HT Media Limited

April 02, 2019

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	1,500.0	1,000.0	[ICRA]A1+; reaffirmed
Total	**1,500.0**	**1,000.0**	

Rationale

The rating reaffirmation continues to reflect the strong brand recognition of HT Media Limited's (HTML) 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 (HMVL rated [ICRA]A1+; in terms of leveraging the HT brand, common printing infrastructure and marketing teams) and other HT Group companies also provide comfort. Notwithstanding the sharp decline in operating profits during 9M FY2019 due to adverse newsprint price movement, rupee depreciation and weak advertisement spends, the growth momentum is expected to resume over the medium term. This would be driven by easing commodity pressure in Q4 FY2019, boost to advertisement revenues from revised rates announced by Directorate of Advertising and Visual Publicity (or DAVP, which advises Government advertisement rates; 25% upward revision effective January 8, 2019) and tailwinds from 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-politico 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 ongoing acquisition of stake in the fast-growing radio business of Next Mediaworks Limited (NMW; a listed company owning 7 radio stations under brand "Radio One") is expected to bring-in synergistic benefits, the segment is expected to remain a marginal contributor to group revenues over the medium term.

Going forward, the Group's ability to maintain its leadership position in key English and Hindi print markets, successfully implement ad-rate hikes while navigating through high newsprint costs, scale-up and leverage its businesses across segments – print, radio and digital, while maintaining its strong credit profile shall remain the key rating sensitivities. The synergistic impact of investments in radio business of NMW, currently pending regulatory approvals and other requisite compliances, remains a key rating monitorable over the medium term.

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 1.00 million copies[1]. 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 2.63 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 9M FY2019, HTML's financial profile remains strong. The same is marked by healthy cash accruals (~Rs. 515 crores in FY2018 and Rs.94 crore in 9M FY2019), a sizeable equity base (tangible net worth (excluding minority interest) of Rs. 2072 crore as at Sep 30, 2018), low gearing (0.8 times as on September 30, 2018) and sizeable cash surplus (~Rs. 1,120 crore as on December 31, 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.

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

[1] *As per data reported by the Audit Bureau of Circulation (ABC) for the Jan–Jun 2018 period. The ranking is amongst the member publications only and includes variant copies.*

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.

Vulnerability of revenues to economic cycles and socio-politico 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 adversely impacted the company margins in 9M FY2019. However, the same is expected to considerably moderate starting FY2020.

Liquidity Position

HTML had a debt outstanding of approximately Rs. 1080 crore as on March 26, 2019, primarily constituting commercial paper borrowings with 60-90-day maturity. The company has recently availed long-term foreign currency loan of approximately Rs. 245 crore (rupee equivalent). Repayments of this long-term loan is spread evenly over the two years (FY2021-FY2022) following moratorium period and are marginal compared to the projected cash accruals. No major concerns on liquidity are foreseen, given the net cash (i.e. cash less total debt) of nearly Rs. 1120 crore as on December 31, 2018, and unutilised bank lines of nearly Rs. 1000 crore. Furthermore, with easing of newsprint price pressures and expectation of improved advertisement revenues from the forthcoming general elections, working capital funding requirement will be minimal, leading to better cash flows from operations.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Print Media Industry
Parent/Group Support	Not applicable
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HTML. As on March 31, 2018, the Company had 15 subsidiaries and stepdown subsidiaries and 1 JV, that are enlisted in Annexure-2.

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	9M FY2019*
OI (Rs. crore)	2452.1	2346.2	1644.1
PAT (Rs. crore)	240.7	357.9	13.2
OPBDIT/ OI (%)	12.5%	18.3%	1.6%
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	0.3

*Source: Company results; ICRA research *Limited quarterly 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 (FY2020)				Chronology of Rating History for the past 3 years				
			Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2019		Date & Rating in FY2018		Date & Rating in FY2017
	Instrument	Type			Apr-19	Oct-18	Jul-18	Dec-17	Sep-17	-
1	Commercial Paper Programme	Short Term	**1,000.0**	**700.0**	**[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
INE501G14AK8	Commercial paper	28-Mar-19	7.0-7.5%	4-Jun-19	75.0	[ICRA]A1+
INE501G14AL6	Commercial paper	28-Mar-19	7.0-7.5%	6-Jun-19	75.0	[ICRA]A1+
INE501G14AG6	Commercial paper	15-Mar-19	7.0-7.5%	13-Jun-19	100.0	[ICRA]A1+
INE501G14AH4	Commercial paper	20-Mar-19	7.0-7.5%	27-May-19	150.0	[ICRA]A1+
INE501G14AI2	Commercial paper	22-Mar-19	7.0-7.5%	28-May-19	150.0	[ICRA]A1+
INE501G14AJ0	Commercial paper	25-Mar-19	7.0-7.5%	30-May-19	150.0	[ICRA]A1+
NA	Unallocated Commercial Paper	NA	--	NA	300.0	[ICRA]A1+

Source: HTML

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership*	Consolidation Approach
HT Media Limited	**100.00% (Parent Company)**	Full Consolidation
Hindustan Media Ventures Limited	74.30%	Full Consolidation
HT Music and Entertainment Company Limited	100.00%	Full Consolidation
Firefly e-ventures Limited	99.99%	Full Consolidation
HT Mobile Solutions Limited	99.16%	Full Consolidation
HT Digital Media Holdings Limited	100.00%	Full Consolidation
HT Digital Streams Limited	100.00%	Full Consolidation
HT Learning Centers Limited	100.00%	Full Consolidation
HT Education Limited	100.00%	Full Consolidation
HT Digital Information Pvt. Ltd. (Ed World Private Limited) #	100.00%	Full Consolidation
HT Global Education	100.00%	Full Consolidation
Topmovies Entertainment Limited	100.00%	Full Consolidation
India Education Services Pvt. Ltd (subsidiary w.e.f July 18, 2017)		Full Consolidation
DigiContent Limited	100.00%	Full Consolidation
HT Overseas Pte Ltd	100.00%	Full Consolidation
India Education Services Pvt. Ltd (joint venture upto July 17, 2017)	99.00%	Full Consolidation
Sports Asia Pte. Ltd. (Joint Venture)	50.5%	Equity Method

**Equity interest % as at March 31, 2018; Source: Annual Report*

 # The Company is "Under Process of Striking off". The last Statement of Account was prepared as on October 31, 2017 and the same has been considered for consolidation as on March 31, 2018.

Note - ICRA has taken a consolidated view of the parent and its subsidiaries

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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.

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