is ranked amongst the leading publications in India, positioned 3rd in the English daily newspaper segment and 14th across all language publications, with a daily circulation of 1.19 million copies[3]. The company also publishes a financial daily, *Mint*, which is amongst the top publications in the business news segment in key tier-I markets of Delhi and Mumbai.
- **Healthy operational synergies with subsidiary company**: HTML has strong operational linkages with its subsidiary company– HMVL- both having print media as their core business, enabling synergies from common management, raw material sourcing, printing infrastructure and distribution network. HMVL publishes the leading Hindi daily, *Hindustan* (circulation of 2.6 million copies per day and ranked 4th in the Hindi daily segment[3]) which is amongst the top newspapers in key Hindi speaking markets of Bihar, Jharkhand, UP and Uttarakhand.
- **Presence across media platforms:** HTML has a diversified presence across media platforms. Apart from English and Hindi print, the group also operates in radio broadcasting and digital space. In the radio segment, it operates under the brand - *Fever 104 FM* and *Radio Nasha,* owning 15 frequencies in 13 cities, including Delhi, Mumbai, Kolkata, Bengaluru and Chennai. In the digital business, it has diversified presence through online versions of key publications along with *shine.com*, *desimartini.com* and *HT Campus*. Digital content for the group is sourced through the newly formed entity – HT Digital Streams Limited (held 57.17%: 42.83% by HTML and HMVL). Hence, as a part of the HT Media Group, HTML derives benefits from brand leverage, infrastructure and common marketing teams across media platforms.
- **High financial flexibility and comfortable debt protection metrics:** HTML's strong financial profile is marked by a sizable equity base, low gearing (0.6 times as on March 31, 2017) and sizable cash and liquid investments (~Rs. 1,240 crore as on March 31, 2017) leading to comfortable coverage indicators.
- **Favourable industry growth drivers**: The radio and digital industries are expected to report healthy growth rates even as growth for print media moderates. The key factors that support this outlook include increasing literacy rate, mobile and internet penetration, strong domestic consumption driven growth in markets; increasing hyper localisation and improving technologies.

Credit weaknesses

- **Limited geographical diversity in a highly competitive industry:** HTML derives almost 80% of its revenues from its key publication- Hindustan Times (on a standalone basis), with Delhi NCR being its key market. Other English dailies- The Times of India, The Hindu etc have been key competition to HT in this market. In the radio segment as well, more than half of the revenues are being contributed by Delhi and Mumbai markets, which have presence of almost all major players competing for audience (and advertiser) loyalty. Nonetheless, being part of HT's media bouquet with its sizable and diversified presence across media verticals moderates the risk to an extent.
- **Margins susceptible to the demand–supply dynamics in the newsprint market and volatility in forex rates**: As newsprint accounts for nearly 26% of company's operating costs (on a standalone basis), its profitability is vulnerable to movements in the price of newsprint. However, HTML's bulk procurement capabilities and long standing relationship with the suppliers mitigate the risk partially. Furthermore, since company imports more than 80% of newsprint, it is susceptible to fluctuations in the rupee-dollar exchange rate; though the risk is mitigated to an extent by efficient use of hedging transactions.

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

- **Vulnerability of revenues to economic cycles and socio-politico events:** The business model for newspaper publishers and radio broadcasters is susceptible to advertisers' preference based on consumption cycles of the populace. These in turn are impacted by multitude of socio-economic and political factorsevents. Since the impact of such events varies amongst industries in the economy, the risk to revenues can be partially mitigated by a well diversified end-user client profile. as available to HTML.

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:
HT Media Limited is a Delhi based company and a 69.5% subsidiary of Hindustan Times Limited (HTL). HTL de-merged its print media business into HTML in July 2003. *Hindustan Times*, the leading English daily newspaper in Delhi, inaugurated by Mahatma Gandhi in 1924, is HTML's flagship product. The company also publishes a business daily, *Mint*, which is one of the largest business daily in terms of readership. On consolidated level, HTML along with its subsidiaries and associates has presence in Hindi print media – *Hindustan* (a Hindi daily), *Kadambini (*a general interest magazine) and *Nandan* (a children's magazine). It also has presence in the FM radio space (through *Fever 104 FM* and *Radio Nasha)*, digital presence through internet portals (*hindustantimes.com*, *Livemint.com shine.com*, *htcampus.com* and *desimartini.com*) and education segment (Studymate tutorial centres and Bridge School of Management).

Key financial indicators (Audited)

HTML- Consolidated	FY2016	FY2017
Operating Income (Rs. crore)	2501.5	2452.1
PAT (Rs. crore)	219.4	219.0
OPBDIT OI (%)	13.5%	12.5%
RoCE (%)	12.8%	11.1%
Total Debt TNW (times)	0.5	0.4
Total Debt OPBDIT (times)	3.2	3.7
Interest coverage (times)	5.4	3.2
NWC OI (%)	23%	5%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBITAvg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: The company has a rating outstanding of AA+ (stable)A1+ from CRISIL, dated September 2016.

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)	Amount Outstanding (Rs. crore)	Date & rating	Date & rating in FY2017	Date & rating in FY2016	Date & rating in FY2015
					September 2017	NA	NA	NA
1	Commercial Paper Programme	Short Term	1000.0	--	[ICRA] A1+	NA	NA	NA

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

ISIN	Instrument	Date of issuance sanction	Coupon rate	Maturity Date	Amount rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	--	--	--	1000.0	[ICRA]A1+

Source: HTML

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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