

ZEE LEARN LIMITED (ZLL)

Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of Zee Learn Limited with Credit Watch with Negative Implications.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (April, 2020)	Present
Fund-based Overdraft Term loan	61.52 44.00 17.52	61.52\$ 44.00 17.52	Long Term	BWR A Credit Watch With Negative Implications	BWR BBB Credit Watch With Negative Implications Downgrade
Total	61.52	61.52	INR Sixty One Crores Fifty Two Lakh Only		

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

** Details of Bank facilities are provided in Annexure-I

\$Outstanding amount is Rs.58 crs as on date.

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has downgraded the rating of ZLL to BWR BBB Credit Watch with Negative Implications.

The rating downgrade is on account of not redeeming the NCD o/s amount about Rs 44.51 cores issued by the ZLL on the due date 8th July 2020. **The said NCD was not rated by BWR.** The company had filed a Writ petition before Hon. High Court Mumbai on 22nd June 2020 against the investor (an AMC) and the Trustee of the NCD seeking order to extend the redemption date to a date three months after the Government allows schools to reopen. The NCD was redeemed on 14th



July 2020 by its group company Zee Entertainment and Enterprise Ltd (which had guaranteed its payment) after dismissal of the Writ by the Honourable High Court of Mumbai on 13th July 2020. The downgrade also factors reduced financial flexibility and liquidity of the company caused by its inability to meet their payment obligations as their revenues have virtually stopped as a consequence of closure of schools during nationwide lockdown under COVID pandemic.

The rating takes comfort from the past stable performance of the company, its established brands in the field of school education and favourable demand supply factors for quality school education in the country. The rating is however, constrained by the increasing competition in the business of school education, moderate tangible net worth on account of high intangibles (Goodwill), inherent regulatory risk associated with the education business, dilution in the financial flexibility of the company.

The rating continues to be on Credit Watch with Negative Implications on account of the uncertainties about the company's revenues and liquidity owing to disruption of business activities and revenues caused by COVID pandemic and extended onsite shut down/lockdown in the education sector and the level of pledge of its promoter holding.

KEY RATING DRIVERS

Credit Strength

- Healthy demand for educational institutions.
- Diverse courses offered by the trust.
- Parentage: ZLL is the listed education arm of Essel/Zee Group. Essel Group has diverse business presence across the media, entertainment, packaging, infrastructure, education, precious metals and technology sectors.
- Financial performance on a consolidated basis: The overall financial performance has remained stable, keeping in view the acquisition of MT Educare, which has supported revenues and profitability. The total debt increased to Rs.432 crs in FY19, compared with Rs.258 crs in FY18. However, the same has declined as on Dec 31, 2019 to Rs.372 crs. The Interest Service Coverage Ratio (ISCR) dipped to 3.33x in FY19 as there was an increase in debt due to the acquisition of MT Educare.



Credit Risk

- A high level of pledged shares leading to the uncertainty of management control.
- The overall performance, operations and liquidity of the company are expected to be adversely impacted due to the ongoing lockdown situation and indefinite on site closure of schools/coaching institutes.
- The contingent liabilities of the company towards corporate guarantees given for debt raised by group companies operating in the same education sector.
- Deterioration in financial flexibility of the company.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied on Consolidated/standalone audited financials upto FY19, 9M Dec 19 financials, publicly available information and information/clarification provided by the company's management.

RATING SENSITIVITIES

Going forward, the company's ability to manage its liquidity and improve its revenue and profitability margins and overall financial performance, as well as the settlement of debt against the promoters' holding in ZLL would be key rating sensitivities.

Positive: The rating and outlook may be reviewed if the company's liquidity and performance improves materially along with decline in pledge levels of promoters holding of equity.

Negative: The rating and outlook may be reviewed if the company's liquidity and performance deteriorates, it is not able to collect fees/revenue as scheduled/expected and the pledge level of the promoters' holding continues to be unresolved.

LIQUIDITY POSITION: Stressed

The company's liquidity is stressed currently owing to operational cash flow mismatch as a result of shutting down the schools and educational institutes by the Government during the pandemic.



COMPANY PROFILE

Zee Learn Limited (ZLL) is a part of Essel Group and was incorporated in 2010. It is a child development and education company that operates K-12 schools under the brand name of Mount Litera Zee Schools, pre-schools under Kidzee and vocational academies ZICA and ZIMA. ZLL also acts as a consultant to local entrepreneurs who wish to set-up K-12 schools and the Kidzee pre-school and provides end-to-end education management and advisory services. ZLL runs programs in the following: early childhood education, school education, activity-based learning centers and vocational training in media and design, all through partnerships/franchising and running its own institutes.

The group follows a structure of Company-Owned and Company-Operated (COCO), as well as franchisee models. It has 49 preschool centers under the COCO model (32 Kidzee, 11 Mount Litera World Preschools and 6 Mount Litera Zee schools Junior). The company also has 6 K-12 COCO schools (5 Mount Litera Zee School and 1 Mount Litera Schools International), which operate under various trusts or societies. ZLL currently operates around 2000 preschools in 750 cities and 145 K-12 schools through its leading brands Kidzee and Mount Litera Zee School (MLZ), respectively. Zee Learn network has increased to around 4 lakhs students through our 2500+ operational establishments in 800+ cities with around 50000+ teachers, trainers and associated staff. The promoters hold 57% of the total equity. The company is managed by Chief Executive Officer Mr. Vikash Kar as Mr. Debshankar Mukhopadhyay resigned.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	Consolidated		Standalone	
		2019*	2018	2019	2018
Result Type		Audited	Audited	Audited	Audited
Operating Revenue	Rs. in crs	517.25	268.84	209.78	186.34
EBITDA	Rs. in crs	157.72	102.08	93.59	72.17
PAT	Rs. in crs	83.39	49.28	61.70	45.76
Tangible Net worth	Rs. in crs	167.66	247.60	411.23	350.84
Equity and Reserves and surplus	Rs. in crs	612.18	353.39	412.76	353.68
Total Debt/Tangible Net worth	Times	2.57	1.04	0.44	0.38
Current Ratio	Times	0.72	0.79	1.77	1.86

*2019 financials include 10 month consolidated numbers of MT Educare.

Key Parameters	Units	Consolidated		Standalone	
		9M Dec18	9M Dec 19	9M Dec18	9M Dec 19
Result Type		Unaudited	Unaudited	Unaudited	Unaudited
Operating Revenue	Rs. in crs	351.90	409.20	125.78	142.86
EBITDA	Rs. in crs	105.79	150.80	55.52	77.80
PAT	Rs. in crs	52.10	67.34	37.31	52.24

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY for last three years (including suspension and withdrawals)

Instrument / Facilities	Current Rating		Rating History									
	Type	Amount (Rs in Cr)	Rating	2020		2019		22nd May 2018	24th Aug 2017			
1	Term Loan	17.52	BWR BBB Credit Watch with Negative Implications	2nd April 2020		1st July 2019		NA	NA			
2	Overdraft			19.00	Term Loan	17.52	BWR A Credit Watch with Negati ve Implic ations			Term Loan	31	BWR A Credit Watch with Develop ing Implicat ions
					Overdraft	19				Overdraft	19	
3	Overdraft	25.00		Overdraft	25	Overdraft		25	8			
				Overdraft	25	Working Capital Demand Loan	8					
						1st Feb 2019		BWR A Credit watch with developing implicatio ns	NA			
					Term Loan	35	BWR A Credit Watch with Develop ing Implicat ions					
					Overdraft	19						
					Overdraft	25						
Total \$		61.52	Rupees Sixty One crores Fifty Two lakh Only									

\$Outstanding amount is Rs.58 crs as on date.



COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Service Sector

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Zee Learn Limited

ANNEXURE I

Details of Bank Facilities

₹ Crores

Name of the Bank	Name of Facility	Tenure	Previous Limits (April, 2020)	Present Limits
Yes Bank	Overdraft	Long Term	25.00	25.00
DCB Bank*	Overdraft	Long Term	19.00	19.00
	Term Loan	Long Term	17.52	17.52
Total \$			61.52	61.52

Total Rupees Sixty Nine crores and Fifty Two Lakh only.

*The limits of Abu Dhabi Commercial Bank has been taken over by DCB Bank

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ANNEXURE II

List of subsidiaries of ZLL

Name of the company	% Holding
Digital Ventures Private Limited	100
Academia Edificio Private Limited	100
Liberium Global Resources Private Limited	100
MT Educare Limited	59.48



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