MAY 12, 2015

CARE ASSIGNS FINAL RATING TO THE LONG TERM INSTRUMENT OF ZEE LEARN LIMITED

Rating

Instrument	Amount (Rs. crore)	Rating[1]	Remarks
Long term- Non-Convertible Debenture (NCD)^	65	CARE AA (SO) [Double A (Structured Obligation)]	Final

^backed by an unconditional and irrevocable Debt Service Reserve Account (DSRA) guarantee from ZEE Entertainment Limited (ZEL) to top up the reserve account to meet any shortfall in servicing outstanding obligations of the said debentures, seven days prior to the due date.

Rating Rationale

The rating assigned to the long-term instrument (zero coupon NCDs with maturity falling due in July 2020) issued by ZEE Learn Limited (ZLL) principally derives comfort from the credit enhancement in the form of an unconditional and irrevocable Debt Service Reserve Account (DSRA) guarantee from ZEE Entertainment Limited (ZEL; rated CARE AA/ A1+) to top up the reserve account to meet any shortfall in servicing outstanding obligations of the said debentures, seven days prior to the due date.

Background

ZLL is a part of the Essel group and was incorporated in the year 2010. It is a child development and education company which operates K-12 schools under the brand name “Mount Litera Zee Schools” (MLZS), pre-schools under name “Kidzee”, and vocational academy “ZICA” and “ZIMA”. ZLL also acts as a consultant to local entrepreneurs who wish to setup K-12 schools, Kidzee pre-school and provides end to end education management and advisory services. As on March 31, 2014, ZLL has one subsidiary Digital Ventures Private Limited (DVPL), which is an EPC (Engineering Procurement and Construction) company engaged in owning developing and leasing the school infrastructure and ancillary assets required in educational business.

During FY14 (refers to the period April 1 to March 31), ZLL posted on a standalone basis a total income of Rs.122.36 crore and net loss of Rs.1.33 crore as against total income of Rs.100.70 crore and net loss of Rs.21.22 crore in FY13. Furthermore, in 9MFY15, ZLL posted total income of Rs.82.80 crore and PAT of Rs.5.80 crore.

About the Guarantor

Zee Entertainment Enterprises Limited (ZEL), a part of the Essel group is one of India’s leading television media and entertainment companies in India with a wide viewer base of over 730 million across 169 countries. ZEL operates a wide bouquet of 33 domestic channels and 35 international channels covering all genres of entertainment as on March 31, 2014. ZEL's activities include content aggregation, TV broadcasting and domestic & international pay-tv platform. ZEL is one of the largest aggregators of Hindi programming in the world, with an extensive library housing over 120,000 hours of television content and with rights of over 3,500 movie titles. As on March 31, 2014 ZEL has 19 subsidiaries (including step down) in India and overseas.

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

On a consolidated basis, ZEL posted a total income of Rs.4,589.50 crore in FY14 (refers to the period April 01 to March 31) vis-a-vis Rs.3,819.90 crore in FY13 and PAT of Rs.890.20 crore vis-à-vis Rs.717.20 crore in FY13. During Q1FY15, ZEL posted a total operating income of Rs.1,124.65 crore (vis-à-vis Rs.1045.42 crore in Q1FY14) on a consolidated basis and PAT of Rs.210.04 crore (vis-à-vis Rs.223.87 crore in Q1FY14).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691