September 29, 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); reaffirmed
Commercial Paper Programme	400.0	[ICRA] A1+; reaffirmed
Total	**425.0**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed short term rating outstanding of [ICRA]A1+ (pronounced ICRA A one plus)[1] on the Rs. 400.0-crore[2] Commercial Paper programme and long-term rating outstanding of [ICRA]AA+ (pronounced ICRA double A plus) on the Rs. 25-crore long-term borrowing programme of Hindustan Media Ventures Limited ("HMVL" or "the company"). The outlook on the long-term rating continues to be 'Stable'.

Rationale

The reaffirmation 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'* and its leadership position in key Hindi-speaking markets in India; consistent scale of operations with robust margins and profitability indicators, despite the adverse impact of demonetisation on ad revenue in H2FY2017 followed by GST implementation during H1FY2018. 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, strong liquidity position, 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's 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. Demonetisation exercise during second half of FY2017 and GST implementation in H1FY2018 are examples of such event related volatilities, which adversely impacted the media industry. While the company has a strong 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 sensitivity.
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) and maintain its credit profile regardless of any chance funding of organic or inorganic growth initiatives through borrowings or cash pile usage, 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*' in key Hindi-speaking markets in India**: 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]. It is amongst the top newspapers in both readership and circulation in key markets of Bihar, Jharkhand, UP & Uttarakhand.
- **Healthy operational synergies within the Hindustan Times group**: HMVL has strong operational linkages 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 1.2 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*). Digital content for the group is sourced through the newly formed entity – HT Digital Streams Limited. Hence, as a part of the HT Media Group, HMVL derives benefits from brand leverage, infrastructure and common marketing teams.
- **High financial flexibility and comfortable debt protection metrics :** HMVL's strong financial profile is marked by a sizable equity base, low gearing (0.1 times as on March 31, 2017) and significant cash and liquid investments (~Rs. 1000 crore as on June 30, 2017) leading to robust coverage indicators.
- **Favourable industry growth drivers**: The industry is expected to grow consistently, supported by an increasing literacy rate; higher penetration and strong domestic consumption driven growth in rural markets; increasing hyper localisation, relatively lower pricing of newspapers (vis-à-vis other media platforms), improving printing technology and efficient distribution chain.

Credit weaknesses

- **Single publication-driven revenue model:** In a highly competitive print media industry, HMVL derives almost entirety of its revenues from its key publication. Nonetheless, operational with parent company's English publications and HT group's diversified presence across media verticals – radio, internet, mobile **-** mitigates the risk to an extent.
- **Geographical diversity remains low**: *Hindustan*'*s* key markets are restricted to Bihar, Jharkhand, UP, Uttarakhand and Delhi-NCR. Though consistent leadership position in these key Hindi-speaking markets provides comfort.
- **Threat of change in advertiser preferences towards alternate media platforms**: Advertisement revenue de-growth due to shift to other media platforms like digital (in tier I markets) and radio (in tier II and III markets) remains a concern; however being part of HT group's media bouquet, company's publication offers marketing synergies to advertisers, ensuring their continued patronage.
- **Margins susceptible to the demand–supply dynamics in the newsprint market**: With newsprint accounting for more than 90% of the raw material cost in printing a newspaper, the operating margins are susceptible to availability and pricing of the same; however longstanding relationships with domestic suppliers mitigates the risk partially.
- **Vulnerability of revenues to economic cycles and socio-politico events:** The business model for newspaper publishers is susceptible to advertisers' preference based on consumption cycles of the populace. These in turn are impacted by multitude of socio-economic and political factors/events. The risk is partially mitigated by a well diversified end-user client profile, as available to HMVL.

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

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

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 one of the largest readership in key Hindi-speaking markets of Bihar and Jharkhand, with a strong and growing presence in Delhi NCR and in the states of UP and Uttarakhand. HMVL also publishes two Hindi magazines '*Nandan*', a children's magazine, and '*Kadambini*', a general interest magazine.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	917.7	933.3
PAT (Rs. crore)	178.7	189.5
OPBDIT/ OI (%)	28.7%	22.1%
RoCE (%)	26.6%	23.1%
Total Debt/ TNW (times)	0.2	0.1
Total Debt/ OPBDIT (times)	0.7	0.6
Interest coverage (times)	23.3	12.8
NWC/ OI (%)	24%	14%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (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: 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)	Amount Outstanding (Rs. crore)	Date & rating			Date & rating in FY2017		Date & rating in FY2016	Date & rating in FY2015
					September 2017	July 2017 *	May 2017	November 2016	September 2016	October 2015	September 2014
1	Long term Borrowing Programme	Long Term	25.0	Nil	[ICRA] AA+ (stable)	[ICRA] AA+ (stable)	[ICRA] AA+ (stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)
2	Commercial Paper Programme	Short Term	400.0	70.0	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	-

**Update on Q1FY2018 results*

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	Long term borrowing programme	--	--	--	25.0	[ICRA] AA+ (stable)
NA	Commercial Paper	--	--	--	330.0	[ICRA]A1+
INE871K14133	Commercial Paper	Sep 2017	6.25-6.50%	7-365 days	70.0	[ICRA]A1+

Source: HMVL

Note: No long term borrowings availed by the company.

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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.

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