K.P.H Dream Cricket Private Limited

January 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Short Term Bank Facilities	24.00	CARE A2 (A Two)	Reaffirmed
Total Bank Facilities	**24.00 (Rs. Twenty-Four Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the rating assigned to the bank facilities of K.P.H Dream Cricket Private Limited (KPH) continue to derive strength from the strong promoter group, comfortable financial risk profile of the company and high worldwide popularity of the Twenty20 format of the game. These rating strengths are, however, partially offset by the risks associated with any decline in the popularity of the game going forward.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained improvement in the scale of operations of the company going forward with company deriving income from prize money and increased proportion of income derived from ticketing & sponsorship revenue
- Improvement in the profitability of the company with PBILDT margins improving above 45% on sustained basis
- Increase in net worth of the company on a sustained basis

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Substantial increase in the working capital utilization levels on a sustained basis
- Decline in popularity of the tournament going forward
- Any breach in adherence by KPH to the clauses laid down in the BCCI-franchisee agreement

Detailed description of the key rating drivers

Key Rating Strengths

Strong promoter group

The major shareholders of KPH belong to large business houses and are individuals of high repute. Mr Mohit Burman (Vice Chairman of Dabur India Ltd), holding majority stake in KPH, is the Chairman of Aviva Life Insurance and director in various Dabur group companies (including group's flagship company, Dabur India Limited). Mr Ness Wadia is currently the managing director in The Bombay Burmah Trading Corporation Limited (BBTCL; rated, 'CARE AA; Stable/CARE A1+') and is on the board of various other group companies including Bombay Dyeing & Manufacturing Co. Limited., Britannia Industries Limited, Go Airlines (India) Limited among others. Mr Karan Paul belongs to the diversified Apeejay Surrendra group which has business interests in various domains including hospitality, tea, shipping, etc. The other major shareholder, Ms Preity G Zinta, is a well-known Bollywood actress. The bank facilities availed by KPH are backed by personal guarantees from Mr Mohit Burman, Ms. Preity G Zinta, Mr Ness Wadia, and Mr Karan Paul, in the proportion of their shareholding in the company. These promoters have also provided an undertaking to meet shortfall in the debt servicing and maintain their shareholding in the company during the tenor of the loan from the bank

Comfortable overall financial risk profile

The major source of income of KPH is the revenue sharing by the IPL governing body, which has contributed more than 80% of the total revenue of the company in FY21. A portion of the revenue collected by the IPL governing body is from sale of the media rights and sponsorship revenue from various brands which is collected in a central pool and distributed in equal proportion between IPL governing body (50%) and 45% equally amongst the franchisees and remaining 5% as per their rankings of the teams. The other major sources of revenue for the company include sponsorship revenue (that the company earns from shirt sponsorships, in-stadia advertisements, etc. and gate revenue which is garnered from the sale of tickets for the matches played in the home ground) and the prize money. These sources of revenue depend on the performance of the team and its popularity. The major expenses borne by the company include franchisee fees [20% of the total revenue garnered during the year; applicable from IPL-2018 (FY19) onwards] paid to the IPL governing body and the expenses incurred on player fees, etc.

In FY21, the company registered the growth of ~9% in total operating income due to increase in amount received from franchisee rights which is received from BCCI as part of the payment structure of the broadcasting deal entered into by the BCCI for IPL-2018 (FY19) to IPL- 2022 (FY23) which states that 25% payment is to be made by the broadcaster in the first year (IPL-2018) and remaining in 4 equal instalments of 18.75% payment, each year, in the subsequent years. The income derived from ticket sales also declined in FY21 due to Covid-19 outbreak wherein the tournament was played without audience.

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

The major expenses borne by the company include franchisee fees paid to the IPL governing body and the expenses incurred on players' salaries, etc. The PBILDT margins of the company have moderated in FY21 to 27.27% as compared to 39.37% in FY20 due to increase in the salaries paid to players and support staff. Further, the expenses also increased due to travel and accommodation as part of IPL 2021 was held in UAE wherein all requisite arrangements were made by franchisee.
The company till November 2021 has earned a revenue of Rs.149.72 crore and additional revenue of around Rs.104 crore is expected from the franchisee rights as the team was in 6th position.

In FY21, the company has bought-back shares from its promoters as per their existing shareholding pattern. The company has bought back shares amounting to Rs. 13.06 crore in FY21 from its shareholders with actual cash outflow of Rs. 16.06 crore (including taxes). This led to decline in the tangible networth of the company as on March 31, 2021. Also, on account of healthy profitability and limited avenues for deployment of funds, dividend amounting to Rs.38.58 crore (including taxes) was paid to the shareholders during the year.
However, in the absence of any external debt outstanding, the company had nil long term debt to equity ratio and overall gearing ratio, as on March 31, 2021. Further, the debt coverage indicators of the company remained comfortable with interest coverage ratio of 129.58x in FY21 and nil total debt to GCA ratio as on March 31, 2021 (Nil as on March 31, 2020).

Key Rating Weaknesses
Risk associated with any decline in popularity
Even though IPL has a high world-wide popularity because of the involvement of quality players from around the globe, its format and the popularity of the game itself, 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, going forward.

Liquidity analysis: Adequate
The current ratio and quick ratio of the company stood at 1.09x, each as on March 31, 2021. The company had unencumbered cash & bank balance of ~Rs.1.06 crore, as on March 31, 2021 with working capital limits utilized 3.86% on an average in the last 12 months period ended November 2021. The company has no debt repayment obligation in FY22. With nil overall gearing, as on March 31, 2021, the company has sufficient gearing headroom, to raise additional debt, if required.

Analytical approach: Standalone.

Applicable Criteria
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Criteria for Short Term Instruments
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
Service Sector Companies

About the Company
KPH was incorporated in March 2008, with Dabur group's Mr Mohit Burman (having 48% shareholding in KPH, as on March 31, 2021), Wadia group's Mr Ness Wadia (23%), Bollywood actress Ms Preity G Zinta (23%), and Mr Karan Paul of the Apeejay Surendera Group (6%) holding major stake in the company. KPH is in the business of dealing with commercial activities related to cricket and owns the team representing Punjab, 'Punjab Kings' in the Indian Premier League (IPL). The IPL is a professional league for Twenty20 cricket championship in India. It was initiated by the BCCI and is looked after by the IPL governing body (BCCI-IPL) which is headquartered in Mumbai. The IPL works on a franchisee based system where players, from around the world, are hired and transferred. In April-2008, KPH acquired the right to operate KXIP franchisee and became member of the IPL against payment of consideration amount of Rs.304 crore for a period of 10 years. After completion of 10 years, i.e. IPL-2018 onwards, the franchisee is paying a consideration equivalent to 20% of the yearly revenue and it can go up to perpetuity as per the terms of purchase agreement. The company also owns another franchisee; St. Lucia Zouks, in the Carribean Premier League held in the Caribbean. KPH acquired the right to operate the franchisee from CPL Limited which has acquired these rights from the West Indies Cricket Board. The company has acquired the franchisee for an initial period of 13 years (with three subsequent renewal, each for a span of 10 years) against payment of consideration amount of $4 million to be paid in 5 equal instalments starting from FY21.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	8MFY22 (Prov.)
Total operating income	214.84	234.93	149.72
PBILDT	84.57	64.07	17.91
PAT	60.78	48.60	-
Overall gearing (times)	0.00	0.07	-
Interest coverage (times)	2,292.71	129.58	111.93

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Bank Overdraft		-	-	-	24.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Bank Overdraft	ST	24.00	CARE A2	-	1)CARE A2 (08-Jan-21) 2)CARE A2 (CWD) (07-May-20)	1)CARE A2 (02-Jan-20)	1)CARE A2 (06-Dec-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Bank Overdraft	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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