October 20, 2022

Hindustan Media Ventures Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	100.0	250.0	[ICRA]A1+; reaffirmed and assigned
Total	**100.0**	**250.0**	

**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 (HMVL)) and others, collectively referred to as the HT Group, while reaffirming the rating, given the common management and strong 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[1]. Also, Hindustan is the fourth-largest Hindi daily, with a circulation of around 22 lakh copies[1]. 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 cash and cash equivalents of around Rs. 1,780 crore[2] as on March 31, 2022.

The Group's operating performance has deteriorated over the past two-three years owing to a weak macro-economic environment affecting advertisement revenues, with the pandemic exacerbating the impact. While ICRA notes the improvement in the operating performance across segments in FY2022; the print business (which accounts for ~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. ICRA notes that the Group's operating profitability has reduced considerably over the years, given the high operating leverage for the print businesses and steep revenue contraction. The Group reported operating loss of Rs. 29 crore in Q1 FY2023 (against an operating profit of Rs 27.5 crore in FY 2022) primarily due to sharp increase in newsprint costs. The profitability continues to remain below the pre-Covid level. Considering the elevated newsprint prices, the operating margins in FY2023 are expected to remain constrained. Consequently, the Group's coverage and return indicators remain weak. HTML's operating margin remains susceptible to adverse movements in newsprint prices, which have seen a steep uptick in prices in the recent quarters impacting the operating metrics of the company. ICRA understands that the newsprint prices have started easing, the speed of such easing coupled with the trend in revenues would determine the improvement in margins over the next few quarters.

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, HMVL, publishes the leading Hindi daily, Hindustan, which is among the top newspapers in key Hindi-speaking markets. Its strong linkages with HMVL, both having print

[1] *as per the last available circulation audit for July-December 2019 by the Audit Bureau of Circulation (ABC)*
[2] *Liquidity is Rs.1,880 crore factoring inter corporate deposits*

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 about 11 lakh copies[3]. Also, Hindustan is the fourth largest Hindi daily, with a circulation of around 22 lakh copies[2]. 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-three years with lower earnings and margin pressures because of high newsprint prices, the Group'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 cash and cash equivalents of around Rs. 1,780 crore[4].

Presence across media platforms – The Group 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.

Credit challenges

Continued weak 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. 27.5 crore in the same year. Moreover, the Group reported operating loss of Rs.29 crore in Q1 FY2023 primarily due to sharp increase in newsprint costs. As a result, the debt coverage indicators remained modest, with interest cover and Total Debt/OPBDITA at 0.5 times and 31.9 times, respectively, in FY2022. The profitability continues to remain below the pre-Covid level. Considering the elevated newsprint prices, the operating margins are expected to remain constrained in FY2023. Moreover, ICRA notes the susceptibility of its net income to market risks, considering the significant dependence on interest income from market investments.

Susceptibility of operating profit margins to global newsprint prices 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 affects its margins. ICRA notes that the Group reported an operating loss of Rs. 29 crore in Q1 FY2023 (against an operating profit of Rs 27.5 crore in FY 2022) primarily due to a sharp increase in newsprint costs. ICRA would continue to monitor the movement in raw material prices and its impact on the Group's profitability and coverage metrics. 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.

Decline in print subscriptions due to structural shift towards alternative media platforms; competitive pressures constrain margin expansion – Print contributes to nearly 85% to the Group'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.

Vulnerability of revenues to economic cycles and socio-political events – The business model for newspaper publishers and radio broadcasters remains susceptible to the advertisers' preference based on the consumption cycles of the populace, which are influenced by a multitude of socio-economic and political factors/events. Since the impact of such events varies among

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[3] *as per the last available circulation audit for July-December 2019 by the Audit Bureau of Circulation (ABC)*

[4] *Liquidity is Rs.1,880 crore factoring inter corporate deposits*

industries in the economy, the risk to revenues can be partially mitigated by a well-diversified end-user client profile, as available to the Group.

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. 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, Group's exposure to environment and social risks remains modest.

Liquidity position: Strong

The Group's liquidity remains strong, supported by significant cash and cash equivalents of around Rs.1,784 crore[5] 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 the Group 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 and/or newsprint prices, 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

HMVL is a part of the Hindustan Times Group and publishes the leading Hindi daily newspaper, Hindustan, with an average circulation of 2.22 million copies (Source: ABC, Jul-Dec 2019). 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 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.

[5] *Liquidity is Rs.1,880 crore factoring inter corporate deposits*

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	Q1FY2023*
Operating income (Rs. crore)	1117.3	1500.4	420.1
PAT (Rs. crore)	-61.1	21.5	-41.8
OPBDIT/OI	-11.1%	1.8%	-7.0%
PAT/OI	-5.5%	1.4%	-10.0%
Total outside liabilities/Tangible net worth^ (times)	0.7	0.7	-
Total debt/OPBDIT (times)	-6.8	31.9	-
Interest coverage (times)	-2.2	0.5	-2.0

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; 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 October 18, 2022 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					October 20, 2022	June 30, 2022	June 30, 2021	May 29, 2020	Apr 2, 2019
1	Commercial Paper	Short-term	250.0	80.0	**[ICRA]A1+**	**[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
INE871K14299	Commercial Paper	August 19, 2022	6.1%	November 10, 2022	40.0	[ICRA]A1+
INE871K14307	Commercial Paper	August 19, 2022	6.1%	November 17, 2022	40.0	[ICRA]A1+
-	Commercial Paper (not placed)	NA	NA	NA	170.0	[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
HT Noida (Company) Ltd	100.00%	Full Consolidation
Mosaic Media Ventures Private Limited	100.00%	Full Consolidation
HT Content Studio LLP	99.99%	Equity Method

Source: Company

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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.

For more information, visit www.icra.in

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