

June 30, 2022

HT Media Limited: Rating reaffirmed

Summary of rating action

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

*Instrument details are provided in Annexure-1

Rationale

ICRA has taken a consolidated view of HT Media Limited (HTML) along with its subsidiaries (including Hindustan Media Ventures Limited (HMTL)) and others, collectively referred to as the HT Group, while reaffirming the rating, given the common management and strong financial and operational linkages between the entities.

The rating reaffirmation continues to factor in the HT Group's established market position in India's print media industry, with an operating record of almost 100 years. The rating continues to reflect the strong brand recognition of HTML's key publications – Hindustan Times (HT) and Hindustan. HT is the third largest English daily in India with an average daily circulation of about 11 lakh copies as per the last available circulation audit for July-December 2019 by the Audit Bureau of Circulation (ABC). Also, Hindustan is the fourth-largest Hindi daily, with a circulation of around 22 lakh copies for the same period. The Group also has presence in digital media and radio business, though the contribution of the same to the revenue has been low. ICRA's rating factors in the Group's strong liquidity profile, supported by significant investments of over Rs. 1,800 crore as on March 31, 2022.

However, the Group's operating performance has deteriorated over the past few years owing to a weak macro-economic environment impacting advertisement volumes, with the pandemic exacerbating the impact. While ICRA notes the improvement in the operating performance across segments in FY2022; the print business (which generated ~85% of the overall revenues) continues to face headwinds. The revenues from the printing and publishing segment declined to Rs. 1,268.7 crore in FY2022 from Rs. 2,242 crore in FY2016. The company's operating profitability has reduced considerably, given the high operating leverage for the print businesses and steep revenue contraction over the years, though there has been an improvement on a year-on-year basis. HTML reported a weak consolidated operating profit of Rs. 26.5 crore in FY2022 in spite of various cost rationalisation measures. Moreover, the Group's coverage and return indicators remain weak on account of the reduced scale of operations due to the pandemic and modest traction in other segments (digital and radio), which are yet to scale up adequately for meaningful contribution to profitability. The digital segment is expected to require funding support for ramp-up and consolidation of market position in the medium term. Furthermore, HTML's operating margin remains susceptible to adverse movements in newsprint prices, which have seen a steep uptick in prices in the recent quarters. While ICRA positively notes the company's bulk procurement strategy of paper, which safeguarded its profitability in Q4 FY2022, its ability to shield its margin on a sustained basis would be monitored.

The recovery in operating metrics as the overall economic activities pick up from the pandemic-related disruptions will be a key rating monitorable. However, the structural shift towards alternative media platforms and competition from other dailies are expected to keep the growth of the print segment under check.

Key rating drivers and their description

Credit strengths

Strong brand recognition of the Group's key publications – HTML's key publications include Hindustan Times- English daily newspaper and a financial paper, Mint. In addition, the company's subsidiary, Hindustan Media Ventures Limited (HMTL),

publishes the leading Hindi daily, Hindustan, which is among the top newspapers in key Hindi-speaking markets. Its strong linkages with HMTL, both having print media as their core business, augments the operational profile through synergies from a common management, raw material sourcing, printing infrastructure and distribution network.

Strong market position in newspaper segment in NCR and Hindi-speaking states – Hindustan Times, is ranked among India's leading publications in the English daily newspaper segment with a daily circulation of 11 lakh copies as per the last available circulation audit for July-December 2019 by the ABC. Also, Hindustan is the fourth largest Hindi daily, with a circulation of around 22 lakh copies for the same period. Mint is among the top publications in the business news segment and well-recognised in the key tier-I markets of Delhi and Mumbai.

Healthy capital structure and cash surplus position – Despite weak operating performance over the past two years with lower earnings and margin pressures because of high newsprint prices, HTML's capital structure remains healthy, characterised by a strong equity base resulting in gearing of 0.4 times and TOL/TNW of 0.7 times as on March 31, 2022, and significant investments of over Rs. 1,800 crore as on the same date.

Presence across media platforms – HTML has presence across multiple media platforms – Hindi and English print, radio (owns 22 frequencies in 15 cities), digital (shine.com, vccircle.com and others) and mobile platforms. This provides operational synergies through leveraging a common brand with access to advanced technology and infrastructure, common marketing teams, among several others.

Credit challenges

Low operating profits and modest coverage indicators – While the Group's revenue increased by 34% to Rs. 1,500 crore in FY2022, the profitability continues to remain subdued as reflected by operating profits of Rs. 26.5 crore in the same year. As a result, the Group reported average debt coverage indicators, with interest cover and Total Debt/OPBDITA at 0.5 times and 33 times, respectively, in FY2022. The profitability continues to remain below the pre-Covid level, and given the increase in newsprint prices, the operating margins are expected to remain constrained. The Group's return indicators remain weak on account of reduced scale of operations due to the pandemic and modest traction in other segments (digital and radio), which are yet to scale up adequately for meaningful contribution to profitability. The digital business is likely to require funding support for ramp-up and consolidation of market position in the medium term. Moreover, ICRA notes the susceptibility of its net income to market risks, considering the significant dependence on interest income from market investments.

Decline in print subscriptions due to structural shift towards alternative media platforms; competitive pressures constrain margin expansion – Print contributes nearly 85% to HTML's revenues. With the advent of digital media, the print industry has been witnessing a shift in consumer preferences. The switch to digital platforms 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. While Hindustan provides diversity to HTML, stiff competition along with pandemic led business disruptions prevents significant cover price hikes or margin expansion. The presence across media platforms moderate the risk to an extent. However, the company's ability to withstand competition from alternative media platforms and changing consumption habits for content remains a key monitorable.

Susceptibility of operating profit margins to global newsprint prices and foreign exchange fluctuations – While HTML's bulk procurement capabilities and long-standing relationship with the suppliers partially mitigate the risk, the inflationary trend in international prices can significantly impact margins. Furthermore, since it imports some of the newsprint, the company is susceptible to adverse fluctuations in foreign exchange rates. However, the risk is mitigated to an extent by its hedging practises.

Vulnerability of revenues to economic cycles and socio-political events – The business model for newspaper publishers and radio broadcasters remain susceptible to advertisers' preference based on the consumption cycles of the populace, which are influenced by a 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.

Liquidity position: Strong

HTML's liquidity remains strong, supported by significant investments of over Rs. 1,800 crore as on March 31, 2022 on a consolidated basis. ICRA notes the modest traction in the digital segment, which is expected to require funding support. Overall, ICRA expects HTML to meet its medium-term commitments through its operating cash flows and non-operating income, resulting in healthy cash/liquid investments surplus position.

Rating Sensitivities

Positive factors – Not applicable

Negative factors – Negative pressure on the rating could arise if sustained pressure on earnings owing to subdued advertising revenues, material investments/funding support in non-core businesses impact the liquidity position and/or debt-funded organic or inorganic initiatives affects its capital structure. In addition, prolonged delay in ramp-up in the digital and radio segments, such that it materially depletes the investment balances and liquidity position may trigger a rating downgrade.

Analytical Approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Print Media Industry Rating Approach - Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HTML. This includes its subsidiaries and JV, as listed under Annexure-2.

About the Company

HT Media Limited (HTML) is one of the largest media conglomerates in India with presence across print media (English and Hindi), radio space, internet portals. The company'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, Radio Nasha and Radio One. Its internet portals include shine.com and vccircle.com.

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	FY2021	FY2022*
Operating income (Rs. crore)	1117.3	1500.4
PAT (Rs. crore)	-61.1	21.5
OPBDIT/OI	-11.1%	1.8%
PAT/OI	-5.5%	1.4%
Total outside liabilities/Tangible net worth^ (times)	0.7	0.7
Total debt/OPBDIT (times)	-6.8	33.1
Interest coverage (times)	-2.2	0.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *Limited Annual results; Total debt includes lease liabilities of Rs. 73.1 crore in FY2022 and Rs. 103.0 crore in FY2021; ^Includes Minority Interest. Source: Company results; ICRA Research.

The above financial numbers and ratios reflect analytical adjustments made by ICRA and may not be comparable with HTML's reported financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2023)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					June 30, 2022	June 30, 2021	May 29, 2020	Apr 2, 2019
1	Commercial Paper	Short-term	500.0	50.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[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: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE501G14CJ6	Commercial Paper	June 6, 2022	5.62%	August 30, 2022	50.0	[ICRA]A1+
-	Commercial Paper (not placed)	NA	NA	NA	450.0	[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	HTML Ownership*	Consolidation Approach
HT Media Ltd	Parent Company	Full Consolidation
Hindustan Media Ventures Limited	74.40%	Full Consolidation
HT Music and Entertainment Company Limited	100.00%	Full Consolidation
HT Mobile Solutions Limited	99.16%	Full Consolidation
HT Overseas Pte Ltd	100.00%	Full Consolidation
Next Mediaworks Limited	51.00%	Full Consolidation
Next Radio Limited	99.60%	Full Consolidation
Syngience Broadcast Ahmedabad Limited	100.00%	Full Consolidation
Shine HR Tech Limited (struck off w.e.f. 15 December 2021)	100.00%	Full Consolidation
HT Noida (Company) Ltd	100.00%	Full Consolidation
Mosaic Media Ventures Private Limited	100.00%	Full Consolidation
Sports Asia Pte. Ltd (struck off w.e.f 7 February 2022)	50.50%	Equity Method
HT Content Studio LLP	99.99%	Equity Method

Source: HTML Limited review results FY2022

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