



Rating Rationale

Zee Learn Ltd.

3 Nov 2020

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 58.00 Crores of Zee Learn Ltd (ZLL).

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2020)	Present
Fund-based Overdraft	61.52	58.00	Long Term	BWR BBB Credit Watch With Negative Implications	BWR BB Credit Watch With Negative Implications Downgrade
Term loan	44.00	44.00			
	17.52	14.00			
Total	61.52	58.00	INR Fifty Eight Crores Only		

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

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

RATING ACTION / OUTLOOK

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

The rating downgrade factors decline in profitability due to non operating losses by MT Educare, not meeting the expected revenue resulting in insufficient cash inflows to cover timely servicing of the debt obligation of the company and the guaranteed debt of the group companies as the ZLLs and the group company revenues have virtually stopped consequent to partial closure of the schools. The downgrade also factors reduced financial flexibility and continued higher pledge levels of the promoters holdings.

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 and declining cash flows resulting into seeking One Time Restructuring (OTR) under COVID Scheme.



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, uncertainties on the payment of the dues in near term and the level of pledge of its promoter holding.

KEY RATING DRIVERS

Credit Strength

- Diverse courses offered by the trust.
- Healthy demand for educational institutes

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 pandemic situation.
- 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, FY20 (BSE Published) 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, not able to pay its dues timely and the pledge level of the promoters' holding continues to be unresolved.

LIQUIDITY POSITION: Poor

The liquidity profile is poor as reflected in the events such as the company was not able to repay the NCD debt obligations and the company has not paid the dues till Sep 2020. The company has applied for restructuring.

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.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	Consolidated		Standalone	
		2019*	2020	2019	2020
Result Type		Audited	BSE Published	Audited	BSE Published
Operating Revenue	Rs. in crs	517.25	514.83	209.78	194.37
EBITDA	Rs. in crs	157.72	168.40	93.59	100.46
PAT	Rs. in crs	83.39	25.11	61.70	68.62
Tangible Net worth	Rs. in crs	167.66	195.47	411.23	475.86
Equity and Reserves and surplus	Rs. in crs	612.18	633.09	412.76	477.53
Total Debt/Tangible Net worth	Times	2.57	1.96	0.44	0.37
Current Ratio	Times	0.72	0.44	1.77	0.91

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

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 - TL	14.00	BWR BB Credit Watch with Negative Implications	2nd April 2020		1st July 2019		NA	NA			
2	Overdraft (OD)			19.00	TL	17.52	BWR A Credit Watch with Negative Implications			TL	31	BWR A Credit Watch with Developing Implications
					OD	19				OD	19	
3	Overdraft	25.00		OD	25	Working Capital Demand Loan		8				
2	Overdraft (OD)	19.00		20th July 2020		1st Feb 2019		BWR A Credit watch with developing implications	NA			
				TL	17.52	BWR BBB Credit Watch with Negative Implications	TL			35		
3	Overdraft	25.00	OD	19	OD		19			BWR A Credit Watch with Developing Implications		
			OD	25	OD		25					
Total		58.00	Rupees Fifty Eight crores Only									

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 (July, 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	14.00
Total \$			61.52	58.00

Total Rupees Sixty Nine crores and Fifty Two Lakh only.

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

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



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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