

## RPSG Ventures Limited

March 06, 2024

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	342.50 (Reduced from 385.00)	CARE BBB+; Stable	Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to bank facilities of RPSG Ventures Limited (RVL) draws comfort from the financial flexibility it derives from being a part of the established RP Sanjiv Goenka (RPSG) group and holding investments in various strategically important entities of the group with the major one being Firstsource Solutions Limited (FSL; rated 'CARE A+; Stable/ CARE A1+'). The rating also derives comfort from the relatively stable revenue stream of RVL in the form of IT-related services being provided to group entities and dividend income from FSL with high profitability margin and comfortable capital structure.

The rating factors in the adequate liquidity position backed by the expected equity infusion of ₹284 crore in March 2024 and the market value of its investments in FSL (₹7,560 crore as on February 23, 2024). Such investment provides comfortable debt cover against the existing borrowings (including Letter of Comfort (LOC) provided by RVL for debt availed by its subsidiaries). However, going ahead the debt cover (including LOCs extended) is expected to reduce with additional debt requirement of subsidiaries and support required to be extended by RVL. The rating is constrained by RVL's exposure to fluctuation in the market value of investment in FSL and high fund support required by some of its subsidiaries in their initial stages of operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in financial performance of its subsidiaries in high gestation period leading to reduction in fund support requirement to be extended by RVL.

#### Negative factors

- Significant moderation in cover of market value of investments in group companies over total external borrowings (including letter of comfort and bank guarantee) of RVL owing to decline in share price of investee company or rise in the debt levels of RVL.
- Deterioration in the credit profile of the group entities in which RVL has equity holdings.

#### Analytical approach: Standalone

RVL has been assessed based on its investment holdings in various entities of the group and its strategic importance to the RPSG group.

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects RVL to sustain its strong financial risk profile amidst healthy cash flow generation from operations and dividends, strong debt coverage due to its holdings and comfortable debt indicators.

### Detailed description of the key rating drivers:

#### Key strengths

##### Strategic importance by virtue of being one of the holding companies of the RPSG group:

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. RVL holds quoted and unquoted equity investments in number of companies of the group with the major operating ones being FSL, Guiltfree Industries Limited (GIL), Quest Properties India Limited (QPIL) and RPSG Sports Private Ltd (RSPL). The group is spearheaded by Mr Sanjiv Goenka who has more than three decades of professional experience.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Strong financial flexibility:**

Owing to its investment in FSL and being part of the RPSG group, the company enjoys strong financial flexibility. The company has adequate financial flexibility and cushion available. Being an investment holding company, RVL extends support to its group companies through investments, loans, advances and LOC. The market value of investments (quoted) stood at ₹6,918 crore as against external borrowings of ₹42.50 crore as on December 31, 2023 taking the debt cover (the market value of its unencumbered equity shares of listed companies to total external debt including LOC) to 8.00x as on December 31, 2023. Any significant rise in the debt levels or substantial decline in the market capitalization will remain a key rating monitorable.

**Stable revenue streams with high profitability margins:**

RVL provides IT consultancy, support services and cybersecurity services to its group entities which are engaged in power generation and distribution business. With gradual addition of new scope of services and increased IT security services, the service revenue has witnessed an increase over the years. Being a critical nature of service provided by RVL to its group entities, the risk of discontinuation of the same remains low providing good revenue visibility going forward.

The total operating income (TOI) in FY23 remained at the same level as of FY22 with stable service revenue and dividend income from FSL. The operating margin continued to remain healthy at more than 70% in FY23.

In 9MFY24, the company's TOI also remained at the same level as 9MFY23 contributed by income from services. The profit before interest, lease rentals, depreciation and taxation (PBILD) margin, though moderated y-o-y with increase in employee and other expenses, it continued to remain healthy. Going forward as well, the margins are expected to remain strong.

**Comfortable capital structure and debt coverage indicators:**

The capital structure of the company stood comfortable with overall gearing of 0.06x as on March 31, 2023. The interest coverage was also healthy at 15.66x in FY23. The company has also extended LOC for debt availed by its subsidiary companies amounting to ₹956 crore as on March 31, 2023 (₹527 crore as on March 31, 2022). The increase in LOC is mainly due to LOC extended towards the new subsidiary incorporated in FY22, RSPL which has won the bid for the franchise of Lucknow cricket team of Indian Premier League (IPL). Considering the LOC, the adjusted overall gearing ratio also stood comfortable at 0.48x as on March 31, 2023 (0.28x as on March 31, 2022).

Going forward, the capital structure is expected to remain comfortable with slight moderation in debt coverage indicators as the company plans to raise debt of approximately ₹200 crore on a standalone level and continue LOC support for debt of its subsidiaries. The group is also expected to continue to support RVL in meeting its investment requirements.

**Key weaknesses****Exposure to fluctuation in market value of investments and refinancing risk:**

The market value of investment of RVL in FSL is exposed to volatility associated with economic activity. Hence, investment value could fluctuate in case of an economic downturn. Any increase in market-related risks, leading to a sharp fall in the prices of its investment in FSL shall be a key rating sensitivity factor. In case of substantial diminution in the value of investments, financial flexibility of RVL may be impacted.

**High fund support required by some of its subsidiaries:**

The company holds investment in various unlisted ventures of the group wherein some of them are in their initial stages of operations and are dependent on fund-support from parent/other group entities. The company is expected to continue to extend direct and indirect support to these entities until the subsidiaries become self-sufficient to meet their obligations on their own.

**Liquidity: Adequate**

The company has an adequate liquidity position with free cash and bank balance of ₹39 crore as on September 30, 2023 against ₹21.25 crore of debt repayment obligation for H2FY24. In FY25, the company has debt repayment obligation of ₹42.50 crore against which it is expected to generate sufficient cash accruals out of its operations. Equity infusion of ₹284 crore in Q4FY24 will provide enhanced liquidity out of which ₹100 crore shall be infused in RSPL for funding the franchise fee payment. The fund support to GIL shall be majorly met out of the dividend income which is received by the company from FSL. The company enjoys financial flexibility by virtue of being a part of the RPSG group and also from its shareholding in FSL (market value of which is ₹7,560 crore as on February 23, 2024).

### Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environmental	Not relevant for the company
Social	<ol style="list-style-type: none"> <li>1. RVL provides employee benefits for attracting the best talents such as performance-based incentive schemes, insurance coverage and medical facilities. The Company also provides hospitalisation facility and medical insurance for employees and their spouses, Family Medical Benefit Scheme and post-retirement medical insurance to employees and their spouses.</li> <li>2. Anweswan is the induction program for fresh graduates joining as Management Trainees. RVL recognises that successful onboarding of new hires is crucial in integrating them into the Company culture and values.</li> <li>3. During FY23, there were no complaints relating to child labour, forced labour, involuntary labour, sexual harassment of women at workplace.</li> </ol>
Governance	<ol style="list-style-type: none"> <li>1. During FY23, the company received no complaints from stakeholders related to unethical practices.</li> <li>2. RVL's board comprises 3 independent directors of the 6 total directors on board.</li> </ol>

### Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Investment Holding Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

### About the company and industry

#### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Holding company

RVL (formerly CESC Ventures Limited (CVL)) was incorporated on February 07, 2017 as a part of the RP-Sanjiv Goenka group. The IT business of the group along with its real estate business and fast-moving consumer goods (FMCG) business was transferred to CVL under the scheme of arrangement of the RPSG group to realign the various business verticals. Subsequently, CVL was rechristened as RVL in January 2021.

RVL holds investments in entities of the group operating in various sectors such as IT-related services, business process outsourcing, FMCG, real estate, etc. The company also ventured into sports business in FY21 through its subsidiaries, owning teams in different sports such as cricket, football and table tennis. The company also provides IT consultancy and support services to group entities in the power vertical (engaged in electricity generation and distribution) and generates stable income out of the same.

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Total operating income	295.87	305.94	140.88
PBILDT	211.77	216.72	53.09
PAT	144.67	76.25	29.02
Overall gearing (times)	0.04	0.06	NA
Interest coverage (times)	37.82	15.66	4.69

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Please refer to Annexure-4

**Lender details:** Please refer to Annexure-5

#### Annexure-1: Details of facilities

Name of the Facilities	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-Term Loan		-	-	31-10-2024	42.50	CARE BBB+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	300.00	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 2023-2024	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
1	Non-fund-based - LT-Bank Guarantee	LT	300.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (02-Feb-23)	-	-
2	Fund-based - LT-Term Loan	LT	42.50	CARE BBB+; Stable	-	1)CARE BBB+; Stable (02-Feb-23)	-	-

LT: Long term.

**Annexure-3: Detailed explanation of 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-Term Loan	Simple
2	Non-fund-based - LT-Bank Guarantee	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](mailto:care@careedge.in) for any clarifications.

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