RATING RATIONALE

22 April 2022

Zee Entertainment Enterprises Limited (ZEEL)

Brickwork Ratings withdraws the ratings of 6% Cumulative Redeemable Non- Convertible Preference Shares (CRNPS) on account of full redemption and Brickwork Ratings downgraded the Issuer Rating of Zee Entertainment Enterprises Limited to BWR A- and resolves the rating from Credit Watch with Negative Implications and simultaneously withdraws the same.

Particulars.

Instrument/ Facility*	Previous Amount (Rs. Cr)	Present Amount (Rs. Cr)	Tenure	Previous Rating (7 January 2022)	Present Rating
6% Cumulative Redeemable Non-convertible Preference Shares (CRNPS)	403.39	**403.39^**	Long Term	BWR A Credit Watch with Negative Implications	**Rating Withdrawn on account of full redemption.**
Issuer Rating	NA	**NA**	Long Term	BWR A Credit Watch With Negative Implications	**BWR A- Stable /Downgrade & resolved from Credit Watch with Negative Implications and simultaneously withdrawn the same.**
Total	403.39	**403.39**	**Rupees Four Hundred Three Crores and Thirty Nine Lakhs Only/-**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.
For Details of instrument please refer to the annexure I
^The current outstanding is Nil as the instrument/facility has been fully redeemed by the Company on the due date.

Rating Action:
Brickwork Ratings (BWR) withdraws the rating of 6% Cumulative Redeemable Non- Convertible Preference Shares (CRNPS) on account of full redemption.

Brickwork Ratings (BWR) downgrades the issuer ratings of Zee Entertainment Enterprises Limited (ZEEL) to BWR A-/Stable and resolves the ratings from Credit Watch with Negative Implications and simultaneously withdraws the same. The issuer rating is withdrawn at the request of the Company.
The downgrade in rating is on account of on account of uncertainties associated with the outcome of the inspection by the Ministry of Corporate Affairs (MCA) as disclosed by the company to the

stock exchange in February 2020, contingent liabilities/claims on account of the letter of comforts/guarantees issued by the Company, the court outcome with respect to DSRA guarantee with IndusInd Bank and pending outcome of income tax survey and future financial performance of the Company.

The stable outlook has been assigned as the Credit Watch with Negative Implications has been resolved by downgrade rating action. The Credit strength justifies the stable outlook.
The ratings continue to factor in the established track record of ZEEL in the Indian television broadcasting industry and presence in the media and entertainment industry for more than two decades, a large array of offerings across general entertainment, regional and niche segments and the current low debt, high net worth and superior liquidity.

Key Rating Drivers.

Credit Strengths-:
Track record of the Company in Media and Entertainment Industry:
The strong presence of Brand Zee in the Indian media space is via its presence in the diverse segments and positioning of flagship channel Zee TV among the top Hindi General Entertainment Channels (GECs) with a library of 270,000+ hours of library content. Zee's broadcast portfolio of 49 channels caters to the diverse Indian audience across the country. ZEEL's international broadcast portfolio of 35 channels reaches more than 170 countries.

ZEEL's diversification across segments.
ZEEL's portfolio is diversified across varied segments, including broadcasting in domestic and international markets, the production and distribution of films across several languages, launching leading music labels, organizing various live entertainment events and content distribution through digital OTT platform ZEE5. ZEE5's global MAU stood at 101.9mn and global DAU stood at 9.6mn as of December 2021.

Superior liquidity profile:
The cash and treasury investments of the company as of 31-December-21 is Rs.15.6 billion. The cash and treasury investments include bank balance of Rs.7.2 billion, fixed deposits of Rs.3.5 billion, Mutual Fund investments of Rs.4.6 billion and NCDs worth Rs.383 mn.

BWR has also noted that lnvesco and OFI have decided not to pursue the EGM as per the Requisition and accordingly, they will also proceed to withdraw the application (requesting the tribunal to order all EGM of the Company) before the National Company Law Tribunal.

Credit Weakness-:
High Receivables from related parties having weak financial profiles continues to remain a concern.
As per the clarification from the Company, In FY 20, revised payment plan was agreed with Dish which involved recovering the amounts over a time. From March 20 o/s of Rs.5.8 bn (March 21 –

Rs 4.5bn), the outstanding as at 31 Dec 21 is Rs.2.7 bn. Given the weak credit profile of the counterparty, the risk factor of collection continues to remain high.

Corporate guarantee extended to related party and ongoing litigations: During earlier years, the Company had provided commitments for funding shortfalls in Debt Service Reserve Account (DSRA guarantee) in relation to certain financial facilities availed from banks by Siti Networks Limited (SNL), a related party, including certain facilities availed when the cable business undertaking was part of ZEEL before its demerger into SNL. The loan outstanding of SNL as at 31 December 2021 which is backed by DSRA guarantee is Rs.200.90 Cr. On account of defaults made in repayments by SNL, during the year FY21 the Company has received demand notices/communications from the banks/representatives calling upon the Company to honor the obligations under the DSRA guarantee. As per the update received from ZEEL, Basis legal advice ZEEL has initiated legal proceedings before the Hon'ble Delhi Court seeking relief against demand raised by IndusInd under the DSRA Guarantee in which, the Division Bench of the Delhi High Court passed an interim order dated 25th February 2021 directing IndusInd Bank not to take any coercive step against ZEEL. Pursuant to a hearing on 3rd December 2021, the court modified the said interim order clarifying that there will be no restrain on IndusInd to take recourse to legal remedies available towards recovery of outstanding amounts. The order further clarifies that since the Division Bench of High court is seized of the matter and the suit is also pending before the single judge, no final order shall be passed in any proceeding initiated by IndusInd without the leave of the Appellate Court. IndusInd filed an application for clarification of the 3rd December 2021 order to clarify if 'recovery proceedings' could include 'insolvency proceedings'. The application is listed for hearing on 6th May 2022. Insolvency petition filed by IndusInd against ZEEL on 25th January 2022. ZEEL has filed an application seeking dismissal of the insolvency petition on the ground that it's in breach of Delhi High Court order. In the light of pending proceedings, the matter adjourned to 10th May 2022.

Pending closure of inspection by the Ministry of Corporate Affairs (MCA) and Income Tax Survey.

Earlier the Ministry of Corporate Affairs (MCA) has sought certain information and inspection under Section 206 (5) of the Companies Act, 2013 as per the company's filing to the stock exchange on 5 February 2020. As per the information from the ZEEL they have provided information to MCA and income tax department.

Working-capital-intensive nature of business and volatile nature of main advertising revenue.

ZEEL's operation is working-capital-intensive, mainly on account of a higher inventory holding in the form of content development and rights. The company is also making significant investments in its OTT platform ZEE5 to compete with the other aggressive players in the market. In FY21 ZEE5 released 75+ originals during FY21 and 51 shows and movies (incl 11 originals) released for the quarter ended 31st December 2021. Since more choice has to be offered to the customers, the company focuses on content production, which forms a major part of the inventory. In addition, advertisement revenue largely depends on macroeconomic conditions, viewership and the quality

and popularity of the channel and content. The inventories stood at Rs.5403 Cr for FY21 and inventories levels as of 31 December 2021 increased to Rs.6140.7 Cr.

Concerns about management of contingent liabilities and claims against the company. Litigations and crystallization of the amount of liabilities, qualifications by the auditor in the past with respect to non-recognition of liabilities remains concern with respect to management of these liabilities.

Pending regulatory and shareholder approvals for merger with Sony Pictures Networks India Private Limited.
Sony Pictures Networks India Private Limited (SPNI) and Zee Entertainment Enterprises Ltd. (ZEEL) have signed definitive agreements on 22 December 2021 to merge ZEEL with and into SPNI and combine their linear networks, digital assets, production operations and program libraries. The agreements follow the conclusion of an exclusive negotiation period during which ZEEL and SPNI conducted mutual due diligence. After closing, the new combined company will be publicly listed in India. The closing of the transaction is subject to certain customary closing conditions, including regulatory, shareholder, and third-party approval.

Analytical Approach: BWR has analyzed ZEEL's credit profile by considering the consolidated financial statements of the group owing to financial and operational linkages between the parent and its subsidiaries. The list of subsidiaries is given at the end of the rationale.

Liquidity profile: Superior The cash and treasury investments of the company as of 31-December-21 is Rs.15.6 billion. The cash and treasury investments include bank balance of Rs.7.2 billion, fixed deposits of Rs.3.5 billion, Mutual Fund investments of Rs.4.6 billion and NCDs worth Rs.383 mn.

COMPANY PROFILE
Zee Entertainment Enterprises Limited (ZEEL)
ZEEL is one of India's leading television, media and entertainment companies. ZEE is among the top Hindi General Entertainment Channels (GECs) with a library of 270,000+ hours of library content. Zee's broadcast portfolio of 49 channels caters to the diverse Indian audience across the country. ZEEL's international broadcast portfolio of 35 channels reaches more than 170 countries. ZEEL's portfolio is diversified across varied segments, including broadcasting in domestic and international markets, the production and distribution of films across several languages, launching leading music labels, organizing various live entertainment events and content distribution through digital OTT platform ZEE5. ZEE5's global MAU stood at 101.9mn and global DAU stood at 9.6mn as of December 2021.

Details of CRNPS:
During the year ended 31 March 2014, the Company had issued 20,169,423,120 6% Cumulative redeemable non-convertible preference shares of Re. 1 /- each (consolidated to face value of Rs. 10/- each in 2017) by way of bonus in the ratio of 21 bonus preference shares of Re. 1 /- each fully paid-up for every one Equity share of Re.1 each fully paid-up and are listed on Bombay Stock

Exchange (BSE) and National Stock Exchange (NSE) in India. During the year ended 31 March 2017, 6% Cumulative redeemable non-convertible preference shares of Re 1/- each has been converted to 6% Cumulative redeemable non-convertible preference shares of Rs.10/- each. The Company redeems at par value, 20% of the total bonus preference shares allotted, every year from the fourth anniversary of the date of allotment. The Company has an option to buy back the bonus preference shares fully or in parts at an earlier date(s) as may be decided by the Board. Further, if on any anniversary of the date of allotment beginning from the fourth anniversary, the total number of bonus preference shares bought back and redeemed cumulatively is in excess of the cumulative bonus preference shares required to be redeemed till the said anniversary, then there will be no redemption on that anniversary.

The payment of 5th and final tranche of redemption and prorate dividend on the redemption value of such Bonus Preference Shares have been paid to all the Preference Shareholders on March 5, 2022. Consequent to such redemption, the Bonus Preference Shares stand fully redeemed and paid in full and the ISIN INE256A4022 pertaining to the said Bonus Preference Shares is deactivated with effect from March 5, 2022.

KEY FINANCIAL INDICATORS- Consolidated (in Rs Cr)

Particulars.	**Units**	**FY20**	**FY21**
Result Type		**Audited**	**Audited**
Total Operating Income	Rs. in Cr	8129.9	7729.9
EBITDA	Rs in Cr	1644.7	1806.6
PAT	Rs. in Cr	524.6	793.1
TNW	Rs. in Cr	8749.8	9486.70
Total Debt/TNW	Times	0.07	0.04
ISCR	Times	11.35	31.64
DSCR	Times	1.82	3.14

9M FY22: The total operating revenue stood at Rs.5866.41 Cr with net profit for the period stood at Rs.773.84 Cr v/s total operating revenue at Rs.5764.09 Cr and net profit for the period at Rs.520.7 Cr for 9M FY21.

RATING HISTORY (INCLUDING RATING WITHDRAWAL AND SUSPENDED)

Sr. NO	Instrument Facility	Current Rating 18 April 2022			2022 (History)	Rating History		
		Type	Amount (Rs Cr)	Rating	Rating 7 January 2022	2021 6th January 2021	2020 7th August 2020	2019
1	6% Cumulative Redeemable Non-Convertible Preference Shares (CRNPS)	Long Term	403.39	Rating Withdrawn	BWR A (Credit Watch With Negative Implications)	BWR A (Credit Watch With Negative Implications)	BWR AA- (Credit Watch With Negative Implications)	BWR AAA Credit Watch with Negative Implication (4 June 2019) BWR AA+ Credit Watch with Negative Implications (15 November 2019) BWR AA Credit Watch with Negative Implications (17 December 2019)
2	Issue Rating	Long Term	NA	BWR A-/Stable Withdrawn	BWR A (Credit Watch With Negative Implications	BWR A (Credit Watch With Negative Implications)	BWR AA- (Credit Watch With Negative Implications)	BWR AAA Credit Watch with Negative Implication (4 June 2019) BWR AA+ Credit Watch with Negative Implications (15 November 2019) BWR AA Credit Watch with Negative Implications (17 December 2019)

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple
For more information, visit https://www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Policy for Placing Rating on Credit Watch
- Services Sector.
- Consolidated Approach.
- Policy of Rating Withdrawal.

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Zee Entertainment Enterprises Limited

ANNEXURE I

Instrument	Issue Date	Redemption Date*	ISIN	Amount (Rs. Cr)
6% Cumulative redeemable non-convertible Preference Share (CRNPS	05- March- 2014	Redeemed.	INE256A04022	403.39

Redemption Date – 5 March 2022. Redeemed on 5th March 2022 as per the due date.

ANNEXURE II.
List of entities consolidated

Sr. No.	Particulars
	Parent
	Zee Entertainment Enterprises Limited
	Subsidiaries
1	Zee Studios Limited
2	Zee Digital Convergence Limited
3	Pantheon Productions Limited
4	Zee Unimedia Limited
5	Zee Network Distribution Limited
6	Margo Networks Private Limited
7	Asia Multimedia Distribution Inc.
8	Asia Today Limited
9	Asia Today Singapore Pte Limited
10	Asia TV Gmbh
11	Asia TV Limited (UK)
12	Asia TV USA Limited
13	ATL Media FZ-LLC
14	ATL Media Limited
15	Expand Fast Holdings (Singapore) Pte Limited
16	OOO Zee CIS LLC
17	Taj TV Limited
18	Z5X Global FZ – LLC
19	Zee Entertainment Middle East FZ-LLC
20	Zee Multimedia Worldwide (Mauritius) Limited
21	Zee Studio International Limited
22	Zee TV South Africa (Proprietary) Limited
23	India Webportal Private Limited
24	Idea Shop Web Private Limited
25	Fly by Wire International Private Limited
26	OOO Zee CIS Holding LLC
	Joint Venture
1	Media Pro Enterprise India Private Limited
	Associate
1	Asia Today Thailand Limited

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