December 04, 2017

# HT Media Limited

**Summary of rated instruments**

| Instruments* | Rated amount (Rs. crore) | Rating Action |
|---|---|---|
| Commercial Paper Programme | 1,200.0 (enhanced from 1,000.0 crore) | [ICRA] A1+; assigned/outstanding |
| **Total** | **1,200.0** | |

*Instrument details are provided in Annexure-1

**Rating action**

ICRA has assigned the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] to the Rs. 1,200.0 crore[2] (enhanced from Rs. 1,000 crore) Commercial Paper programme of HT Media Limited ("HTML" or "the company").

**Rationale**

The ratings assigned continue to factor in the strong brand recognition of HTML's key publication, *Hindustan Times* (*HT*), and its leadership position in the Delhi National Capital Region (NCR). The rating notes the established position of the Group's Hindi daily, *Hindustan*, in key Hindi speaking markets; the growing presence of its *Fever 104 FM* and *Radio Nasha* brands in the radio broadcasting space and diversified presence of the HT Group across media platforms. The ratings also take cognisance of the company's healthy financial profile as evidenced by its strong equity base, significant unencumbered cash balances, healthy cash accruals from operations and robust coverage indicators. Healthy operational synergies with its subsidiary, Hindustan Media Ventures Limited (HMVL in terms of leveraging the HT brand, common printing infrastructure and marketing teams) and other HT Group companies also provide comfort. The financial profile registered healthy uptick in H1 FY2018 as the cost optimisation programme, lasting for over a year, came to a conclusion in July 2017 and started yielding results. The benefits from the programme, which targeted several areas in the print business *inter alia* paper deployment, overheads, people deployment and closure of non-profitable editions, etc., are likely to be sustainable over the medium term.

Although favourable growth drivers for the 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 notes the susceptibility of HTML's margins to volatility in newsprint prices and vulnerability of revenue growth to economic cycles and/or specific events, because of an advertising revenue-driven business model. The impact of the demonetisation drive during H2 FY2017, along with the Real Estate (Regulation and Development) Act (RERA) and the Goods and Service Tax implementation in H1 FY2018 are examples of such event related volatilities, which adversely impacted the media industry. Furthermore, the company made significant investments for the launch of its 10 new radio stations (acquired under Phase-III auctions) along with incremental investments in its financial daily, *Mint*, education and digital businesses, which are yet to yield returns.

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

[2] *100 lakh= 1 crore= 10 million*

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

## 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 among India's leading publications, positioned third in the English daily newspaper segment and fourteenth across all language publications, with a daily circulation of 1.19 million copies[3]. The company also publishes a financial daily, *Mint,* which is among 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 a 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 fourth in the Hindi daily segment[3]), which is among the top newspapers in key Hindi speaking markets of Bihar, Jharkhand, Uttar Pradesh 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 spaces. In the radio segment, it operates under the brands, *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 (0.5 time as on September 30, 2017) and sizable cash and liquid investments (~Rs. 1,200 crore as on September 30, 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.

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

**Credit weaknesses**

- **Limited geographical diversity in a highly competitive industry -** HTML derives almost 80% of its revenues from its key publication, *HT* (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 generated by the Delhi and Mumbai markets, which account for 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; although the risk is mitigated to an extent by the efficient use of hedging transactions.
- **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 socio-economic and political factors/events. Since the impact of such events varies among 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 (HTML) 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 the country in terms of readership. On a consolidated level, HTML has a presence in Hindi print media—*Hindustan* (a Hindi daily), *Kadambini (*a general interest magazine) and *Nandan* (a children's magazine), along with its subsidiaries and associates. It also enjoys a 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 the 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: 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:** The company has a rating outstanding of AA+ (stable)/A1+ from CRISIL, dated September 2017.

**Rating history for last three years:**
**Table:**

<table>
<tr><th rowspan="3">S.N</th><th rowspan="3">Instrument</th><th colspan="5">Current Rating (FY2018)</th><th colspan="3">Chronology of Rating History for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Rated amount (Rs. crore)</th><th rowspan="2">Amount Outstanding (Rs. crore)</th><th colspan="2">Date & Rating</th><th>Date & rating in FY2017</th><th>Date & rating in FY2016</th><th>Date & rating in FY2015</th></tr>
<tr><th>December 2017</th><th>September 2017</th><th>NA</th><th>NA</th><th>NA</th></tr>
<tr><td>1</td><td>Commercial Paper Programme</td><td>Short Term</td><td>1200.0</td><td>895.0</td><td colspan="2">[ICRA] A1+</td><td>NA</td><td>NA</td><td>NA</td></tr>
</table>

**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 |
|---|---|---|---|---|---|---|
| INE501G14456 | Commercial Paper | Aug 2017 | 6-6.5% | 7-360 days | 150.0 | [ICRA]A1+ |
| INE501G14464 | | Sep 2017 | | | 145.0 | |
| INE501G14472 | | Sep 2017 | | | 240.0 | |
| INE501G14480 | | Nov 2017 | | | 50.0 | |
| INE501G14498 | | Nov 2017 | | | 140.0 | |
| INE501G14506 | | Nov 2017 | | | 60.0 | |
| INE501G14514 | | Nov 2017 | | | 110.0 | |
| - | Commercial Paper (Proposed) | -- | -- | -- | 305.0 | [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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