

**Zee Media Corporation Limited**

March 26, 2021

**Rating**

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	134.90	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE C; Negative (Single C; Outlook: Negative)
<b>Total Bank Facilities</b>	<b>134.90</b> <b>(Rs. One Hundred Thirty-Four Crore and Ninety Lakhs Only)</b>		

*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) takes into account settlement of NCD for which ZMCL has provided corporate guarantee which was invoked by Debenture Trustee via letter dated October 17, 2020) of Diligent Media Corporation Limited (DMCL) on February 03, 2021 in full and final settlement, through allotment of NCD amounting to Rs.230crore and allotment of Compulsory Convertible Preference share (CCPS) of Rs.90crore by ZMCL.

The rating also factors in high level of pledging of the promoter holding. As on December 31, 2020, total promoter holding in ZMCL stood at 18.13%, of which, 99.50% was pledged. The ratings assigned to the bank facilities of ZMCL continue to factor in the intense competition in the news broadcasting space, highly regulated industry segment, high amount of receivable from DMCL subsequent to aforementioned liability and impact of covid-19 on Media & entertainment industry. The ratings, however, continue to derive strength from the established track record of the promoter group in the media and entertainment industry, availability of a wide platform for distribution with a bouquet of national and international channels, Integration of advertisement sales function resulting in reduced cost, moderate financial performance of the company in FY20 amidst Covid-19. The rating further takes into consideration the improvement in the financial performance of the company in 9MFY21.

**Rating Sensitivities**
**Positive Factors:**

- Improvement in the PAT margin to 15% on a sustained basis.
- TD/GCA of less than unity on a sustained basis
- Recovery of receivables of DMCL

**Negative Factors:**

- 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

**Detailed Rationale & Key Rating Drivers**
**Key Rating Weaknesses**
**Moderation in capital structure characterized by impairment of investment in DMCL**

ZMCL has accounted for impairment of investment in DMCL which has been charged to profit & loss account for Q4FY19 and FY20. The same resulted in net loss and in turn reduction in the net-worth base of the company. Reduction of networth due to impairment of investment in DMCL and also factoring in the contingent liability in the form of corporate guarantee extended to DMCL for its NCD issue, the overall gearing of ZMCL on a consolidated basis deteriorated to 1.80x as on March 31, 2020 (as compared to 0.92x as on March 31, 2019).

The total debt to GCA was negative in FY20 as compared to 3.91x in FY19. Although the PBILDT level improved in FY20, however due to increase in interest cost the interest coverage metrics deteriorated to 8.05x in FY20 as compared to 10.08x in FY19.

**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.

### Industry Outlook amidst Covid-19

The media and entertainment sector is expected to witness 16% decline in revenue in FY21, due to fall in the advertisement and subscription income in the wake of coronavirus-induced lockdown. The industry would take a hit of around 18 per cent in revenue from advertisement that accounts for nearly 45 per cent of total income, while the subscription earning that contributes 55 per cent will be relatively resilient with a likely decline of 14 per cent.

#### Key Rating Strengths:

##### **Full and final settlement of the NCD issued by DMCL with subsequent issue of NCD of Rs.230crore and CCPS of Rs.90crore by ZMCL**

DMCL has issued NCD for which ZMCL has extended corporate guarantee, which was subsequently revoked by the debenture trustee via letter dated October 17, 2020. ZMCL has redeemed the aforementioned NCD by paying Rs.290crore (Rs.457.11crore outstanding as on January 31, 2021 including accumulated interest) on February 03, 2021 in full and final settlement. ZMCL has further allotted NCD of Rs.230crore and CCPS of Rs.90crore on February 03, 2021 to repay the aforementioned NCD. Debenture trustee has issued 'No dues certificate' for the NCD issued by DMCL for which ZMCL has extended corporate guarantee. The CCPS allotted will be converted into equity within eighteen months of the allotment. Further, the NCD issued will be redeemed at premium such that debenture holders get an IRR of 12.26% at the of last payment on July 31, 2025. Coupon and principle will be repaid in semi-annual payments.

##### **Established track record of promoter group in media and entertainment industry**

Essel Group has been in the media and 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 platform for distribution with a bouquet of national and international channels**

Over the past 19 years, ZMCL has built a strong portfolio of 14 news channels in eight different languages and reaching more than 60 million users through digital channels. In addition, ZMCL manages its multi-lingual digital news platform i.e. Zeenews.com.

##### **Moderate financial performance of the company in FY20 amidst Covid-19, Albeit improved performance in 9MFY21**

The industry saw hold back of spends by advertisers specifically in the last quarter of FY20 due to the impact of Covid-19. TOI of the company declined by around 7% to Rs.643.42crore in FY20 (as compared to Rs.693.84crore in FY19) mostly due to lower advertisement revenue. Advertisement revenue (which contribute 92% to the total revenue) declined by 5% on a y-o-y basis to Rs.583.5crore in FY20. Despite lower TOI, PBILDT margin of ZMCL on consolidated basis improved by 401 bps to 30.18% in FY20, led by lower marketing, distribution and business promotion expense. Further, ZMCL had an investment of Rs436.27crore in DMCL which has been fully impaired during Q4FY19 & FY20. Resulting which the ZMCL reported a net loss of Rs.271crore in FY20 as against a reported loss of Rs.6.32 crore in FY19. However, the company reported a healthy PBT of Rs.80 crore in FY20 as compared to Rs.108 crore in FY19; albeit some decline on a YoY basis.

The company had reported net profit and GCA of Rs.65.24crore and Rs.120.52crore respectively against the net loss and cash loss in 9MFY20. Further the PBILDT margin of the company improved to 34.26% in 9MFY21 (vs 32.18% in 9MFY19) due to the rationalisation of operating cost. The company has adopted work from home concept for the news anchor and thus reducing the cost on lease rentals and other administrative cost related to it. The company reported TOI of Rs.469.16crore in 9MFY21 lower than last year, an impact of covid-19.

#### **Liquidity: Adequate**

ZMCL's cash position as on December 31, 2020 was at Rs.56.47crore (vis-à-vis Rs.47.21crore as on March 31, 2020). The company reported a gross cash accrual of Rs.120.52crore in 9MFY21 as against debt repayment obligation of Rs.83.50crore in FY22. Further the company has unutilized bank limits of 30% for the past 12 months period ending February 21, supported by above unity current ratio. The company has moderate capex requirement of around Rs.50crore which it is going to fund through internal accruals.

#### **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 subsidiaries

Name of the company	As on March 31, 2020
<b>Subsidiary</b>	
Zee Akash News Private Limited <sup>§</sup>	100%
<b>Associates</b>	
Today Retail Network Private Limited	49%
Today Merchandise Private Limited	49%

<sup>§</sup> Acquired the remaining 40% stake during Q1FY19

### Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)  
[Liquidity Analysis of Non-Financial Sector Entities](#)  
[Financial ratios – Non-Financial Sector](#)  
[Rating Methodology: Service Sector Companies](#)

### About the Company

ZEE Media Corporation Limited (ZMCL) incorporated on August 27, 1999 is a part of Essel group. It is one of the largest news networks in the country with portfolio of fourteen news channels in eight different languages in the linear TV platform while it reaches out to more than 220 million users through the digital platform. It has a strong national presence and has strengthened its position as a regional player in North, West, East and Central India.

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)	FY19 (A)	FY20 (A)	9MFY21(U/A)
Total operating income	693.84	641.77	469.16
PBILDT	181.57	193.23	160.74
PAT	-6.32	-271.12	65.24
Overall gearing (times)	0.32	0.52	0.45
Adjusted overall gearing (times)*	0.98	1.80	1.52
Interest coverage (times)	10.08	8.05	10.91

A: Audited; \*considering corporate guarantee extended by ZMCL to the NCD issued by DMCL

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

**Any other information:** Not Applicable

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

### 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	-	-	-	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (21-Dec-18)	1)Provisional CARE A; Stable (14-Sep-17)
2.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (21-Dec-18)	1)Provisional CARE A; Stable (14-Sep-17)
3.	Fund-based - LT-Term Loan	LT	84.90	CARE BB-; Stable	1)CARE C; Negative (29-Sep-20) 2)CARE C; Negative (06-Jul-20) 3)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 C; Negative (29-Sep-20) 2)CARE C; Negative (06-Jul-20) 3)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: 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. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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