

Press Release
Taleem Research Foundation

July 07, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.310.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.310.00 crore bank facilities of Taleem Research Foundation. The outlook is '**Stable**'.

TALEEM Research Foundation (TRF), is a trust engaged in providing education services. The governing board of TRF includes Mr. Subhash Chandra, Mr. Jawahar Goel, Mr. Ashok Goel, Ms. Vijayalakshmi Das. TRF is a part of Essel group, the leading industrial group with significant presence in media, entertainment, technology, infrastructure, packaging, financial services and education among others. Mr. Subhash Chandra is the promoter of the Group. TRF runs International Baccalaureate (IB) School in Mumbai and university in Dehradun. It also conducts research related to educational technology market, media behavior among others.

Analytical Approach

To arrive at its rating, Acuité has considered the standalone financials to evaluate the credit quality of TRF and subsequently factored support from the Essel Group.

Key Rating Drivers

Strengths

• Benefits derived from association with Essel group

TRF is a trust controlled and managed by Mr. Subhash Chandra and his family members. Mr. Chandra is the promoter of Essel group which has interests in media, entertainment, packaging, technology, infrastructure, financial services and education sectors. The major listed entities among the group includes following entities:

Company (Rs. Cr. For FY2018)	Operating Revenue	Net Profit	Net Worth
Zee Entertainment Enterprises Limited	6685.70	1476.60	7561.70
Essel Propack Limited	2446.42	175.25	1250.59
Dish TV India Limited	4688.32	(84.90)	6736.05
Zee Learn Limited	187.74	45.76	351.09

The combined market cap of these entities as on 02 July 2018 stood at Rs. 69804.94 crore. These entities enjoy high degree of confidence amongst investors and lender community which has been reflected in their ability to raise funds at competitive rates.

The Essel group has identified education sector as the key focus areas. Besides organic growth, the group has also adopted inorganic growth by acquiring majority stake in the education based companies like MT Educare.

TRF is a part of education initiatives of the group. TRF uses the buildings and infrastructure owned by Digital Ventures Private Limited (DVPL), a wholly owned subsidiary of Zee Learn Limited (ZLL) against the payment of lease rentals. The term loans of Rs.310.00 crore currently availed by TRF are towards payment of security deposits to DVPL and for using 'Mount Litera' brand to ZLL. The lenders have Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) www.acuite.in

stipulated a corporate guarantee from ZLL. The process of issuance of the guarantee has been initiated. The corporate guarantee from ZLL has enabled TRF to raise funds at competitive pricing notwithstanding its average standalone financials.

As mentioned above, Zee Learn Limited (ZLL) is a part of Essel group and was incorporated in the year 2010. It operates K-12 schools under the brand name "Mount Litera Zee Schools", pre-schools under the name "Kidzee", and vocational academy "ZICA" and "ZIMA". The promoters hold 57.55 percent stake in ZLL.

Acuité believes TRF's credit profile will continue to be supported by its association with the Essel group. Further, continued ownership pattern of TRF by promoters of Essel group and the credit profile of Essel group will remain key rating sensitivities.

- **Established position in the education sector**

TRF operates 'The Mount Litera School International' at BKC, Mumbai which started operations in 2014. The school runs K-12. The school is a reputed brand of Essel group in the education sector. Currently the school has around 475 students. Out of total revenues of Rs.32.63 crore in FY2018 (Provisional), around 80 percent of revenues comes from IB school. The increased propensity among the affluence sector of society to provide their kids with higher quality education is likely to augur well for the revenue profile of the school and in turn the performance of TRF.

TRF also runs university in Dehradun with the name Himgiri Zee University which was established in 2003. The university has School of Agriculture and Forestry, School of Architecture, Engineering and Sciences, School of Education, Social Work and Humanities, School of Media and Journalism, School of Management, Hotel Management and Legal Studies School of Vocational Studies offering degree, diploma, and certificate programmes at the undergraduate, post-graduate and Ph.D. levels.

Acuité believes that revenue profile TRF will be supported by its established brand name and continuous operational and financial support from ZLL.

Weaknesses

- **Intense competitive landscape**

The education sector is growing rapidly at the back of higher disposable incomes and more focus on higher quality education. However, the sector has also attracted several players in the private sector which has intensified the competition. Hence the education institutes need to invest significantly in the infrastructure and in brand building so as to attract significant student inflow. Also the capital intensity of the sector requires these institutes to invest continuously in the fixed assets keeping in mind the future growth of the business. The funding requirements thus for this sector are high.

In case of institutions like TRF where the business is yet to be scaled to a level where it can generate the cash accruals to suffice its own capital requirements, it will have to be dependent on the continuous support from Essel group and hence the credit profile of TRF will be dependent in ability of Essel group to support its growth requirements.

Outlook: Stable

Acuité believes that TRF will maintain a stable outlook over the medium term on account of its strong linkages with, and support from, the Essel Group. The outlook may be revised to 'Positive' in case if the scale of operations increases on the back of further increase in fee receipts and further scaling up its operations. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the Essel Group, thereby impacting its debt servicing ability or any further deterioration in the financial risk profile and liquidity position of the trust.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	32.63	26.29	18.50
EBITDA	Rs. Cr.	(23.09)	(15.48)	(12.60)
PAT	Rs. Cr.	(27.02)	(20.91)	(19.98)
EBITDA Margin	(%)	(70.78)	(58.88)	(68.07)
PAT Margin	(%)	(82.82)	(79.55)	(107.96)
ROCE	(%)	74.13	195.62	(119.75)
Total Debt/Tangible Net Worth	Times	NA	(0.00)	(1.52)
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	2,370	57	94

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service Entities: <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	160.00	ACUITE BBB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE BBB/Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President-Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Avadhoot Mane Analyst - Rating Operations Tel: 022-67141138 avadhoot.mane@acuiteratings.in	

About Acuité Ratings & Research:

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