

HT Media Limited

October 18, 2018

Summary of rated instruments

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

Rating action

ICRA has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus)¹ on the Rs. 1,500.0 crore² commercial paper programme of HT Media Limited (HTML or the company).

Rationale

The rating reaffirmation continues 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 its healthy cash accrual from operations, robust coverage indicators and significant unencumbered cash balances. Healthy operational synergies with subsidiary-Hindustan Media Ventures Limited (HMTL; 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 over the previous fiscal despite marginal de-growth in consolidated revenues as the cost optimisation programme undertaken in FY2017 (concluded in July 2017) yielded results. Notwithstanding the sharp decline in profits during Q1 FY2019 due to adverse newsprint price movement and muted treasury income, the growth momentum is expected to resume over the medium term as commodity pressure subsides and revenues get a thrust from forthcoming festive season and general elections in early FY2020.

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-political events, on account of an advertising revenue-driven business model. The Goods & Service Tax (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 invested approximately Rs. 350-370 crore 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. While the proposed demerger/merger of its fast-growing radio business with Next Mediaworks Limited (NMW; a listed company owning 7 radio stations under brand "Radio One") is expected to bring-in synergistic benefits over the medium term, the transaction would result in equity dilution

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

of HTML's non-promoter shareholders in the resulting entity. Also, retaining the radio segment debt (relating to purchase of licenses and related infrastructure) at HTML will impact its standalone credit profile, as print segment faces a relatively muted growth expectation.

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 strong credit profile shall remain the key rating sensitivities.

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 copies³. 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 – Despite the weak operating performance in FY2018 (in terms of revenue growth) and Q1FY2019, HTML's financial profile remains strong. The same is marked by healthy cash accruals (~Rs. 515 crores 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 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.

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

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. With proposed demerger of digital businesses under sister concern, incremental investment would be required in core businesses (print), education and radio businesses over the near to medium term. While radio business has witnessed healthy growth, HTML has already made strategic investment of Rs. 300 crores in this business in H1FY2019 while the returns from the proposed radio business merger with NMW will be visible only over the medium term.

Demerger of growing radio segment while retaining debt at HTML level - While demerger/merger of its radio business with NMW is expected to bring synergistic benefits to HT group, the transaction structure proposes no debt transfer to the resulting entity. While no impact is anticipated on consolidated financials, HTML on standalone basis would primarily become a print entity after the proposed de-merger of radio (and digital businesses). Thus, while the fast-growing radio business would get delinked from HTML, English print with a muted growth expectation, would be servicing the entire debt of the radio segment (relating to cost of acquiring and renewing licenses and setting up infrastructure).

Vulnerability of revenues to economic cycles and socio-political 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%	18.3%
RoCE (%)	11.7%	13.7%
Total Debt/ TNW (times)	0.4	0.4
Total Debt/ OPBDIT (times)	3.7	2.8
Interest Coverage (times)	3.2	5.2

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			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017	
					Oct-18	Jul-18	Dec-17	Sep-17
1	Commercial Paper Programme	1,500.0	1270.0	[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
INE501G14779	Commercial paper	Sep-18	--	Nov-18	150.0	[ICRA]A1+
INE501G14787	Commercial paper	Sep-18	--	Nov-18	150.0	[ICRA]A1+
INE501G14795	Commercial paper	Sep-18	--	Nov-18	150.0	[ICRA]A1+
INE501G14803	Commercial paper	Sep-18	--	Nov-18	145.0	[ICRA]A1+
INE501G14811	Commercial paper	Sep-18	--	Nov-18	100.0	[ICRA]A1+
INE501G14829	Commercial paper	Sep-18	--	Nov-18	150.0	[ICRA]A1+
INE501G14845	Commercial paper	Sep-18	--	Nov-18	125.0	[ICRA]A1+
INE501G14837	Commercial paper	Sep-18	--	Nov-18	300.0	[ICRA]A1+
NA	Unallocated Commercial Paper	NA	--	NA	230.0	[ICRA]A1+

Source: HTML

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About ICRA Limited:

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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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