

Diligent Media Corporation Limited

Instrument	Amount	Rating Action
Short-term, non-fund based facilities	Rs. 10.0 crore	[ICRA]A2+(SO) assigned
Short-term, non-fund based facilities (proposed)	Rs. 10.0 crore	Provisional [ICRA]A2+(SO) assigned

ICRA has assigned an [ICRA]A2+(SO) (pronounced ICRA A two plus Structured Obligation) rating to the Rs. 10.0 crore¹, short-term, non-fund based facilities of Diligent Media Corporation Limited (DMCL)². ICRA has also assigned a Provisional [ICRA]A2+(SO) (pronounced Provisional ICRA A two plus Structured Obligation) rating to the proposed Rs. 10.0 crore, short-term, non-fund based facilities of DMCL. The SO (structured obligation) rated non-fund based facilities of DMCL are credit enhanced by an unconditional and irrevocable corporate guarantee issued by Zee Media Corporation Limited (ZMCL). An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The rating assigned to the proposed Rs. 10 crore bank facility of DMCL is provisional as of now (as denoted by the prefix 'Provisional' before the rating symbol) and is subject to the fulfillment of all conditions under the structure and review of final documentation pertaining to the facility by ICRA, besides the executed documentation being in line with ICRA's expectations.

The rating takes into account the unconditional and irrevocable corporate guarantee issued by Zee Media Corporation Limited (ZMCL) for the short-term, non-fund based bank facilities of Diligent Media Corporation Limited (DMCL). The rating addresses the servicing of the bank lines to happen as per the terms of the underlying sanction letter and the guarantee arrangement and assumes that the guarantee will be duly invoked, as per the terms of the underlying sanction letter and guarantee agreements, in case there is a default in payment by the borrower. The rating is based on the strength of guarantee and it would have to be reviewed for any incremental funding after the guarantee is revoked. The corporate guarantee document pertaining to the proposed Rs. 10 crore, short-term, non-fund based bank facility will have identical terms as the above mentioned guarantee document.

Company Profile

Diligent Media Corporation Limited is engaged in publishing of DNA newspaper, an English Daily newspaper launched in July 2005 and currently being circulated only in Mumbai. Until FY 2014, DNA was also being circulated in Pune and Bengaluru, however, on account of the weak performance of Pune and Bengaluru editions, the company closed down these editions in FY 2015. DMCL was also engaged in ancillary business activities like printing, third party job work (toll printing for other publication houses and printing work like annual reports, text books, etc. on outsourcing basis for external parties) and media (event management) business till March 2013. On March 01, 2013, DMCL entered into a Business Transfer Agreement for slump sale of its printing division to Pri Media Services Private Limited (Pri Media, a fellow subsidiary company), as per which, all assets and liabilities pertaining to Printing Division of all three locations – Mahape (Mumbai), Pune and Bengaluru – have been transferred to Pri Media for a lumpsum consideration of Rs. 356.06 crore under the Slump Sale Agreement. The proceeds were used to repay all external debt, and the company is debt-free as on date. Further, in FY 2014, DMCL transferred its media business to Zee Entertainment Enterprises Limited (ZEEL) at book value for a small consideration, consequently transferring the proportionate losses of media business also to ZEEL.

Considering the business synergies in print and electronic media businesses, Zee Media Corporation Limited (ZMCL) amalgamated the group's print business – Essel Publishers Private Limited (EPPL), engaged in printing and publication of daily news paper 'DNA' (Daily News & Analysis), through its step-down wholly-owned subsidiary DMCL (wholly-owned subsidiary of Mediavest India Private

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



Limited) - with itself. The Scheme of amalgamation for merger of EPPL with ZMCL was approved by the Hon'ble Bombay High Court vide Order passed on May 02, 2014 with Appointed Date being April 01, 2014. The Scheme was made effective on May 27, 2014, and hence given effect to in ZMCL's financials starting Q1, FY 2015.

For the six months ended September 30, 2015 (unaudited), DMCL (standalone) reported a net loss of Rs. 9.7 crore on an operating income of Rs. 46.9 crore as against a net loss of Rs. 22.5 crore on an operating income of Rs. 102.2 crore for the twelve months ended March 31, 2015.

About Zee Media Corporation Limited

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 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), India 24x7 (earlier Zee Sangam; news channel for Uttar Pradesh and Uttarakhand), Zee Madhya Pradesh Chhattisgarh (news channel for Madhya Pradesh and Chhattisgarh), Zee Rajasthan News (earlier Zee Marudhara; news and entertainment channel for Rajasthan), Maurya TV (news and entertainment channel for Bihar and Jharkhand) and Zee Kalinga News (Odia language news and entertainment 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 Maurya TV) 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. 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.

For the nine months ended December 31, 2015 (unaudited), ZMCL (consolidated) reported a net loss of Rs. 21.3 crore on an operating income of Rs. 406.8 crore as against a net loss of Rs. 43.2 crore on an operating income of Rs. 544.3 crore for the twelve months ended March 31, 2015.

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