

Zee Media Corporation Limited

Instrument	Amount (Rs. crore)	Rating Action
Long-term, fund-based facilities	95.0	[ICRA]A reaffirmed; outlook revised to 'negative' from 'stable'
Long-term loans	80.0	[ICRA]A reaffirmed; outlook revised to 'negative' from 'stable'
Short-term, fund-based facilities	8.0	[ICRA]A2+ assigned

ICRA has reaffirmed the long-term rating of **[ICRA]A** (pronounced ICRA A) assigned to the Rs. 95.0 crore¹, long-term, fund-based facilities and the Rs. 80.0 crore, long-term loans of Zee Media Corporation Limited ('ZMCL', or the company)². ICRA has also assigned a short-term rating of **[ICRA]A2+** (pronounced ICRA A two plus) to the Rs. 8.0 crore, short-term, non-fund based facilities of ZMCL. The outlook on the long-term rating has been revised to '**negative**' from '**stable**'.

The revision in the outlook on the long-term rating to negative factors in the expected deterioration in the profitability of the company on account of conversion of Zee News channel from pay to free to air with effect from June 2016, which is the major contributor to the subscription revenues of ZMCL; launch of English news channel – WION – in the current year which would require high initial operating expenditure, coupled with ongoing gestation period of three other new channels launched since FY2014; investments in the planned launch of the Delhi edition of DNA; and investments towards the to-be acquired loss-making e-commerce business of Today Merchandise Private Limited (TMPL) and Today Retail Network Private Limited (TRNPL). The rating is also constrained by the continuing, albeit reducing, losses of the print business which is yet to turnaround. However, ICRA draws comfort from the management's initiatives towards improving the profitability of the print business. The rating also takes into account the high competitive intensity in the news broadcasting space; however, ZMCL management remains optimistic on the growth of the regional news space.

The ratings continue to factor in ZMCL's position as the largest news network in the country; strong recognition of the Zee brand and its ability to leverage the group's network strength; and the strong promoter and management profile of the Essel group. The ratings also factor in the successful conclusion of the rights issue amounting to Rs. 195.6 crore in April 2015, which has been partly used to prepay/ repay bank borrowings and partly to fund the capex plans, thereby reducing the borrowing requirement for the company.

Going forward, the pressure on margins would persist till the time the new channel launches achieve breakeven and the print business achieves a turnaround. ICRA would also monitor the additional investments required towards funding the opex of the loss-making ecommerce business proposed to be acquired by ZMCL. Further, the extent to which the increase in advertisement revenues for Zee News on the back of increased penetration offsets de-growth in subscription revenues remains a key rating sensitivity.

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. 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

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.



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 11 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), India 24x7 (National news channel; earlier Zee Sangam - Uttar Pradesh and Uttarakhand news channel), Zee Madhya Pradesh Chhattisgarh (news channel for Madhya Pradesh and Chhattisgarh), Zee Rajasthan News (earlier Zee Marudhara; news and entertainment channel for Rajasthan), Zee Purvaiya (news and entertainment channel for Bihar and Jharkhand), Zee Kalinga News (Odia language news and entertainment channel) and the recently launched World Is One News (WION; English news channel). 24 Ghanta is operated by a 60% subsidiary, Zee Akaash News Private Limited, with 40% held by Sky B (Bangla) Private Limited; also, ZMCL increased its equity stake in Maurya TV Private Limited (an entity engaged in the business of broadcasting of Zee Purvaiya) from 37.87% to 100.00% in December 2014. 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 with Appointed Date being April 01, 2014. 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. The Scheme was made effective on May 27, 2014, and given effect to in ZMCL's financials starting Q1 FY2015.

In February 2016, ZMCL's Board provided an in-principle approval for acquisition of upto 80% equity stake in India Today group's e-commerce entities - Today Merchandise Private Limited (TMPL) and Today Retail Network Private Limited (TRNPL) for Rs 165.78 crore in staggered payments over the next four years.

Recent Results

As per unaudited financials for the three-month period ended June 30, 2016, ZMCL (consolidated) reported a net profit of Rs. 1.2 crore on an operating income (OI) of Rs. 128.2 crore. As per audited financials for the 12-month period ended March 31, 2016, ZMCL (consolidated) reported a net loss of Rs. 3.0 crore on an OI of Rs. 542.9 crore, as against a net loss of Rs. 43.2 crore on an OI of Rs. 544.3 crore as per audited financials for the 12-month period ended March 31, 2015.

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