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www.zeelearn.com

21<sup>st</sup> July, 2020

BSE Limited

Corporate Relationship Department,

Phiroze Jeejeebhoy Towers,

25<sup>th</sup> Floor, Dalal Street,

Fort, Mumbai-400 001

Scrip Code: 533287

The National Stock Exchange of India Limited

Exchange Plaza, Plot No.C/1,

Block G, Bandra-Kurla Complex,

Bandra (East),

Mumbai-400 051

Symbol: ZEELEARN

Sir(s),

Sub: Press Release for Rating downgrade by BRICKWORK RATINGS for banking facilities of Zee Learn Limited (ZLL) and its 100% subsidiary Digital Ventures Private Limited (DVPL).

This is to inform you that BRICKWORK RATINGS has downgraded the ratings from BWR A (Credit Watch with negative implications) to BWR BBB (Credit watch with negative implications) for bank loan facilities of ZLL. The Press Release issued on 20<sup>th</sup> July 2020 is attached herewith.

This is consequent to rating downgrade by CARE RATINGS on account of NCDs issued to UTI MF.

The downgrade made was due to the non-payment of NCD dues on the due date as the matter was sub-judice. The payment was made on the next day 14<sup>th</sup> July 2020 pursuant to Court verdict which was intimated to the Stock Exchanges on the same date.

BRICKWORKS RATINGS has also downgraded the ratings from BWR A-(CE) (Credit watch with negative implications) to BWR BBB-(CE) (Credit watch with negative implications) of DVPL. This is due to downgrading in rating of ZLL who has given corporate guarantee. The Press Release issued on 20<sup>th</sup> July for DVPL is also attached herewith.

Kindly take the same on record.

Regards,

Rakesh Agarwal

Chief Financial Officer & Compliance Officer

THINK EDUCATION. THINK ZEE LEARN.





## RATING RATIONALE

20 July 2020

### 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
<b>Total</b>	<b>61.52</b>	<b>61.52</b>	<b>INR Sixty One Crores Fifty Two Lakh Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://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)**

		Consolidated		Standalone	
Key Parameters	Units	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.

		Consolidated		Standalone	
Key Parameters	Units	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	Long Term	17.52	BWR BBB Credit Watch with Negative Implications	2nd April 2020			1st July 2019			NA	NA
			Term Loan					31	BWR A Credit Watch with Developing Implications			
			Overdraft					19				
2	Overdraft		19.00		Term Loan	17.52	BWR A Credit Watch with Negative Implications	BWR A Credit watch with developing implications		NA		
					Overdraft	19						
					Working Capital Demand Loan	8						
					1st Feb 2019							
					Term Loan	35			BWR A Credit Watch with Developing Implications			
			Overdraft		19							
			Overdraft		25							
3	Overdraft	25.00								NA		
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](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Service Sector

Analytical Contacts	Investor Contacts
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**Zee Learn Limited**

**ANNEXURE I**

**Details of Bank Facilities**

**₹ Crores**

<b>Name of the Bank</b>	<b>Name of Facility</b>	<b>Tenure</b>	<b>Previous Limits (April, 2020)</b>	<b>Present Limits</b>
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
	<b>Total \$</b>		<b>61.52</b>	<b>61.52</b>

**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**

<b>Name of the company</b>	<b>% Holding</b>
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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**About Brickwork Ratings :**Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons



## RATING RATIONALE

20 July 2020

### DIGITAL VENTURES PRIVATE LIMITED

**Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of ₹.109.37 Crores of Digital Ventures Private Limited with Credit Watch with Negative Implications.**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2020)	Present
Fund-based	109.37	109.37	Long Term	BWR A-(CE) Credit watch with Negative Implications	BWR BBB- (CE) Credit watch with Negative Implications
<b>Total</b>	<b>109.37</b>	<b>109.37</b>	<b>INR One Hundred and nine Crores and Thirty Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has downgraded the rating of Digital Ventures Private Limited to BWR BBB- (CE) Credit Watch with Negative Implications as the rating of the guarantor Zee Learn Ltd stands downgraded to BWR BBB Credit Watch with Negative Implications. The rating factors the unconditional, irrevocable corporate guarantee from ZLL, the parent company

The unsupported rating of Digital Venture Private Limited (DVPL) has been downgraded to BB+ from BWR BBB-. The downgrade factors reduced financial flexibility and liquidity of the company and the parent caused by closure of schools during nationwide lockdown under COVID pandemic. The rating also factors the parentage DVPL being a 100% subsidiary of ZLL, and past



stable performance of DVPL. The rating is however, constrained by the increasing competition in the business of school education.

The credit enhancement (CE) is in the form of an unconditional and irrevocable corporate guarantee extended by ZLL rated BWR BBB Credit watch with negative implications to the lenders of DVPL for the repayment of the obligations on the bank facilities with an escrow mechanism.

### KEY RATING DRIVERS

- **Credit Strengths:**
  - Parentage support as a part of ZLL
  - Credit enhancement in the form of a Corporate Guarantee from ZLL
  - Moderate financial risk profile: overall past stable financial performance
- **Credit Risks:**
  - 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 as the company is dependent on the income from school for providing infrastructure facilities.
  - Regulated nature of the Indian education industry that requires approvals from various government bodies for the addition of new courses and seats

### ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon audited financials upto FY 2019 and provisional Profit and loss account FY 2020, publicly available information and information/clarification provided by the company's management of DVPL and performance of the credit enhancer ZLL.

### RATING SENSITIVITIES

Going forward, the company's ability to improve its revenue and EBITDA and manage its liquidity and overall financial performance of the credit enhancer remain key rating sensitivities.

**Positive:** The rating and outlook may be reviewed if the liquidity and overall financial performance of the company and credit enhancer improve materially.



**Negative:** The rating and outlook may be reviewed if the liquidity and performance of the company and the enhancer deteriorates.

### **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**

Digital Ventures Private Limited (DVPL) is a wholly owned subsidiary of ZLL. DVPL has raised funds from banks to construct building and provide infrastructure, which is required for running schools. Currently, DVPL is executing school projects at 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 promoters.

#### **Details of Zee Learn Ltd, the parent and guarantor:**

Zee Learn Limited (ZLL) is a part of the 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 academy courses under ZICA and ZIMA. ZLL also acts as a consultant to local entrepreneurs who wish to set-up K-12 schools and 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 and 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.



## KEY FINANCIAL INDICATORS (in INR Crs)

### FINANCIAL INDICATORS - Digital Ventures Private Limited

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	Amount in cr	29.57	33.81
EBITDA	Amount in cr	26.50	27.97
PAT	Amount in cr	2.16	1.90
Tangible Net worth	Amount in cr	218.91	223.17
Total Debt/Tangible Net worth	Ratio	0.60	0.93
Current Ratio	Ratio	1.05	0.28

The total revenue recorded for 2019-20 is Rs.35.04 crs.

### FINANCIAL INDICATORS – CREDIT ENHANCEMENT PROVIDER- ZLL

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	2.26	1.04	0.41	0.38
Current Ratio	Times	0.72	0.79	1.77	1.86

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



		Consolidated		Standalone	
Key Parameters	Units	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

#### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

Corporate guarantee given by Zee Learn Limited

#### NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY

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

Instrument / Facilities	Current Rating		Rating History												
	Type	Amount (Rs in Cr)	Rating	2020			2019			3rd Oct 2018			17th July2017		
Term Loan (TL)	Long Term	109.37	BWR BBB-(CE) Credit Watch with Negative Implications	2nd April 2020			1st Feb 2019								
				T L	109.37	BWR A-(CE) Credit Watch with Negative Implications	T L	121.56	BWR A-(SO) Credit Watch with Developing Implications						
							14th Sep 2019			T L	121.56	BWR A-(SO) Stable	TL 125 BWR A-(SO) Stable		
Total		109.37	Rupees One Hundred and Nine crores Thirty Seven lakh Only												





## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Service Sector**
- **Credit enhancement**

Analytical Contacts	Investor Contacts
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**Digital Ventures Private Limited**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Axis Bank	Term Loan	87.50	-	87.50
2	Tamilnad Mercantile Bank	Term Loan	21.87	-	21.87
<b>TOTAL</b>					<b>109.37</b>

**Total Rupees One Hundred and Nine Crores Thirty Seven Lakh only.**

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