

RJ Corp Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	220.00	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating reaffirmation for bank facilities of RJ Corp Limited (RJ Corp) reflects its robust financial flexibility emanating from the significant mark to market valuation of its equity investments in group companies including Varun Beverages Limited (VBL) and Devyani International Limited (DIL), its holding in non-listed group companies primarily Devyani Food Industries Limited (DFIL, rated CARE A; Stable/ CARE A1) and strategic investments in Global Health Limited (Medanta Hospitals), which led to adequate coverage in terms of mark-to-market value of investments to outstanding debt of RJ Corp. These investments generate steady dividend income. Furthermore, CARE Ratings Limited (CARE Ratings) understand from the management that the total outside debt including corporate guarantees which may be given by RJ Corp to group entity will remain range bound on current market valuations of the underlying group entities which shall remain a key rating monitorable. The holding company also derives significant benefits from experienced promoters and management who are also driving underlying businesses.

However, rating strengths are constrained by RJ Corp's dependence on these underlying entities while being exposed to group companies in the form of guarantees and loan/advances. Furthermore, the company is exposed to fluctuations in capital markets.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Going forward, no significant increase in the borrowings of RJ Corp clubbed with the improvement in the credit profile of the underlying entities.
- Enhancement in the financial flexibility emanating from the significant market valuation from its holding.

Negative factors

- Any substantial reduction in the market value of its investments.
- Substantial increase in total debt availed and further any support given to the group companies or reduction in market valuations of RJ Corp's investment holdings, which leads to deterioration in market capitalisation to debt below 15x.

Analytical approach: Standalone

The rating assigned to RJ Corp considers its financial flexibility emanating from significant market valuation from the holding of RJ Corp group companies and its holdings in non-listed group companies with adequate coverage in terms of market value of holding to outstanding debt.

Outlook: Stable

The stable outlook reflects that RJ Corp is expected to maintain its financial flexibility as the group's holding company and adequate coverage in terms of mark-to-market value of investments to outstanding debt of RJ Corp in the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and management driving the key underlying businesses of the holding company

RJ Corp derives its strengths by its robust investment portfolio, particularly, investments in VBL and DIL. VBL is the largest bottler for PepsiCo in India. QSR business is consolidated under 'DIL', where the company is engaged in running outlets of 'Pizza Hut', 'KFC', 'Costa Coffee', 'Vaango' and food courts in different parts of the country. DIL operated 596 KFC and 567 Pizza Hut stores as of March 2024 in India. The group also owns three schools operating as franchises of Delhi Public School. Apart from these, the holding company has interests in sectors like retail, ice-cream and dairy products, and healthcare among others.

Strong and diversified investment portfolio with presence in various industries

RJ Corp's robust financial flexibility is derived from its investments in its listed group entities including VBL and DIL. As on September 06, 2024, the mark-to-market valuation of RJ Corp's holding in these entities were ₹52,667 crore (with 26.92% stake) and ₹13,121 crore (with 59.28% stake), respectively. In FY24, the company sold its entire stake in Lemon Tree Hotels, which is a non-group entity and acquired additional stake in another non group entity, Global Health Limited (Medanta) for a consideration of ~₹380 crore increasing its holding to 6.59% from 5.52% previously. Overall, the total market value of listed equity investments (including non-group entities) of RJ Corp was ₹67,755 crore as on September 06, 2024. Furthermore, the promoters also hold

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

additional stake of 35.99% in VBL and 3.46% in DIL apart from RJ Corp's holding. The robust investment portfolio provides substantial buffer to meet its debt obligations (including off-balance sheet). The debt of ₹50 crore is there on RJ Corp as on June 30, 2024, and apart from this they have given a fresh corporate guarantee for loans to DFIL for ₹500.00 crore. The robust investment portfolio provides substantial buffer to meet its debt obligations (including off-balance sheet) with a cover of 120x. The company also has a fixed deposit of ₹166 crore as on September 13, 2024. Also, RJ Corp has 47.19% stake in DFIL (which is unlisted so far) while rest is held by promoters.

Furthermore, the management through an undertaking provided assurance of limiting the total outside debt including guaranteed debt to remain range bound on its current market valuations of group entities (VBL and DIL). CARE Ratings factored this in its assessment and debt position will remain a key rating monitorable. The company additionally derives regular dividend income, rental income from its leased properties and revenue from its other businesses housed under RJ Corp.

Key weaknesses

Dependence on these underlying entities while being exposed to group companies in form of guarantees and loan/advances

RJ Corp derives its financial strength from its investments in listed entities, particularly its group entities. These entities are exposed to their own strengths and risks and hence indirectly RJ Corp is also exposed to this. Among the major risk factors in foods and beverages are ever changing consumer preferences and perceptions and adverse government regulations. Hence, underlying assets performance is vital for cashflow generation of RJ Corp. Loans to related parties stood at ₹501.12 crore as on March 31, 2024, as compared to ₹526.98 crore as on March 31, 2023. Support to these group entities is expected to continue.

Exposure to fluctuations in capital markets

Financial flexibility in terms of the cover available will depend on prevailing market sentiments and share prices. Increase in the market-related risks, leading to a sharp fall in share prices of investments in VBL, and DIL among others will be a key rating sensitivity factor.

Liquidity: Strong

As on March 31, 2024, RJ Corp's investment portfolio was valued at ₹3686.9 crore, up from ₹2239.37 crore on March 31, 2023, and ₹1569.98 crore in 2022. This portfolio includes investments in subsidiaries, other companies and quoted investments in group companies with a book value of ₹666.3 crores. Market value of these quoted investments was ₹65,788 crore as on September 06, 2024, up from ₹47,414 crore as on September 25, 2023, and ₹31,781 crore as on August 19, 2022. Additionally, the company provided loans and advances (long term and short term) totalling to ₹501.12 crore to related parties. In comparison, total debt stood at ₹50.00 crore as on June 30, 2024, and corporate guarantee of ₹500 crore offered to ICICI Bank against borrowing by DFIL in the current fiscal year, indicating a market value of holdings to outstanding debt ratio of over 120x as on September 06, 2024, demonstrating a strong capacity to secure additional debt.

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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Holding company

RJ Corp was incorporated on March 01, 1980, and is a holding company with interests in beverages, fast-food restaurants, retail, ice-cream, dairy products, healthcare, and education. The group ventured in new areas through strong strategic alliances and acquisitions. RJ Corp is also engaged in retail sales of shoes and apparels of Nike and Rookie Brand. RJ Corp has been associated with the popular brand Nike as one of its master franchisee since 2012. RJ Corp has presence in 27 stores across Delhi NCR as well as South and East India. RJ Corp is also the exclusive franchisee and distributor of TWG Tea in India and UK. RJ Corp footprint is spread across India and the group also has businesses in Dubai, Nepal, Sri Lanka, Bangladesh, Singapore, Thailand, Kenya, Uganda, Morocco, Zambia, Nigeria, Mozambique, and Zimbabwe. Apart from the ice cream business under DFIL, the RJ Corp group has franchise rights from PepsiCo in India, Nepal, Sri Lanka, Zambia, Zimbabwe and Morocco. The group's Quick Service restaurant business is consolidated under 'Devyani International Limited', where the company is engaged in running outlets of 'Pizza Hut', 'KFC', 'Costa Coffee', 'Vaango' and food courts in different parts of the country.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	428.56	482.10
PBILDT	90.45	102.41
PAT	95.58	478.65
Overall gearing (times)	0.37	0.17
Interest coverage (times)	0.88	0.67

A: Audited Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	165.00	CARE AA+; Stable
Fund-based - LT-Term Loan		Proposed	-	-	55.00	CARE AA+; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	55.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-23) 2)CARE AA+; Stable (07-Apr-23)	1)CARE AA+; Stable (07-Feb-23)	-
2	Fund-based - LT-Bank Overdraft	LT	165.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-23) 2)CARE AA+; Stable (07-Apr-23)	1)CARE AA+; Stable (07-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sabyasachi Majumdar Senior Director CARE Ratings Limited Phone: +91-12-0445 2006 E-mail: sabyasachi.majumdar@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ravleen Sethi Director CARE Ratings Limited Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Akhil Kumar Associate Director CARE Ratings Limited Phone: 91-120-4451986 E-mail: akhil.kumar@careedge.in

About us:

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