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www.zeelearn.com

November 4, 2020

BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
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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: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Press Releases, dated November 3, 2020, by Brickwork Ratings (BWR) “Brickwork Ratings revises the ratings for the Bank Loan facilities of Rs 58 Cr of Zee Learn Ltd (ZLL)” and “Brickwork Ratings revises the ratings for the Bank Loan facilities of Rs 109.37 Cr of Digital Ventures Pvt Ltd (DVPL)”

This is to inform you that BWR has released the above Press releases, dated November 3, 2020, pertaining to the revision in ratings of the Bank Loan facilities of ZLL (BWR BBB Credit Watch with Negative Implications to BWR BB Credit Watch with Negative Implications) and of material wholly owned subsidiary of ZLL (Company), i.e. DVPL (BWR BBB-(CE) Credit Watch with Negative Implications to BWR BB Credit Watch with Negative Implications).

The above is primarily due to decline in expected revenue and consequential reduction in the cash flow because of partial closure of schools caused by COVID19 pandemic, therefore impacting timely servicing of bank dues. The rating takes comfort from the past stable performance of the company and its established brands in the education sector that are well placed to meet the need of quality education in the country. The above Press Releases from Brickwork Ratings dated November 3, 2020 are attached herewith.

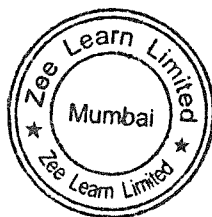
Please note, the lockdown executed by the Government of India and various State Govts to contain the COVID19 pandemic and subsequent closures of educational institutes has significantly disrupted the business. However, the Zee Learn Network has embarked upon several measures during this period to fulfil the learning needs of the students across its network by further strengthening its Blended Learning tools, Digital resources and Virtual learning and Training initiatives. The Company is confident that it will experience normal business operations once the lockdown is lifted and school operations stabilize post opening of the schools. Loan restructuring options are also being explored with the lenders in line with the extant guidelines issued by the Reserve Bank of India.

Kindly take the same on your records.

Regards,

For Zee Learn Limited

Prashant Parekh
Company Secretary



THINK EDUCATION. THINK ZEE LEARN.





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 Term loan	61.52 44.00 17.52	58.00 44.00 14.00	Long Term	BWR BBB Credit Watch With Negative Implications	BWR BB Credit Watch With Negative Implications Downgrade
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
		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	Long Term	14.00	BWR BB Credit Watch with Negative Implications	2nd April 2020			1st July 2019			NA	NA
			TL		17.52	BWR A Credit Watch with Negative Implications	TL	31	BWR A Credit Watch with Developing Implications			
			OD		19		OD	19				
			OD		25		OD	25				
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	BWR A Credit Watch with Developing Implications			
		OD	19	OD	19							
3	Overdraft	25.00	OD	25	OD		25				NA	
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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About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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

Digital Venture Pvt. Ltd.

3 Nov 2020

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 109.37 Crores of Digital Venture Pvt. Ltd.

Particulars

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

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-1

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has downgraded the rating of Digital Ventures Private Limited to BWR BB Credit Watch with Negative Implications.

The rating downgrade factors not generating expected revenue for debt protection and insufficient cash inflows to cover timely servicing of the debt obligation of the issuer company. The DVPLs and the group companies cash flows have not met the expected level. The downgrade also factors deterioration in the credit profile and financial flexibility of the group and its credit enhancer namely Zee Learn Limited (its holdco) which could not support the guaranteed debt obligation of DVPL leaving the credit enhancement meaningless.

The rating takes comfort from the past stable performance of the company, 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, inherent regulatory risk associated with the education business and inadequate cash flows resulting in seeking One Time Restructuring (OTR) under COVID Scheme.



The credit enhancement (CE) is in the form of an unconditional and irrevocable corporate guarantee extended by ZLL for the repayment of the obligations of DVPL of the bank facilities with an escrow mechanism. BWR has revised the rating to unsupported from the CE rating as the guarantor is in financial stress and its credit profile has deteriorated materially leading to seeking One Time Restructuring of its own debt. As such no meaningful credit enhancement is available on account of the said guarantee.

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 uncertainties on the payment of the dues in near term.

KEY RATING DRIVERS

- **Credit Strengths:**

- Overall past stable financial performance, however the company is dependent on the income from school through infrastructure facilities, which are partly operational.

- **Credit Risks:**

- The overall performance, operations and liquidity of the company are expected to be adversely impacted further due to the ongoing pandemic impacting the education sector as the company is dependent on the income from school by 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.
- The company has applied for One Time Restructuring under COVID Scheme.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon audited financials upto FY 2019 and provisional Profit and loss account 9M FY 2020, publicly available information and information/clarification provided by the company's management of DVPL.

RATING SENSITIVITIES

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

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



Negative: The rating and outlook may be reviewed if the liquidity and performance of the company deteriorates and is not able to pay its dues timely.

LIQUIDITY POSITION: Poor

The liquidity profile is poor as the company has not paid the dues till Sep 2020 and has applied for One Time Restructuring under COVID Scheme.

COMPANY PROFILE

Digital Ventures Private Limited (DVPL) is a wholly owned subsidiary of ZLL. DVPL has raised funds from banks to construct buildings 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.

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/TNW	Amount in cr	218.91	223.17
Total Debt/Tangible Net worth	Ratio	0.60	0.93
Current Ratio	Ratio	1.05	0.28

As of 9M Dec 2019, DVPL has recorded revenue of Rs.26 crs with PAT of Rs.1.45 crs and TNW stands at Rs.226.34 crs with total borrowings of Rs.240.75 crs.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY

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

Instru- ment / Facilit- ies	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 BB Credit Watch with Negative Implicati- ons	2nd April 2020			1st Feb 2019								
				T L	109. 37	BWR A- (CE) Credit Watch with Negati- ve Implic- ations	T L	121.56	BWR A- (SO) Credit Watch with Develo- ping Implic- ations						
				20th July 2020			14th Sep 2019			T L	121.5 6	BWR A- (SO) Stable	TL	12 5	BWR A- (SO) Stable
				T L	109. 37	BWR BBB- (CE) Credit Watch with Negati- ve Implic- ations	T L	121.5 6	BWR A- (CE) Credit Watch with Develo- ping Implic- ations						
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



Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Service Sector
- credit enhancement based on Guarantee

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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
TOTAL					109.37

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



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