RPSG Sports Private Limited

February 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	489.00	CARE BBB; Stable	Assigned
Long Term / Short Term Bank Facilities	135.00	CARE BBB; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of RPSG Sports Private Limited (RSPL) draw significant strength from its parentage of the established RP Sanjiv Goenka (RPSG) group and timely support expected to be extended by the group as and when required by RSPL. The ratings also factor in the relatively fixed and stable revenue stream of RSPL as a franchise of the cricket team "Lucknow Super Giants" (LSG) which participates in the Indian Premier League (IPL). The ratings also take note of the expected increase in revenue from central rights given the significantly higher sale value of media rights by the Board of Control for Cricket in India (BCCI) for the period of five years from 2023 to 2027. The media rights have been sold for a record price of around ~3x for ₹48,390 crore as against previous bid price of ₹16,347.50 crore.

The ratings are, however, constrained by the high franchise fee pay-out obligation of ₹709 crore to BCCI every year for a tenure of 10 years and the dependency on group support and external debt to meet obligations. This is expected to result in leveraged capital structure and weak debt coverage indicators going forward. The ratings are further tempered by the short track record of performance of LSG due to the recent formation of the franchise in FY22 (refers to the period April 1 to March 31).

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors:

- Sustained improvement in the total operating income (TOI) leading to RSPL being able to meet its franchise fee payment and debt obligations on its own.

Negative Factors:

- Any unforeseen circumstance leading to a declined revenue share from the governing body with TOI less than ₹500 crore from FY24.
- Any contractual/legal disputes between the club and governing body or any breach in the standard guidelines
- Withdrawal of fund support from the group and/or dilution in shareholding by the RPSG group.

Analytical approach: Standalone factoring in the ownership of the RPSG group and support expected to be extended by the group.

Key strengths

Part of the established RPSG group which has a satisfactory track record of supporting group entities:

The established RPSG group has operations spanning across power generation and distribution, carbon black, retail, education, business process outsourcing, media & entertainment, sports, rubber and tea plantations, etc. The flagship company, CESC Limited (rated 'CARE AA; Stable/CARE A1+'), is an integrated power utility, having long track record in generation, transmission and distribution of power in its licensed area. RSPL is a 51% subsidiary of RPSG Ventures Limited (RVL), which is one of the group holding companies. Other major subsidiaries of RVL include Firstsource Solutions Limited (rated 'CARE A+; Stable/CARE A1+') and Quest Properties India Limited (QPIL, rated 'CARE A-; Stable'). The group has demonstrated timely support to its various entities in the past and the same is also expected to be available to RSPL as and when required. RVL has provided Letter of Comfort for debt availed by RSPL.

The RPSG group also has prior experience of managing an IPL team through the franchise of the Pune team which had played in IPL season of 2016 and 2017.

Fixed and stable revenue streams without any major external dependency:

The tournament is conducted and governed by IPL governing body which is under BCCI, which is one of the largest cricket boards in the world. The board had conducted an auction for the media rights of IPL in June 2022 and earned around ₹48,390 crore for the five-year window starting 2023. This is around ~3x more than the final price during last auction. As the proportion

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of revenue to the teams is proportional to total auction price, the new price will drive the top lines of various teams further expanding their TOI and profitability margins going forward.
Revenue from media rights is the major revenue source for RSPL. This is the amount every team playing IPL is entitled to, from the governing body. In addition to the revenue share, the company also derives cashflows from sponsorships, brand promotions, prize money and ticket sales.
For FY22-FY23, RSPL received about ₹238 crore from the governing body as franchisee rights. BCCI is the final governing body of the IPL tournament and is known for strong financial acumen historically for timely payments to IPL teams. Further, the payments from the governing body are uniform across teams with revenue distribution of 50:50 with 50% being kept by IPL governing body, 45% revenue is being distributed equally amongst the franchisees and remaining 5% is distributed as per the rankings of franchisees.

Key weaknesses

High franchisee fee pay-out every year and dependence on group support/debt to meet obligations:
RSPL won the right to operate the Lucknow based franchise with a bid of ₹7,090 crore in November 2021. The company shall have a high pay-out of ₹709 crore each year as franchisee fee for the next 10 years (excluding GST), ending in FY31. The fee for the first year was paid through promoter infusion of ₹572 crore and debt of ₹218 crore. Going forward, till the franchise tenure, the company is expected to rely on promoter support/debt to meet its obligations considering that the pay-out is higher than the cash flows expected to be generated. This is expected to result in high leverage and weak debt coverage indicators.

Short track record of LSG due to the recent formation of the franchise:
RSPL was formed in November 2021. The team participated in its 1st IPL season in 2022, where 2 matches were played in March and the rest in April and May 2022. For matches played in March, it booked revenue of ₹43.18 crore in FY22 and for the rest of the matches it generated revenue of ₹285.53 crore in H1FY23. LSG finished at fourth position overall during the season.
Even though IPL has a high world-wide popularity because of the involvement of quality players from around the globe, it remains to be seen how the fan following unravels in the time to come. Any decline in the tournament popularity (owing to controversies surrounding the tournament, the fact that too much cricket is being played or quality players deciding not to play in the tournament because of their national commitments, etc.) can lead to significant loss of revenue to the IPL governing body and subsequently to the franchisees.

Liquidity: Adequate
The liquidity profile of RSPL is adequate backed by support extended by the group and financial flexibility is derives by being a part of an established group. It had free cash and bank balances of ₹13.67 crore as on March 31, 2022. The utilization of fund-based working capital limits was around 58% during the trailing 10-months period ended December 2022. It does not have any capex requirements. The upcoming franchisee fee payment of ₹709 crore by March 2023 is expected to be meet out of financial support from the group and availment of debt.

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies

About the company

RSPL, incorporated in November 2021, holds the franchise of "Lucknow Super Giants" which participates in the IPL. The team finished 4th in the latest edition of IPL which was also its first season of participation. The franchise rights of Lucknow were brought by RPSG group for ₹7,090 crore in 2021.

Brief Financials (₹ crore)	FY22 (A)	H1FY23 (UA)
Total operating income	42.90	285.31
PBILDT	13.44	160.03
PAT	-76.39	-30.36
Overall gearing (times)	1.14	NA
Interest coverage (times)	0.15	0.84

A: Audited, UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Bank Overdraft		-	-	-	135.00	CARE BBB; Stable / CARE A3
Non-fund-based - LT-Bank Guarantee		-	-	-	389.00	CARE BBB; Stable
Term Loan-Long Term		-	-	March 2033	100.00	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Bank Overdraft	LT/ST*	135.00	CARE BBB; Stable / CARE A3				
2	Term Loan-Long Term	LT	100.00	CARE BBB; Stable				
3	Non-fund-based - LT-Bank Guarantee	LT	389.00	CARE BBB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Bank Overdraft	Simple
2	Non-fund-based - LT-Bank Guarantee	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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