

August 05, 2022

National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra- Kurla Complex Bandra (E), Mumbai - 400 051 NSE - ZEEMEDIA	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai- 400 001 BSE-532794
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Subject: Disclosure under Regulation 30 of SEBI (LODR) Regulations, 2015 – Intimation of improved Credit Rating for Bank facilities

Dear Sir/Madam,

This is to inform you that CARE Ratings Limited (CARE) had reviewed the rating assigned for Company's Bank facilities and has *vide* its letter dated August 5, 2022 revised the Credit rating. The revision in rating assigned to long term bank facilities of Zee Media Corporation Limited (ZMCL) factors in healthy performance of the Company in FY22 and Q1FY23, resulting into directional improvement in the operational and credit metrics along with its liquidity position.

The details of the revision in the credit rating is as per details below:

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long-term Bank Facilities	88.79 (Reduced from 134.90)	CARE BB+ ; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Total	88.79 <i>(Rupees Eighty Eight Crore and Seventy Nine Lakhs Only)</i>		

Press release dated August 5, 2022, issued by Care Ratings Limited is attached herewith, which *inter-alia* contains detailed rationale & key rating drivers. The above aforesaid information is also being hosted on the website of the Company in accordance with Regulation 46 of SEBI Regulations.

This is for your information and records.

Yours truly,
For Zee Media Corporation Limited



Ranjit Srivastava
Company Secretary & Compliance Officer
 Membership No. A18577

Zee Media Corporation Limited
 (Formerly Zee News Limited)

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Zee Media Corporation Limited

August 05, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	88.79 (Reduced from 134.90)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Total Bank Facilities	88.79 (₹ Eighty-Eight Crore and Seventy-Nine Lakhs Only)		

Details of instruments/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 healthy performance of ZMCL in FY22 and Q1FY23, resulting into directional improvement in the operational and credit metrics along with its liquidity position.

The ratings continue to remain tempered by further decrease in the promoter holding as on June 22, to a very low level of 4.34% (March 22: 8.52%) 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 Diligent Media Corporation Ltd (DMCL) against settlement of corporate guarantee invoked in FY21, and auditors' qualification regarding not writing off of the receivables due from DMCL. The agency also notes the departure of Mr. Sudhir Choudhary (ex-CEO) in July 2022. 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.

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/Adjusted 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
- Any additional corporate guarantee extended to any of its group companies

Detailed description of the key rating drivers

Key Rating Weaknesses

Overhang of additional write offs of receivable from DMCL; likely to impair net worth in midterm.

As a consequence of settlement of corporate guarantee issued to DMCL, Rs.309 crores were recoverable from DMCL at the start of FY22. However due to poor financial profile of DMCL, recovery of the dues was under pressure. Shareholders of DMCL did not approve settlement of part dues by way of transfer/assignment of identified trademarks (valued at Rs.170 crore) of DMCL to ZMCL. Hence in FY22 ZMCL wrote off Rs.127crore and the balance amount of Rs.182 crores was considered recoverable from DMCL. Auditor of the company has opined that a provision should be made for balance amount considering uncertainty with regard to recoverability of the same. The auditor has accordingly notified this non provision with qualification in the Auditor's report. CARE Ratings is uncertain with regard to extent of recovery of the balance dues from DMCL basis the monetisation of the trademarks (assuming the transfer is accomplished). In the event of additional write offs, net worth of the ZMCL will be negatively impacted.

Significant decline in promoter's shareholding, which continues to be almost entirely pledged.

The promoter holding and % of promoter share pledged for the group has changed significantly since June 30, 2020. As on June 30, 2022, total promoter holding in ZMCL further decreased to 4.34%, of which, 98.4% 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 pledged shares by the lenders to the promoters. As per the BSE announcement dated 5th January 2022 ZMCL has got an approval to raise Rs. 164.50 crore through issue of equity warrants on preferential basis to Asian Satellite Broadcast Private Limited, a Promoter Group Entity and till date Rs. 41 crores have been infused in ZMCL. With further equity infusion by the promoters expected by June 2023, their shareholding is expected to display a significant increase.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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. Recently Mr. Sudhir Chaudhary resigned from the position of Chief Executive Officer and joined competitor "Aaj Tak". CARE Ratings believes that Mr. Sudhir Chaudhary was also one of the pull factors driving the overall viewership of ZMCL's news properties and his resignation and switch to the competition could lead to a temporary decline in the viewership and TRPs in the midterm. Ability of ZMCL to maintain its viewership along with growth momentum in advertisement income in FY23 will be key for the rating.

Key rating Strengths

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. 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.

Sustainable improvement in revenue; Subdued EBITDA margin in FY22 likely to improve from FY23 onwards

ZMCL has reported substantial growth in the top line in FY22 mainly on account of increase in the advertisement income from digital segment. ZMCL's total advertisement income stood at Rs. 822 Crore in FY22 (FY21: Rs. 603 crore) translating into ~ 36% growth. Digital segment has been the major contributor to advertisement growth income. Management expects steady improvement in revenue profile in future. However, ZMCL's EBITDA margin declined to 29% in FY 22; (FY21: 34%) due to increase in the ZMCL's advertisement expenses for promoting its own digital properties. ZMCL's management expects EBITDA to improve to 31% in FY24 and ~ 34% by FY25 mainly on account of improvement in the advertisement yields.

Despite decline in the Net worth, leverage indicators remained stable in FY22; likely to improve in midterm.

During FY22, healthy cash accruals resulted in prepayment the NCD dues to the tune of Rs30.21 crore and term loan prepayment of Rs 30.32 crore. ZMCL's, Adjusted Overall Gearing (after writing off receivables from DMCL) has also marginally improved to 1.62x in FY22 from 1.8 in FY21. As per management's expectation this ratio is likely to improve and fall below unity by FY23. Further ZMCL has not planned any major debt led capex in future and hence overall gearing is expected to improve in midterm.

Liquidity: Strong

In FY22 company has generated healthy cash accruals and has comfortable liquidity. In FY22 ZMCL's gross cash accruals stood at Rs. 176 crores against debt repayment (NCD + term Loan) of ~ Rs.65 crore. Agency believes that ZMCL will be able to generate healthy gross cash accruals in midterm due to expected improvement in scale of operations. ZMCL's utilisation of the fund-based working capital limits during the 12 months ended April 2022 was 32% against sanctioned limits of Rs.50 crores. As confirmed by the banker, ZMCL always carries higher drawing power compared with sanctioned limits. ZMCL's Cash Flow from Operations (CFO) improved in FY22 to Rs.229cr (PY: Rs.123cr) on the back of healthy absolute EBITDA of Rs 256 crore in FY22 (FY21: Rs 218 crore) and improvement in the working capital cycle which stood at 76 days in FY22; (FY21:100 Days). Management also expects that going forward CFO is likely to remain positive with expected improvement in EBITDA margins and favourable working capital cycle. As informed by the management ZMCL does not have any major capex plans and hence the free cash flows are also likely to remain positive in the medium term.

Analytical approach: Consolidated

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, 2022
Subsidiary	
Zee Akash News Private Limited	100%
India Dotcom Digital Private Limited (formerly known as Rapid cube Technologies Pvt Ltd)	100%
Associates	
Today Retail Network Private Limited	49%
Today Merchandise Private Limited	49%

Applicable Criteria

[Rating Outlook and Credit Watch](#)

[Rating Methodology: Consolidation](#)

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

[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.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (A)
Total operating income	573.03	654.88	206
PBILDT	180.51	163.63	42.69
PAT	59.14	83.55	8.19
Overall gearing (times)	0.59	0.40	NA
Interest coverage (times)	7.51	4.47	NA

A: Audited NA- Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2025	38.79	CARE BB+; Stable
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE BB+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	38.79	CARE BB+; Stable	-	1)CARE BB; Stable (24-Aug-21)	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)
2	Fund-based - LT-Cash Credit	LT	50.00	CARE BB+; Stable	-	1)CARE BB; Stable (24-Aug-21)	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)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)Withdrawn (06-Jul-20) 2)CARE A4 (29-Jun-20)	1)CARE A4 (08-Nov-19) 2)CARE A3+ (05-Jul-19)

*Long term/Short term.

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

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

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on 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 for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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