HT Media Limited

July 20, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	1,200.0	1,500.0	[ICRA]A1+; assigned/outstanding
Total	**1,200.0**	**1,500.0**	

Rating action

ICRA has assigned the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)[1] to the Rs. 1,500.0 crore[2] (enhanced from Rs. 1,200.0 crore) commercial paper programme of HT Media Limited (HTML or the company).

Rationale

The ratings assigned continue to reflect 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 the 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 the diversified presence of the HT Group across media platforms. The ratings also take cognisance of the company's strong financial profile as evidenced by healthy cash accrual from operations, robust coverage indicators and significant unencumbered cash balances. 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 also provide comfort. The profitability metrics had improved in FY2018 as the cost optimisation programme undertaken in FY2017 (concluded in July 2017) started yielding results even with marginal de-growth of consolidated revenues. Notwithstanding the sharp decline in profitability during Q1 FY2019, largely due to adverse newsprint price movement and poor treasury income, the benefits from the cost optimisation programme, which targeted several areas in print business *inter alia* paper deployment, overheads, people deployment and closure of non-profitable editions, among other areas, are likely to be sustainable over the medium term.

Although expectation of domestic consumption-driven growth across media platforms and existence of favourable growth drivers for print media provides comfort, ICRA takes note of the Group's dependence on its print business (~85% of the overall revenues in FY2018) and concentrated geographical presence of its key print publications – HT and Hindustan. At the same time, competition in the print media industry has been growing, with most of the large players vying for leadership position in large tier-I and Hindi-speaking markets. This has impacted the company's ability to raise cover prices and grow circulation revenues and has in turn necessitated consistent incremental investments to maintain the market share. ICRA also takes note of the susceptibility of HTML's margins to volatility in newsprint prices and vulnerability of its revenue growth to economic cycles and/or specific geo-politico events, on account of an advertising revenue-driven business model. The GST implementation in FY2018 is an example of such event-related volatilities, which adversely impacted the media companies, as most of the client industries temporarily curbed advertising spends. 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*, education and digital businesses, which are yet to yield meaningful returns.

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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*

Going forward, the Group's ability to maintain its leadership position in key English and Hindi print markets, scale-up and leverage its businesses across segments – print, radio and digital, while maintaining its credit profile shall remain the key rating sensitivities.

Outlook: Stable

ICRA believes that HTML will continue to benefit from its established position in the print industry and healthy credit profile backed by consistent and robust cash accruals and adequate liquidity. The outlook may be revised to Positive if the company is able to improve its operating profit margins by implementing successful ad-rate hikes and containing losses in the new businesses. The outlook may be revised to Negative in case of a significant decline in the profit margins due to higher-than-anticipated inflation in newsprint, delays in ad-rate recovery or losses from new businesses. The synergistic impact of de-merger/merger of its radio business (excluding Hyderabad and UP stations) with Next Mediaworks Limited (and Next Radio Limited), currently pending regulatory approvals and other requisite compliances, remains a key rating monitorable over the medium term.

Key rating drivers

Credit strengths

Healthy brand recognition of key publications and leadership position in NCR and Hindi-speaking states - 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 1.17 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. In addition, HTML's subsidiary, HMVL, publishes the leading Hindi daily, *Hindustan* (circulation of 2.76 million copies per day and ranked third in the Hindi daily segment), which is among the top newspapers in key Hindi speaking markets of Bihar, Jharkhand, Uttar Pradesh and Uttarakhand. HTML's strong linkages with HMVL, both having print media as their core business, augments the company's operational profile through synergies from a common management, raw material sourcing, printing infrastructure and distribution network.

Diversified presence across media platforms - HTML has a diversified presence across media platforms – Hindi and English print, radio (owns 15 frequencies in 13 cities branded under *Fever 104 FM* and *Radio Nasha*), digital (online versions of the key publications along with *shine.com*, *desimartini.com* and *HT Campus)* and multimedia content development. This provides operational synergies through leveraging a common brand with access to advanced technology and infrastructure (all investments towards same core business), common marketing teams, among several others.

High financial flexibility and comfortable debt protection metrics - HTML's strong financial profile is marked by healthy cash accruals (~Rs. 500 crore in FY2018), a sizeable equity base (tangible net worth (excluding minority interest) of Rs. 2531 crore as on March 31, 2018), low gearing (0.4 times as on March 31, 2018) and sizeable cash surplus (~Rs. 1,228 crore as on June 30, 2018) leading to comfortable coverage indicators.

Favourable outlook for the industry across segments; albeit growth in English print business expected to moderate - The readership for English newspapers is concentrated primarily in tier-I cities with only a marginal percentage (approximately 10%) of Indian English-speaking population, leaving a major part to be catered to by regional dailies. Moreover, the switch to digital platforms is happening rapidly in tier-I cities led by this English-speaking higher socio-economic class, which has started impacting the growth of English newspapers. Vernacular and Hindi newspapers have been driving the industry growth momentum and are likely to continue doing so over the medium term. For HTML, its English print business accounted for more than 50% of the operating revenues in FY2018 exposing it to stiff competition in a modestly-growing segment of the industry. While *Hindustan* provides diversity, the increased competition from peers are likely to prevent

[3] *As per data reported by the Audit Bureau of Circulation (ABC) for the July–December 2017 period*

significant margin expansion over the medium term. Nonetheless, the radio and digital media industries are anticipated to report healthy growth rates. The growth across media segments would be supported by improving literacy rates, increasing mobile and internet penetration, greater affordability (evolving technologies and lower cost), strong domestic consumption-driven growth in markets, increasing hyper localisation, among other factors.

Credit challenges

Intensely competitive industry and limited geographical diversity for key print publications - HTML derives nearly 50% of its overall revenues from its English publications, *HT and Mint,* with NCR and Mumbai being its key markets. Other English dailies, The Times of India, The Hindu, among others, have been key competition to HT in these markets. In the radio segment as well, a major part of the revenues are generated by the Delhi and Mumbai markets, which have presence of almost all the major players competing for audience (and advertiser) loyalty. While being a part of HT's media bouquet with sizeable and diversified presence across media verticals moderates the risk to an extent, the company's ability to withstand competition and drive profit growth remains a key monitorable.

Incremental investment requirement for maintaining market position and loss funding in certain businesses - While presence across media platforms provides revenue diversity and avenues for future growth, these new businesses, like digital, education and radio are either in losses or yet to meaningfully start contributing to profits, impacting the overall return on capital employed. Moreover, the increased competition in the print business has necessitated incremental investment in increasing circulation, to maintain market leadership, while keeping the operating margins under pressure. Going forward, apart from incremental investment in core business (print), education and digital businesses are likely to require funding support over the near to medium term. The company has already announced a significant investment outlay, of Rs. 400 crore, over near to medium term, for its radio business and returns from the same will be visible only over the medium term.

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 the 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.

Susceptibility of operating profit margins to global newsprint prices and foreign exchange fluctuations - As newsprint accounts for nearly a quarter of the company's operating costs, its profitability is vulnerable to movements in the price of newsprint. While HTML's bulk procurement capabilities and extensive relationship with the suppliers partially mitigates the risk, the inflationary trend in the international (and domestic) prices likely to impact the margins over next two to three quarters, as already witnessed in Q1FY2019.

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 - Consolidated (Audited)

	FY2017	FY2018*
OI (Rs. crore)	2452.1	2346.2
PAT (Rs. crore)	240.7	357.9
OPBDIT/ OI (%)	12.5%	17.0%
RoCE (%)	11.7%	13.7%
Total Debt/ TNW (times)	0.4	0.4
Total Debt/ OPBDIT (times)	3.7	3.0
Interest Coverage (times)	3.2	4.9

*Source: Company results; ICRA research *Limited results; 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)*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016
	Instrument	Type			July 2018	Dec 2017	Sep 2017	-	-
1	Commercial Paper Programme	Short Term	1,500.0	1190.0	[ICRA]A1+	[ICRA]A1+		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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE501G14639	Commercial paper	Jun-18	--	Aug-18	230.0	[ICRA]A1+
INE501G14647	Commercial paper	Jun-18	--	Aug-18	150.0	[ICRA]A1+
INE501G14654	Commercial paper	Jun-18	--	Aug-18	140.0	[ICRA]A1+
INE501G14662	Commercial paper	Jun-18	--	Aug-18	220.0	[ICRA]A1+
INE501G14696	Commercial paper	Jun-18	--	Sep-18	150.0	[ICRA]A1+
INE501G14670	Commercial paper	Jun-18	--	Sep-18	150.0	[ICRA]A1+
INE501G14688	Commercial paper	Jun-18	--	Aug-18	150.0	[ICRA]A1+
NA	Unallocated Commercial Paper	NA	--	NA	310.0	[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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