



Rating Rationale

Digital Venture Pvt Ltd.

17th July 2017

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 125.00 of Digital Venture Pvt Ltd (DVPL)

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Term Loan	266.05	125.00	Long Term	BWR BBB+ (SO) Outlook: Stable	BWR A- (SO) Outlook: Stable
Total	Rs 266.05 Cr	Rs. 125.00 Crores (Rupees One Twenty Five Crores Only.)			

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon DVPL's audited financial results of up to FY17, projected financials of upto FY21, project cash flow, and the information/clarifications provided by the Company.

The rating of the long-term bank facilities of Rs.125.00 crore of DVPL factors in the credit enhancement in the form of an unconditional and irrevocable Corporate Guarantee extended by Zee Learn Limited (ZLL) to the lenders of DVPL for repayment of the obligations on the bank facilities.

The rating continues to derive strength from strong parentage (Essel group) which has presence in broadcasting, distribution, programming and packaging, ZLL's growing recognition of the brands in the field of school education, favorable demand-supply factors for quality school education in the country, and deferred repayment obligations to ease liquidity pressure & help the company to stabilize the operations of its subsidiary. The rating also reflects promoter's ability to infuse capital as per business requirement.



The rating is however constrained by modest financial profile marked by average debt protection metrics, increasing competition in the business of school education, and the inherent risks associated with the combined structure of 'not-for-profit' and 'commercial' businesses.

Rating Outlook: Stable

BWR believes the **Digital Venture Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Digital Ventures Private Limited (DVPL) is a wholly-owned subsidiary of Zee Learn Limited (Rated BWR A-/Stable). DVPL has raised funds from banks to construct building and provide infrastructure which is required for running school. Currently, DVPL is executing school projects at following locations– Bandra Kurla Complex (BKC, Mumbai), Goa, Bhatinda, Karnal, Patiala and Nagpur. DVPL owns the infrastructure assets which are leased to schools run by various trusts belonging to the promoters. The Board of Directors of DVPL are Mr. Dinesh Kanodia, Mr. Anil Kumar Jain and Mr. K V S Seshasai.

Details of Zee Learn Ltd, the parent and guarantor:

Zee Learn Limited (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", 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. ZLL runs programs in 1) Early Childhood Education, 2) School Education, 3) Activity based Learning centers, 4) Vocational training in Media and Design; through partnerships/franchising and through running its own institutes.

The Group follows a structure of both Company Owned and Company Operated (COCO), as well as Franchisee models. It has 12 schools under the COCO model (6 Kidzee, 5 Mount Litera Zee School and 1 Mount Litera Zee International School), which are operated by various Trusts or Societies, with ZLL providing management services, and 2031 Signed up Franchisee schools (1637 Kidzee and 110 Mount Litera Zee School).

The current student strength of Kidzee in an academic year has reached over 122,000 and the current strength of MLZs has reached over 55,000 students. With annual addition of 250 operational Preschools and 12 to 15 K-12 schools, the company will be on continuous growth trajectory in coming years. Digital Ventures Private Limited (DVPL) one of the key subsidiary of ZLL, is engaged in owning, developing and leasing the school infrastructure and ancillary assets required by the schools under the COCO model. As on FY17 the company recorded revenues of Rs. 161 crs and PAT of Rs. 36.34 crs compared to Rs. 138.86 crs and PAT of Rs. 15.07 crs in FY16



Company Financial Performance

In FY17, company reported total operating income and PAT of Rs. 17.71Cr and Rs. 0.34Cr compared to total operating income and PAT of Rs. 12.32 Cr and Rs. 0.02Cr in FY16. Tangible Net-Worth of the company stood at Rs. 201.52 Cr in FY17.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	NA	20 March 2015	NA
1	Term Loan	Long Term	125.00	BWR A-(SO) (Stable)	-	BWR BBB+(SO) (Stable)	NA

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information- NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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