

July 8, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE NCD AND ASSIGNS
'CARE AA (SO)' RATING TO BANK FACILITIES OF
WIRE AND WIRELESS (INDIA) LTD.**

Ratings:

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	150	'CARE AA (SO)' [Double A (Structured Obligation)]	Assigned
Non-Convertible Debentures	200	'CARE AA (SO)' [Double A (Structured Obligation)]	Reaffirmed

Rating Rationale

The ratings consider credit enhancement in the form of unconditional and irrevocable Corporate Guarantee (for Rs.25 crore) and credit enhancement in the form of Minimum Reserve Account (MRA) agreement (for Rs.325 crore) extended by ZEE Entertainment Enterprises Limited (ZEEL) (Rated CARE AA and PR1+ for bank facilities).

The ratings of ZEEL³ derive strength from the strong promoter group with successful track record in the Media & Entertainment (M&E) industry, positioning among the top three players in terms of Gross Rating Points (GRPs) and a wide platform for distribution with a bouquet of 35 national and international channels. The ratings are further strengthened by the strong financial position with low gearing and high profitability on a standalone basis, benefits expected to be derived out of the proposed de-merger of Regional General Entertainment Channels (R-GECs) from Zee News Limited and the merger of the same with ZEEL, ample opportunity for growth in subscription revenue with mandatory Conditional Access System (CAS) rollout and increased penetration of Direct To Home (DTH) services.

ZEEL's ratings are however, constrained by the extensive corporate guarantees to the demerged associates (Dish TV & Wire and Wireless) and subsidiary (ETC), volatile nature of revenues with changing trends in the media sector and competition of successful programming content from rival General Entertainment Channels (GECs).

Ability of ZEEL to withstand competition and retain the leading position & generate higher advertisement revenues, successful merger of R-GECs with ZEEL and self-sustainability of the demerged companies to which ZEEL has extended Corporate Guarantees are the key rating sensitivities.

Company Profile

Wire and Wireless (India) Limited (WWIL) a part of Essel Group is one of the Multi System Operators (MSO) in the Indian cable industry. At present, with 73 analogue and five digital headends, it provides network to 10 million cable and satellite homes in 189 cities of India.

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

² Please refer to ZEEL's rationale for details, available at www.careratings.com

On standalone basis, WWIL posted total income of Rs.228 crore in FY09, up by 3% as compared to FY08. The company incurred a net loss of Rs.101 crore in FY09 vis-à-vis net loss of Rs.159 crore in FY08. In H1FY10, the company posted total income and net loss of Rs.95 crore and Rs.88 crore respectively.

About Guarantor

Zee Entertainment Enterprises Ltd (ZEEL) a part of Essel Group is one of the largest M&E companies in India with a wide subscriber base of around 500 million in 167 countries. On a standalone basis, on a total income of Rs.1,292 crore, ZEEL earned a PAT of Rs.310 crore in FY09.

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CARE classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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