

Update on exposure against pledge of shares of Zee Entertainment Enterprises Limited (Zee)

Event Update

The schemes of ICICI Prudential Mutual Fund have invested in the debt instruments issued by the promoter companies of Zee group and are secured by pledge on shares of Zee. Stock prices of Zee had corrected sharply by ~27% on Jan 25, 2019 (Friday).

Owing to the fall in the price of Zee, the security cover had reduced and therefore a meeting was held between the Promoters of Zee Group and representatives of lenders viz. Mutual Funds, NBFCs and Banks. The Promoters assured that the Zee stake sale process would likely be concluded in a time bound manner.

Brief Introduction of Zee

Zee, being the flagship company of the Zee Group is the most valuable and accounts for more than 80% of the market capitalisation of the listed entities of the group. The company is engaged in content aggregation, TV broadcasting, and domestic & international pay-tv platforms. It also has a wide subscriber base of over 650 million across 169 countries. It has been able to increase its market share consistently by identifying regional markets and through its content strategy.

Key financials of Zee

INR Crores	FY 16	FY 17 [#]	FY18 [#]
Revenue*	5,813	6,434	6,686
Profit before tax (before exceptional items)	1406	1,678	2,184
EBITDA*	1,514	1,927	2,076

[#] as per IND-As ^{*}Excluding other income (Source: Bloomberg, Company Presentation & Annual Report)

Our View

- Invocation of pledged equity shares by lenders at the same time could have resulted in significant impact on the Zee equity share price. This could have resulted in adverse impact on recovery against sale of Zee equity shares.
- Promoters have provided timeline for the strategic sale and would keep the lenders informed on all the developments. The strategic sale, if completed in a time bound manner would help the company to generate liquidity and meet obligations against pledge of Zee equity shares.
- We remain comfortable about our exposure as it is secured by pledge over the Zee equity shares. Further, the security cover continues to be higher than the outstanding principal and interest of the debentures subscribed by various schemes of the ICICI Prudential Mutual Fund. As on Feb 06, 2019 our investments have an overall cover of approximately 1.5 times based on the market value of Zee shares.

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