

Zee Learn Limited

July 24, 2020

Detailed Rationale & Key Rating Drivers

Zee Learn Limited (ZLL) had delayed in servicing of redemption of Non-Convertible Debentures (NCDs) (ISIN: INE565L07018) due on July 08, 2020, which was backed by letter of Undertaking (LOU) given by Zee Entertainment Enterprises Limited (ZEEL). ZLL's revenues in Q1FY21 were severely impacted due to Covid-19 lockdown as there were various restrictions in collecting school fee during this period. Given the poor liquidity condition, ZLL requested the UTI Mutual Fund (Investor) for moratorium on its NCD payment which was rejected. Subsequently, ZLL filed a writ petition against UTI Mutual Fund in the Bombay High Court on June 25, 2020 to seek moratorium on its NCD repayments. At the same time, ZEEL, committed to repay the NCDs outstanding to UTI Mutual Fund, if the Bombay High Court did not provide any relief to ZLL. On July 13, 2020, Bombay High Court rejected the writ petition, after which, ZEEL paid the amount outstanding under NCD to UTI Mutual Fund on July 14, 2020, and became the new investor in the NCDs. Given that the delay in the NCD payment, stemmed from the liquidity challenges faced by ZLL due to Covid-19, and the time taken at the Bombay High Court to decide on the writ petition, the rating is reaffirmed at 'CARE B; negative (Single B; outlook: Negative)'. Currently, ZLL is seeking modification in the various terms of NCD with ZEEL. CARE will continue to monitor the developments and seek information for necessary rating action.

Outlook: Negative

ZLL would continue to face business challenges during FY2021 due to Covid-19; accordingly, the outlook continues to remain negative.

Analytical Approach: Consolidated

CARE has considered consolidated financials of ZLL, while arriving at the ratings owing to operational linkages and financial linkage. The consolidated financials of ZLL include financials of its various subsidiaries and step down subsidiaries, list of subsidiaries and step down subsidiaries of ZLL is attached as Annexure-2.

Applicable Criteria

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

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

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

[Rating Methodology: Consolidation and Factoring Linkages in Ratings](#)

[Rating methodology: Service Sector Companies](#)

[CARE's policy: Liquidity Analysis of Non-Financial Sector Entities.](#)

About the Company

ZLL is a part of 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", pre-schools under the brand 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. ZLL had acquired MT Educare Limited (MTEL) on May 25, 2018.

Consolidated Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	9MFY20(UA)
Total operating income	272.54	549.03	441.01
PBILDT	106.21	189.94	182.59
PAT	49.28	83.39	67.33
Overall gearing (times)	0.78	1.98	NA
Interest coverage (times)	5.56	4.01	3.97

A: Audited UA: Unaudited, NA=Not Available, Note= Financials are classified as per CARE's standards

Status of non-cooperation with previous CRA: Not Applicable

Rating History for last three years: Please refer Annexure-1

Annexure 1: 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.	Debentures-Non Convertible Debentures	LT	65.00	CARE B; Negative	1)CARE B; Negative (07-Jul-20)	1)CARE AA (CE) (Under Credit watch with Negative Implications) (26-Sep-19)	1)CARE AA+ (SO) (Under Credit watch with Negative Implications) (08-Feb-19)	1)CARE AA+ (SO); Stable (07-Mar-18)

Annexure-2: List of Subsidiaries and step-down subsidiaries

Name of the subsidiary	% of holding as on March 31, 2019
Digital Ventures Private Limited	100%
Academia Edificio Private Limited	100%
Liberium Global Resources Private Limited	100%
MT Educare Limited	59.12%
Step down subsidiaries	% of holding as on March 31, 2019 by MT Educare Limited
Lakshya Forum for Competitions Private Limited (formerly known as Lakshya Educare Private Limited)	100%
MT Education Services Private Limited	100%
Chitale's Personalised Learning Private Limited	100%
Sri Gayatri Educational Services Private Limited	75%
Robomate Edutech Private Limited	100%
Letspaper Technologies Private Limited #	100%
Labh Ventures India Private Limited	100%

#Yet to commence commercial business operations as on 31 March 2019

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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