

## Zee Media Corporation Limited

July 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	50.00	CARE BB; Negative	Revised from CARE BB+; Stable
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating downgrade and change in outlook on the long-term rating to Negative from Stable reflects the moderation in the operating and financial performances of Zee Media Corporation Limited (ZMCL) and continued uncertainty on the ability of the company to generate adequate cash flow from operations relative to the sizeable debt repayment obligations in FY25. ZMCL's consolidated revenue declined by ~12% on a YoY basis to ~Rs. 638 crores in FY24 owing to lower advertisement revenue following its exit from the rating system of Broadcast Audience Research Council India (BARC). This, coupled with increase in branding and marketing expenditure following its exit from Zee's channel bouquet, led to a significant deterioration in its operating profitability with PBILDT loss of ~Rs. 39 crores in FY24 against PBILDT profit of ~Rs. 66 crores in FY23. ZMCL acquired intangible assets, including trademarks under a settlement agreement with Diligent Media Corporation Limited (DMCL), worth Rs. 170 crore in FY24, which coupled with continued PAT losses over the last three years, has substantially eroded the net worth of the company, translating into deterioration in leverage metrics. CARE Ratings also notes the auditor's observations of some instances of delays in payments of undisputed statutory dues and uncertainty about the ability of the company to continue as a going concern. CARE Ratings also notes the continued delay in infusion of funds by the promoters pursuant to the issue of share warrants. While ZMCL re-entered the BARC rating system since October 2023 translating into some improvement in performance in Q4 FY24 with PBILDT margin of 21.5% in the quarter, the ability of the company to sustain such performance and generate healthy cash flow from operations remains to be demonstrated.

The rating continues to consider ZMCL's leveraged capital structure and declining promoter holding to 0.07% as on March 31, 2024 (March 2023: 4.34%). ZMCL faces intense competition in the news broadcasting space from other linear and digital news platforms coupled. The rating also factors in multiple exits of senior managerial personnel from the company in the recent quarters, which could impact the company's performance.

The ratings, however, continue to derive strength from the experienced promoters, availability of a wide platform for distribution (both linear and digital) with a bouquet of national and international channels and re-entry of ZMCL in BARC rating system.

CARE Ratings has withdrawn the rating assigned to the term loans of ZMCL with immediate effect. The above action has been taken at the request of ZMCL and based on the 'No Dues Certificate' received from the lender that extended the facilities rated by CARE. The above is in line with CARE's policy on withdrawal of ratings.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant improvement in revenue and profitability translating into healthy cash accruals on sustained basis
- TOL/Adjusted TNW less than 1.8x on a sustained basis
- Promoter fund infusion through exercise of warrants

#### Negative factors

- Delay in ramping up of revenue and profitability leading to continued business losses and impacting the liquidity profile and net worth
- Interest cover below 2.5x and/or TOL/Adjusted TNW above 2.2x on a sustained basis
- Any new corporate guarantee extended to any of its group companies

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Analytical approach:** Consolidated

For arriving at the rating of ZMCL, CARE Ratings has considered the consolidated financials of ZMCL owing to financial and operational linkages between the company, its subsidiary, and its associates.

**Outlook:** Negative

The Negative outlook reflects continued uncertainty on the ability of ZMCL to generate adequate cash flows from operations to service the large repayment obligations in FY25. CARE expects the working capital cycle to remain stretched.

**Detailed description of the key rating drivers:**
**Key weaknesses**

**Weak financial performance with PAT losses in last three years:** ZMCL reported a net loss of Rs. 98.4 crore in FY24, up 43% YoY from Rs. 69 crore in FY23. This is partly on account of decline in advertising revenue to Rs. 638 crores in FY2024 from Rs. 720 crores as the company had exited BARC's rating system and partly due to increase in distribution and marketing expenses since its exit from Zee's bouquet of channels. Nevertheless, since re-entry into BARC's Rating system from October 2023, the performance has shown some improvement with EBITDA of Rs. 41.8 crore in Q4 FY24. The ability of ZMCL to sustainably improve its performance and generate operating profits remains a key monitorable.

**Leveraged capital structure and weak coverage metrics:** The tangible net worth of ZMCL was adversely affected in FY24 due to continued negative accruals over the last three years and substantial increase in intangible assets due to the transfer of DMCL's trademarks of Rs. 170 crores. This translated into further weakening of the capital structure with TOL/TNW deteriorating to -29.52 times (FY23: 2.17x) and overall gearing to -10.70 times in FY24 (FY23; 0.89). The overall gearing adjusting for intangible assets stood at 0.85x in FY24 (FY23: 0.37) and TOL/Net worth adjusting for intangible assets stood at 2.36x in FY24 (FY23: 0.9x). Additionally, with negative PBILDT of ~Rs. 39 crore in FY24, ZMCL's interest cover further weakened to -1.62x in FY24 (FY23: 2.24x). The company serviced its interest and debt repayment obligations through stretching of its trade and other payables. With sizeable repayment obligations in FY25, ZMCL's capital structure and coverage indicators are expected to remain under pressure over the coming quarters.

**Stretched working capital cycle:** ZMCL's working capital cycle remains stretched as the company resorted to stretching its trade payables and other expenses to generate liquidity to fund debt servicing obligations, in the light of operating losses in FY24, translating into increase in trade and other payables by more than Rs. 150 crore in FY24. Moreover, the company continues to have sizeable receivables from its customers at 98 days as on March 31, 2024. CARE Ratings expects the working capital cycle to remain stretched in the near term.

**Significant decline in promoter's shareholding and delay in infusion of funds through share warrants:** The promoter holding has declined significantly since June 30, 2020. As on March 31, 2024, total promoter holding in ZMCL stands at 0.07% (March 31, 2024: 4.34%). ZMCL's board, in its meeting on January 05, 2022, had approved raising Rs. 164.50 crore through issue of equity warrants on preferential basis to Asian Satellite Broadcast Private Limited, a promoter group entity. The warrants were later inter-se transferred to Elitecast Media Limited (EML), another group entity. While the promoters infused Rs. 41 crores at the time of issue of warrants, EML has been directed by regulatory authorities to maintain status quo in respect of the warrants owing to pending proceedings against EML by Debt Recovery Tribunal (DRT). The due date for exercise of warrants has passed and SEBI has asked the company to approach it for extension of timeline after final order is passed by DRT.

**Intense industry competition:** The competition is ever increasing with large number of players present in the news broadcasting industry. Moreover, technological changes have laid new distribution platforms inviting competition from newer players. To maintain its competitive edge in such a scenario, the company needs to anticipate viewer preferences to create, acquire, commission, and produce compelling content across platforms favoured by the consumers.

**Key strengths**

**Wide distribution platform with a bouquet of national and international channels:** Over the past 2 decades, ZMCL has built a strong portfolio of 15 news channels comprising 1 global, 3 national and 11 regional channels. ZMCL has also set up a multi-lingual digital news platform i.e., Zeenews.com, wherein news is broadcast online in nine languages – Hindi, English, Marathi, Bengali, Tamil, Telugu, Malayalam, Kannada and Gujarati. The global channel WION, is now available on Etisalat in MENA region and on Sky Channel in the UK market. The wide portfolio of national and regional channels enables the company to cater to a wide audience. With effect from February 2023, ZMCL has moved out from Zee's Channel Bouquet leading to increased branding and marketing costs.

**Re-entry of ZMCL in BARC rating System:** ZMCL had pulled out of BARC rating system in September 2022 because of issues with the landing page and up-linking and downlinking with the satellites. This affected the advertisement revenue generation capacity of ZMCL which was reflected in declining quarter-on-quarter revenue. However, ZMCL has re-entered BARC rating system since October 2023, which is expected to improve the operating performance of the company in the coming quarters, as demonstrated in Q4FY24.

#### **Liquidity:** Stretched

ZMCL's liquidity remains stretched as reflected in negative gross cash accruals of Rs. 42 crores in FY24 as against Rs. 12 crores in FY23. The company resorted to stretching of its payables to meet debt servicing obligations. The company is expected to generate a GCA of ~Rs. 100 crores in FY25 owing to improving operations. Against this, it has debt repayment obligation of Rs. 121.8 crore in FY25 (including redemption of NCDs worth Rs. 102 crore) and ~Rs. 21 crores in FY26. The average fund based working capital utilization stood high at 86% for the 12-months ended February 2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

#### **Applicable criteria**

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Service Sector Companies](#)

#### **About the company and industry**

##### **Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Entertainment	TV Broadcasting & Software Production

ZEE Media Corporation Limited (ZMCL), incorporated on August 27, 1999, is a part of Essel group. The company is one of the largest private news networks in the country with a portfolio of through 15 news channels comprising of 1 Global, 3 National and 11 Regional channels in 7 different languages in the linear TV platform. The company has a strong national presence and healthy regional presence in North, West, East and Central India. The company also has a presence in digital news market through its subsidiary 'India Dotcom Digital Private Limited'. In digital news market company's portfolio consist of 5 digital news channels, 7 news apps and 32 digital properties.

##### **Standalone:**

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1 FY 2025 (P)
Total operating income	537.48	457.69	NA
PBILDT	84.27	-48.59	NA
PAT	-45.00	-85.99	NA
Overall gearing (times)	0.36	0.81	NA
Interest coverage (times)	3.16	-2.13	NA

**Consolidated:**

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1 FY 2025 (P)
Total operating income	720.86	638.29	NA
PBILDT	66.45	-39.18	NA
PAT	-68.80	-98.43	NA
Overall gearing (times)	1.21	-10.70	NA
Interest coverage (times)	2.24	-1.62	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE BB; Negative
Fund-based - LT-Term Loan		-	-	March 2025	0.00	Withdrawn

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (07-Jul-23)	1)CARE BB+; Stable (05-Aug-22)	1)CARE BB; Stable (24-Aug-21)
2	Fund-based - LT-Cash Credit	LT	50.00	CARE BB; Negative	-	1)CARE BB+; Stable (07-Jul-23)	1)CARE BB+; Stable (05-Aug-22)	1)CARE BB; Stable (24-Aug-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Zee Akash News Private Limited	Full	Similar line of business
2	India Dotcom Digital Private Limited		
3	Zee Media Inc		
4	Today Retail Network Private Limited		
5	Today Merchandise Private Limited		

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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