

Zee Media Corporation Limited

August 24, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities – Term Loan	84.90	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Long term Bank Facilities – CC	50.00		
Total Facilities	134.90 (Rs. One hundred thirty-four crore and ninety lakhs only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in rating assigned to long term bank facilities of Zee Media Corporation Limited (ZMCL) factors in the stable performance of ZMCL in FY21 and Q1FY22, resulting in to improved liquidity position marked by pre-payment of various debt instruments and unutilized bank limits over last five months ended July 2021.

The ratings continue to remain tempered by decreasing promoter holding and continued high level of pledge of promoters' shareholding. The ratings also factor in intense competition in the news broadcasting space, highly regulated industry segment, high amount of receivable pending from DMCL against settlement of corporate guarantee invoked in FY21 and impact of covid-19 on Media & entertainment industry.

The ratings, however, continue to derive strength from the experienced promoters, availability of a wide platform for distribution with a bouquet of national and international channels.

Rating Sensitivities

Positive Factors – Factors that could lead to positive rating action/upgrade

- Significant increase in promoter holding along with reduction in pledge of promoters holding
- Full recovery of receivables from DMCL
- TOL/TNW of less than unity on a sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade

- Increase in overall gearing to more than 1.5x on a sustained basis
- Increase in working capital cycle of more than 100 days on a sustained basis

Outlook: Stable

Detailed description of the key rating drivers

Key Rating Weaknesses

Settlement of corporate guarantee invoked due to non-redemption of NCD by DMCL

ZMCL had extended corporate guarantee aggregating Rs.250 crore to IDBI Trusteeship Services Limited (Debenture Trustee) in favour of debt raised by DMCL (Diligent Media Corporation Limited, the then wholly owned subsidiary of ZMCL). DMCL failed to redeem the NCD outstanding of Rs.438.90 crore (including premium) on due date June 30, 2020 and the Debenture Trustee invoked the Corporate Guarantee issued by ZMCL upon non-redemption of NCDs by DMCL, and called ZMCL to make a payment of an amount aggregating to Rs. 457.11 crore (including interest and associated costs).

The said corporate guarantee was settled by way of issue of 15,46,39,175 0.01% CCPS of Rs.1 each, at issue price of Rs. 5.82 (including premium of Rs.4.82) amounting to Rs.90 crore to Miloeux Media & Entertainment Private Limited and payment of Rs.200 crore to debenture trustee sourced via issue of 2300 unrated, unlisted, secured, redeemable NCD of Rs. 10 Lakhs each amounting to Rs.230 crore. The said NCD carries coupon rate of 9% payable semi-annually on July 31 and January 31 every year till maturity (Tentative maturity: July 31, 2025). Out of Rs.230 crore NCD, Rs.30 crore is in use of working capital. Further, DMCL received the haircut of Rs.167.11 crore to settle the corporate guarantee invoked.

Recovery of receivables from DMCL regarding invocation of Corporate Guarantee extended for the NCD raised by DMCL

The company has considered the corporate guarantee settlement amount along with other receivable from DMCL as fully recoverable based on the internal assessment, the valuation reports and assurance from DMCL to repay the amount.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

However, considering the current business operations, substantial losses incurred over the years and negative net worth of DMCL, and further in the absence of identified source of funding for repayment by DMCL to substantiate management's conclusion on the recoverability, auditors were unable to comment upon adjustments, if any, that may be required to the amount recoverable from DMCL. Hence, recovery of receivables from DMCL remain critical from rating perspective.

Leveraged capital structure and prepayment of debt

As on March 31, 2021, the long-term loans have decreased due to scheduled repayment of the debt. However, the total debt increased due to issue of NCD for settlement of corporate guarantee invoked during FY21 in DMCL.

As on March 31, 2021, the net-worth improved due to issue of Compulsorily Convertible Preference Shares (CCPS). The overall gearing deteriorated to 0.71x as on March 31, 2021 as against 0.52x as on March 31, 2020. While, overall capital structure remained moderately leveraged with TOL/TNW being 1.04x as on March 31, 2021 (as compared to 1.05x as on March 31, 2020). While, adjusted overall gearing as on March 31, 2021 was at 1.79x (Post adjusting pending receivables from DMCL). Going forward with no major debt funded capex planned coupled with expected improvement in operations the overall gearing is expected to improve.

Status of total debt as on June 30, 2021:

- ZMCL had scheduled payment for FY22 of Rs.35.00 crore towards NCD (Principal). However, as confirmed from debenture trustee, the company has made pre-payment of NCD (Principal) of Rs.35.19 crore in Q1FY22. As per discussion with debenture trustee, the relevant interest in respect of debentures including the prepaid portion was paid on July 30, 2021.
- ZMCL had scheduled repayment for FY22 towards term loan (Principal) of Rs.28.30 crore. However, the company made prepayment of term loan (Principal) of Rs.38.30 crore in Q1FY22.

Significant decline in promoter's shareholding and high pledge of promoter holding

The promoter holding and % of promoter share pledged for the group has changed since June 30, 2020. As on June 30, 2021, total promoter holding in ZMCL decreased to 14.72%, of which, 99.38% was pledged (promoter holding was at 36.75%, of which 99.75% was pledged as on June 30, 2020). The change in shareholding of the promoters & promoters' group was on account of invocation of the shares pledged.

Operates in highly competitive and regulated industry segment

The competition is ever increasing with large number of players entering 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 will need to anticipate viewer preferences to create, acquire, commission, and produce compelling content across platforms favoured by the consumers.

Key Rating Strengths

Experienced promoter group

Essel Group (holds 14.72% stake in ZMCL) has been in the media & entertainment business for more than two decades, as the flagship channel (Zee TV) was launched in 1992. 'Zee' brand has a strong recognition in the media and entertainment industry given its long and successful track record. Further, Essel Group has a presence across allied media value chains including television broadcasting, cable distribution, direct-to-home satellite service and digital media amongst others.

Wide distribution platform with a bouquet of national and international channels

Over the past 2 decades, ZMCL has built a strong portfolio of 14 news channels comprising 1 global, 3 national and 10 regional channels. Amongst the channels launched, three regional channels were launched during FY18.

ZMCL manages its multi-lingual digital news platform i.e. Zeenews.com, wherein news is broadcasted in different 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 channel organized WION Global Summit in Dubai in March 2021, highlighting the Wuhan virus pandemic and the economic, geopolitical and digital changes.

Rapid growth in digital news portfolio:

Wionews.com, Global English news platform, in Q1FY22 reached to 65.4 million-page views compared to 37.6 million-page views in Q1FY21. Monthly Average Users also grew from 3.2 million in Q4FY21 to 5.4 million in Q1FY22.

Zeebiz.com, digital business news offering, grew to 102 million-page views during Q4FY21 compared to 74 million-page views in Q4FY20. Monthly Average Users grew from 11.7 million in Q4FY20 to 18 million in Q4FY21.

Stable financial performance of the company in FY21 and Q1FY22 amidst Covid-19

The industry saw hold back of spend by advertisers specifically in Q4FY20 due to the impact of Covid-19. However, the revenue from advertising segment started improving with ease in lockdown restrictions. Revenue from operations for the company improved 2.7% in FY21 on YoY basis. The revenue from advertising segment reported growth of 3.4% in FY21 on YoY basis. The revenue from subscription segment also improved by 4.4% in FY21 on YoY basis however, did not reach the pre covid level.

The PBILDT margin improved by 348 bps to 33.59% in FY21 on account of marginal improvement in revenue and reduced travelling/conveyance expenses and reduced other production expenses. Further net amount of Rs.11.17 crore has been charged to P&L as allowance for bad and doubtful advances/deposits due to disruption of supply chain and rescheduling of delivery terms on account of global pandemic.

During Q1FY22, ZMCL reported improvement in total income by 28.83% compared to Q1FY21, however, did not reach Q4FY21 level. The revenue improvement in Q1FY22 is mainly attributable to growth in advertisement revenue.

Transfer of Digital Publishing Business Division to subsidiary

Digital Publishing Business Division of the company has been transferred through a Business Transfer Agreement to Rapidcube Technologies Private Limited ('Rapidcube'), the wholly owned subsidiary of the company, the said transfer has been completed on May 04, 2021, effective from April 01, 2021. In discharge of its consideration payable for the said transfer, the Board of Directors of Rapidcube has allotted 23,32,16,754 fully paid up Equity shares of Rapidcube of Rs. 10 each, to the company.

Liquidity: Adequate

As a result of improved liquidity position the company had made a prepayment of its NCD and a term loan in Q1FY22, which was due to be paid in FY22. Further, ZMCL had cash and cash equivalent (unencumbered) of Rs.77.16 crore as on June 30, 2021 as against Rs.81.96 crore as on March 31, 2021 (vis-à-vis Rs.47.21 crore as on March 31, 2020). Its capex requirements are modular which would be funded through internal cash accruals. ZMCL's bank limits are utilized to the extent of 32% for the past 12 months ending May 2021 with nil utilization over last 5 months.

Analytical approach:

CARE has considered the consolidated financials of ZMCL for analytical purposes owing to financial and operational linkages between the company, its subsidiary and its associates. The consolidated financials include financials of the following subsidiary and associates.

Name of the company	As on March 31, 2021
Subsidiary	
Zee Akash News Private Limited	100%
Rapidcube Technologies Private Limited *	100%
Associates	
Today Retail Network Private Limited	49%
Today Merchandise Private Limited	49%

*Incorporated on 29 October, 2020

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology: Consolidation](#)

[CARE's Policy on Default Recognition](#)

[CARE's Policy on Curing period](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

ZEE Media Corporation Limited (ZMCL) incorporated on August 27, 1999 is a part of Essel group. The company is one of the largest news networks in the country wherein it reaches out to more than 220 million viewers through 14 news channels comprising of 1 Global, 3 National and 10 Regional channels in 7 different languages in the linear TV platform. The company has a strong national presence and has strengthened its position as a regional player in North, West, East and Central India. The company reaches out to more than 60 million users through the digital platform. The company is equipped with updated technology in content creation, packaging and broadcasting.

With effect from April 2017, the newspaper printing business carried out through Mediavest India Private Limited and PriMedia Services Private Limited has been demerged from ZMCL and subsequently merged with DMCL. DMCL which was

a wholly-owned subsidiary of ZMCL has become an independent entity w.e.f. April 2017 and accordingly, the printing business has been completely hived off from ZMCL.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	641.77	649.31
PBILDT	193.23	218.08
PAT	-271.12	75.74
Overall gearing (times)	0.52	0.71
Interest coverage (times)	8.05	8.97

A: Audited

ZMCL reported GCA of Rs.9.75 crore against total operating income of Rs.171.40 crore in Q1FY22.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March 2025	84.90	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	50.00	CARE BB; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (21-Dec-18)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (21-Dec-18)
3.	Fund-based - LT-Term Loan	LT	84.90	CARE BB; Stable	-	1)CARE BB-; Stable (26-Mar-21) 2)CARE C; Negative (29-Sep-20) 3)CARE C; Negative (06-Jul-20) 4)CARE B; Negative (29-Jun-20)	1)CARE BB; Negative (08-Nov-19) 2)CARE BBB; Stable (05-Jul-19)	1)CARE A (CWN) (08-Feb-19) 2)CARE A; Stable (21-Dec-18)
4.	Fund-based - LT-Cash Credit	LT	50.00	CARE BB; Stable	-	1)CARE BB-; Stable (26-Mar-21) 2)CARE C; Negative (29-Sep-20) 3)CARE C; Negative (06-Jul-20) 4)CARE B; Negative (29-Jun-20)	1)CARE BB; Negative (08-Nov-19) 2)CARE BBB; Stable (05-Jul-19)	1)CARE A (CWN) (08-Feb-19) 2)CARE A; Stable (21-Dec-18)
5.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)Withdrawn (06-Jul-20) 2)CARE A4 (29-Jun-20)	1)CARE A4 (08-Nov-19) 2)CARE A3+ (05-Jul-19)	1)CARE A1 (CWN) (08-Feb-19) 2)CARE A1 (21-Dec-18)

Annexure-3: Detailed explanation of covenants of the rated facilities – Not applicable

Annexure 4: Complexity level of various instruments rated for this company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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