October 01, 2024

Hindustan Media Ventures Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	250.0	250.0	[ICRA]A1+; reaffirmed
Total	**250.0**	**250.0**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of HT Media Limited (HTML), along with its subsidiaries and a joint venture including Hindustan Media Ventures Limited (HMVL) and others, collectively referred to as the HT Group, given the common management, strong operational linkages between the entities and the common treasury team.

The rating reaffirmation factors in the HT Group's established market position in India's print media industry, strong brand recognition of its key publications – Hindustan Times (HT), Hindustan and Mint, and its presence across media platforms. HT is the second largest English daily in India with an average daily circulation of about 7 lakh copies[1]. Also, Hindustan is the third largest Hindi daily, with a circulation of around 17 lakh copies[1]. The Group has presence in digital media and radio business. However, the contribution of the same to the revenue has been low at ~9% each in FY2024 and is expected to be at similar level in FY2025. The credit profile is supported by the Group's strong liquidity profile, on the back of significant cash and liquid investments of around Rs. 1,505 crore and net cash[2] position of Rs. 764 crore as on March 31, 2024. As per ICRA's estimates, the Group's capital structure is likely to remain healthy, aided by its large net worth, relatively low debt and strong liquidity. ICRA also takes note of the Group's strong financial flexibility as reflected by its ability to raise funds at favourable terms in the past.

The HT Group's operating performance remained subdued over the past three years owing to structural issues in the industry viz. changing consumer preferences with digital news gaining wider acceptance, inability to pass on the steep rise in newsprint prices, given the pressure on circulation volumes and subdued advertisement revenues, thereby adversely impacting its profitability. Consequently, the Group reported operating losses of -4.3% in FY2024 (PY: operating losses at -8.1%) with flat revenues of Rs. 1,695 crore. As a result, the Group's debt coverage and return indicators remained weak due to operating losses, which is majorly attributed to large losses in its digital business. Nevertheless, going forward, ICRA expects some improvement in the Group's profitability, driven by a reduction in losses from digital business, revenue from which is consistently increasing. The Group's operating margins would remain susceptible to adverse movements in newsprint costs and foreign exchange fluctuations. However, the risk is mitigated to an extent by its hedging practices. Any significant incremental investments in digital business or faster-than-expected shift of readers towards alternative media, which could exert pressure on ad revenues and circulation volumes, or depletion in liquidity would remain a key rating monitorable.

[1] As per the latest available circulation audit figures for July-December 2022, published by the Audit Bureau of Circulation (ABC)

[2] Net cash is as per the Group's quarterly investor presentation less ICRA adjustments: calculated as total cash and liquid investments (including cash & bank balances, liquid investments [in mutual funds, Fixed Maturity Plans, market-linked debentures & perpetual bonds]) less total debt (including long-term debt and short-term debt but excluding lease liabilities).

Key rating drivers and their description

Credit strengths

Strong market position in newspaper segment in NCR and Hindi-speaking states – HTML's key publications include Hindustan Times - an English daily newspaper and a financial paper, Mint. In addition, the company's subsidiary, HMVL, publishes the leading Hindi daily, Hindustan, which is among the top newspapers in key Hindi-speaking markets. HT is the second largest English daily in India with an average daily circulation of about 7 lakh copies. Also, Hindustan is the third largest Hindi daily, with a circulation of around 17 lakh copies. Mint is among the top publications in the business news segment and well-recognised across major markets in India.

Healthy capital structure and cash surplus position – Despite the deterioration in the Group's performance over the past 2-3 years owing to structural issues in the industry adversely impacting profitability, its capital structure remains healthy, characterised by a strong equity base resulting in gearing of 0.4 times and TOL/TNW of 0.9 times as on March 31, 2024. Further, ICRA's rating factors in the Group's strong liquidity profile, supported by significant cash and liquid investments of around Rs. 1,505 crore and net cash position of Rs. 660 crore as on March 31, 2024**.**

Presence across media platforms – The Group has presence across multiple media platforms – Hindi and English print, radio (owns 22 frequencies in 15 cities) and digital (shine.com, vccircle.com and OTTPlay, among others). This provides operational synergies through leveraging a common brand with access to backend infrastructure and common marketing teams. The contribution of the digital media and radio business to the Group's overall revenue has been low at ~9% each in FY2024 and is expected to be at similar level in FY2025.

Credit challenges

Continued weak operating profits and weak coverage indicators – The Group reported losses at the operating level at -4.2% in FY2024 (PY: operating margins at -8.2%), along with flat revenues of ~Rs. 1,695 crore in FY2024. The Group incurred losses in Q1 FY2025 on account of reduction in Government advertising spends owing to the model code of conduct for the general elections and continued losses from the digital segment, especially OTTPlay. Consequently, the Group's debt coverage and return indicators remain weak. Nonetheless, ICRA expects the operating losses to sequentially reduce with ramp-up of OTTplay and improved margins from the print segment with stabilisation of newsprint costs.

Susceptibility of operating profit margins to global newsprint prices and foreign exchange fluctuations – The operating margins remain susceptible to adverse movements in newsprint costs and foreign exchange fluctuations. While the Group's bulk procurement capabilities and long-standing relationship with the suppliers partially mitigate the risk, the inflationary trend in international prices can significantly affect its margins. The Group reported operating loss of Rs. 40 crore in Q1 FY2025. However, the same is expected to sequentially reduce with the stabilisation of newsprint costs and ramp up of the digital segment. Moreover, the hedging practices of the Group also provide some comfort.

Structural shift towards alternative media platforms to exert pressure on subscriptions; competitive pressures constrain margin expansion – Print contributed to nearly 80% to the Group's revenues in FY2024. With changing consumer preferences, digital news gaining wider acceptance, the switch to alternative media such as digital platform is happening rapidly in tier-I cities, led by the English-speaking higher socio-economic class. This has been impacting the growth of English dailies. The stiff competition in industry prevents significant cover price hikes or margin expansion. The Group's presence across media platforms moderates the risk to an extent. In FY2024, the revenue from the Group's print segment remained flat with marginal decline at Rs. 1,386 crore compared to Rs. 1,434 crore in FY2023 (although the same remains lower than the pre-Covid level), due to lower job work revenues. Nevertheless, the operating profit from the print segment improved to ~Rs. 73 crore in FY2024, on the back of stable newsprint costs and some moderation in freight costs. However, in Q1 FY2025, the profits were again impacted by lower Government advertising revenues due to the model code of conduct and muted advertisement yields. The company's ability to withstand competition from alternative media platforms and faster-than-expected shift of readers towards alternative media habits for content, remains a key monitorable.

Environmental and social risks

Newsprint is the key raw material required for the printing and publishing industry, and its availability as well as waste reduction remains a key concern for the industry. The HT Group, hence, is exposed to the risk of tightening regulations on environment and safety, which can have a potential bearing on the cost structure. The Group continues to address environmental concerns through investments in technology to minimise paper wastage. Overall, the Group's exposure to environment and social risks remains modest.

Liquidity position: Strong

The Group's liquidity remains strong, supported by significant cash and liquid investments of around Rs. 1,505 crore (including encumbered investments of Rs. 346 crore) and net cash position of Rs. 764 crore as on March 31, 2024. The Group maintains significant buffer in its bank limits as reflected by low utilisation of ~Rs. 500-600 crore during the twelve months period ending September 2024 compared to overall bank limits of ~Rs. 1,600 crore. Overall, the HT Group is adequately placed to meet its medium-term obligations through income earned from treasury operations and the existing cash and liquid investments surplus.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – The rating could be downgraded if there is a sustained pressure on the Group's earnings owing to subdued advertising revenues and/or newsprint prices, material investments/funding support in non-core businesses, impact the liquidity position. Further, any debt-funded organic or inorganic initiatives affecting its liquidity and capital structure would also be credit negative. In addition, prolonged delay in ramp-up in the digital segment, such that it materially depletes the investment balances and liquidity position as reflected by the net cash falling below Rs. 500 crore may trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology–Print Media
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of HTML. This includes its subsidiaries and JV, as listed under Annexure-II.

About the company

Hindustan Media Ventures Limited (HMVL) is a part of the Hindustan Times Group and publishes the leading Hindi daily newspaper, Hindustan. HMVL is a 74.4% subsidiary of HTML (rated [ICRA]A1+) and is listed on the Bombay Stock Exchange and National Stock Exchange.

HT Media Limited (HTML) is one of the largest media conglomerates in India with presence across print media (English and Hindi), radio and digital segments. The group's key publications are under iconic brands Hindustan Times and Hindustan, which are among the highest circulated English and Hindi dailies in India. Other publications include Mint – a business paper. The company has 22 FM radio stations across 15 cities and operates under the brands Fever FM (including Punjabi Fever), Radio Nasha and Radio One. Its digital segment includes shine.com, vccircle.com and OTTPlay, amongst others.

HTML is based out of New Delhi and is a 69.5% subsidiary of Hindustan Times Limited (HTL), a KK Birla Group Company. Its day-to-day operations are managed by Ms. Shobhana Bhartia, backed by a professional management.

Key financial indicators (audited)

HTML Consolidated	FY2023	FY2024	Q1 FY2025
Operating income	1,711.1	1,694.7	378.5
PAT	-254.2	-91.9	-27.6
OPBDIT/OI	-8.2%	-4.3%	-10.9%
PAT/OI	-14.9%	-5.4%	-7.3%
Total outside liabilities/Tangible net worth (times)	0.9	0.9	-
Total debt/OPBDIT (times)	-6.2	-12.2	-
Interest coverage (times)	-1.8	-0.9	-2.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Commercial paper	Short-Term	250.00	**Oct 1, 2024**	**[ICRA]A1+**	Oct 17, 2023	[ICRA]A1+	Jun 30, 2022	[ICRA]A1+	Jun 30, 2021	[ICRA]A1+
							Oct 20, 2022	[ICRA]A1+		

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE871K14414	Commercial paper	31-Jul-2024	7.2%	25-Oct-2024	30.0	[ICRA]A1+
Yet to be placed	Commercial paper	NA	NA	NA	220.00	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
HT Media Ltd	Parent Company	Full Consolidation
Hindustan Media Ventures Limited (HMVL)	74.40%	Full Consolidation
HT Music and Entertainment Limited (HTME)	100.00%	Full Consolidation
HT Mobile Solutions Limited (HTMS)	99.41%	Full Consolidation
HT Overseas Pte. Limited (HTOS)	100.00%	Full Consolidation
Next Mediaworks Limited (NMW)	51.00%	Full Consolidation
Next Radio Limited (NRL)	100.00%	Full Consolidation
HT Noida (Company) Limited	100.00%	Full Consolidation
Mosaic Media Ventures Limited (MMVL)	100.00%	Full Consolidation
HT Content Studio LLP	99.99%	Equity Method

Source: Annual report FY2024

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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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