October 17, 2023

Hindustan Media Ventures Limited: Ratings Reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper	250.00	250.00	[ICRA]A1+; reaffirmed
Total	**250.00**	**250.00**	

**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 continues to factor in the HT Group's established market position in India's print media industry, and strong brand recognition of HT Group's key publications – Hindustan Times (HT), Hindustan and Mint. 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 also has presence in digital media and radio business, however, the contribution of the same to the revenue has been low at ~8% each in FY2023 and is expected to be at similar level in FY2024. ICRA's rating factors in the Group's strong liquidity profile, supported by significant cash and liquid investments of around Rs. 1,563 crore and net cash[2] position of Rs. 855 crore as on March 31, 2023.

The HT Group's operating performance deteriorated 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 losses at the operating level at -8.1% in FY2023 (PY: operating margins at 1.8%) despite witnessing an increase in the operating income (OI) by 14% to Rs. 1,711 crore in FY2023. The Group's debt coverage and return indicators continue to remain weak. Although the Group continued to report operating loss of Rs. 25 crore in Q1 FY2024, the losses stood reduced from (-) Rs 38 crore in Q4FY2023, driven primarily by moderation in newsprint price. The operating margins also 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).

After the above adjustments, net cash was Rs. 855 crore as on March 31, 2023 on consolidated basis, while factoring inter-corporate deposits and investments in Group entities, net cash would be Rs. 935 crore as on March 31, 2023.

Key rating drivers and their description

Credit strengths

Strong brand recognition of the Group's key publications – 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. Its strong linkages with HMVL, 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, along with common treasury team.

Strong market position in newspaper segment in NCR and Hindi-speaking states – 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 three 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, 2023. Further, ICRA's rating factors in the Group's strong liquidity profile, supported by significant cash and liquid investments of around Rs. 1,563 crore and net cash position of Rs. 855 crore as on March 31, 2023.

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 amongst others). This provides operational synergies through leveraging a common brand with access to advanced technology and infrastructure, common marketing teams. The contribution of digital media and radio business to the Group's overall revenue has been low at ~8% each in FY2023 and is expected to be at similar level in FY2024.

Credit challenges

Continued weak operating profits and weak coverage indicators – The Group reported losses at the operating level at -8.1% in FY2023 (PY: operating margins at 1.8%) despite witnessing an increase in the OI by 14% to Rs. 1,711 crore in FY2023. Consequently, the Group's debt coverage and return indicators continue to remain weak.

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. Although the Group continued to report operating loss of Rs. 25 crore in Q1 FY2024, the losses stood reduced from (-) Rs. 38 crore in Q4 FY2023, driven primarily by moderation in newsprint price. The operating margins remain susceptible to adverse movements in newsprint costs and foreign exchange fluctuations. However, the risk is mitigated to an extent by its hedging practices.

Structural shift towards alternative media platforms to exert pressure on subscriptions; competitive pressures constrain margin expansion – Print contributed to nearly 84% to the Group's revenues in FY2023. With changing consumer preferences, digital news gaining wider acceptance, the switch to alternative media such as 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. The stiff competition in the industry prevents significant cover price hikes or margin expansion. The Group's presence across media platforms moderates the risk to an extent. HT group's print segment reported increase in revenue by 13% to Rs. 1,434 crore in FY2023 (although continue to remain lower than pre-covid level), backed by higher circulation and ad revenues, however, reported segmental operating losses of -5.9% for FY2023 due to high newsprint costs. 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. 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 liquid investments of around Rs. 1,563 crore (including encumbered investments of Rs. 365 crore) and net cash position of Rs. 855 crore as on March 31, 2023. Overall, HT Group is adequately placed to meet its medium-term obligations through income earned from treasury operations and existing cash and liquid investments surplus.

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 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–Media (Print)
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-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

Consolidated	FY2022	FY2023	Q1FY2024
Operating income	1500.4	1711.1	393.4
PAT	21.5	-254.2	-19.0
OPBDIT/OI	1.8%	-8.1%	-6.3%
PAT/OI	1.4%	-14.9%	-4.8%
Total outside liabilities/Tangible net worth (times)	0.7	0.9	-
Total debt/OPBDIT (times)	31.9	NM	-
Interest coverage (times)	0.5	NM	NM

Source: Company results; ICRA Research; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; NM: Not Meaningful; Total debt includes lease liabilities of Rs. 158.7 crore in FY2023 and Rs. 73.1 crore in FY2022.
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 (FY2024)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore) as on Sept 30, 2023	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
					Oct 17, 2023	Oct 20, 2022	Jun 30, 2022	Jun 30, 2021	May 29, 2020
1	**Commercial Paper**	Short Term	250.00	35.00	**[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: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE871K14356	Commercial paper	Aug 14, 2023	7.20%	November 02, 2023	35.0	[ICRA]A1+
-	Commercial Paper (not placed)	NA	NA	NA	215.0	[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	99.41%	Full Consolidation
HT Overseas Pte Ltd	100.00%	Full Consolidation
Next Mediaworks Limited	51.00%	Full Consolidation
Next Radio Limited	100.00%	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.

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