



Zee Media Corporation Limited

Instrument	Amount	Rating Action
Long-term loans	Rs. 80.0 crore	Revised to [ICRA]A (stable) from [ICRA]A+; rating watch with negative implications removed
Long-term, fund-based facilities	Reduced to Rs. 45.0 crore from Rs. 50.0 crore	Revised to [ICRA]A (stable) from [ICRA]A+; rating watch with negative implications removed

ICRA has revised the rating assigned to the Rs. 80.0 crore¹, long-term loans and the Rs. 45.0 crore (reduced from Rs. 50.0 crore), long-term, fund-based bank facilities of Zee Media Corporation Limited (ZMCL)² to [ICRA]A (pronounced ICRA A) from [ICRA]A+ (pronounced ICRA A plus) and has removed the rating watch with negative implications. The outlook on the rating is 'stable'.

The rating had been placed under watch with negative implications following ZMCL's announcement of proposed merger of Essel Publishers Private Limited (EPPL) with itself. The Scheme of Amalgamation for the said merger has been approved by the Hon'ble Bombay High Court with Appointed Date being April 01, 2014. ICRA has evaluated the impact of the merger on the credit profile of ZMCL and has removed the rating watch.

The consequent rating downgrade takes into account the deterioration in the financial profile of ZMCL post the merger. ICRA notes that the debt-funded asset heavy print business has been reporting significant losses, resulting in an increase in gearing and weakened debt servicing indicators for ZMCL. However, ICRA draws comfort from the management's initiatives towards improving the profitability of the business, as evidenced from the reducing losses.

The rating continues to factor in ZMCL's position as the largest news network in the country; strong recognition of the Zee brand proving to be a competitive edge for ZMCL through leveraging this network strength; and the strong promoter and management profile of the Essel group. The rating also factors in the company's announcement of a rights issue of upto Rs. 200 crore, which is likely to be part utilised for funding the future capex plans and partly towards liquidating the working capital borrowings. The rating also takes into account the high competitive intensity in the news broadcasting space, and the moderation in the margins for ZMCL's television business on the back of reduced subscription revenues and opex related to four new channels launched in the last 1.5 years. However, while the pressure on margins would continue to persist till the time the new channel launches achieve breakeven, and the print business achieves a turnaround, the overall credit profile is expected to improve going forward, though will continue to remain weak.

Company Profile

Zee Media Corporation Limited (ZMCL) was incorporated as Zee Sports Limited on August 27, 1999. The name of the company was changed to Zee News Limited on May 27, 2004. To comply with the news up-linking guidelines of Government of India, Zee Entertainment Enterprises Limited (ZEEL) transferred its news-gathering activities to ZMCL with effect from October 2005. Later, ZEEL also transferred its regional general entertainment channels (R-GECs) to ZMCL by way of a demerger scheme dated November 17, 2006 with effect from March 31, 2006. Thereafter, the company got listed at Bombay Stock Exchange, National Stock Exchange and Calcutta Stock Exchange in January 2007. Since then up till December 31, 2009, ZMCL had been the chief operating company for news, regional news and R-GECs in the Essel Group.

¹ 100 Lakh = 1 Crore = 10 Million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA Rating Publications



However, with the focus to create 24x7 news channels in prominent Indian regional languages, ZMCL considered separating the R-GECs from the news business; and under a scheme of arrangement, demerged and transferred the R-GECs to ZEEL with effect from January 1, 2010. In line with the strategic decision to build a News Powerhouse and hive-off entertainment coupled with the on-going losses of the channel, Zee Tamil was shut down on March 31, 2011. The name of the company was further changed to Zee Media Corporation Limited (ZMCL) with effect from July 06, 2013.

Currently, ZMCL operates 10 24x7 news and entertainment channels, which include Zee News (Hindi news and current affairs channel), Zee Punjab Haryana Himachal (Punjabi language current affairs channel), Zee Business (Hindi language business news channel), 24 Ghanta (Bengali language news channel), Zee 24 Taas (Marathi language news channel), Zee Sangam (news channel for Uttar Pradesh and Uttarakhand), Zee Madhya Pradesh Chhattisgarh (news channel for Madhya Pradesh and Chhattisgarh), Zee Marudhara (news and entertainment channel for Rajasthan), Maurya TV (news and entertainment channel for Bihar and Jharkhand) and Zee Kalinga (Odia language news and entertainment channel). 24 Ghanta is operated by a 60% subsidiary, Zee Aakash News Private Limited, with 40% held by Sky B (Bangla) Private Limited; and Maurya TV is operated by Maurya TV Private Limited.

In May 2014, the Scheme of amalgamation for merger of Essel Publishers Private Limited (EPPL) with ZMCL was approved by the Hon'ble Bombay High Court. Consequent to the amalgamation of EPPL with ZMCL, the company has expanded into print news segment through subsidiaries Diligent Media Corporation Limited (DMCL) which publishes DNA newspaper in Mumbai (earlier even Pune and Bengaluru editions) and Pri Media Services Private Limited (Pri Media) which is engaged in the printing of DNA newspaper and other printing job work.

Recent Results

For the six months ended September 30, 2014 (unaudited), ZMCL (consolidated) reported a net loss of Rs. 27.4 crore on an operating income of Rs. 264.6 crore as against a profit after tax (PAT) of Rs. 20.4 crore on an operating income of Rs. 335.2 crore for the twelve months ended March 31, 2014.

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