

28 May 2020

Rating Rationale

JSW GMR Cricket Private Limited (Formerly known as GMR Sports Private Limited)

Brickwork Ratings reaffirms the rating for the Non-Convertible Debentures issue of Rs. 550.00 Crores (O/s Rs. 440.00 Crs) of JSW GMR Cricket Private Limited (JGCPL or the company).

Particulars:

Instrument	Previous Amount (Rs. Crs)	Present Amount O/s (Rs. Crs) ¹	ISIN No. [#]	Previous Rating ² (28-May-2019)	Present Rating*
NCD	495.00	440.00	INE295P08011	BWR BBB+(SO)/Stable	BWR BBB+(CE)/Stable Reaffirmed
Total	495.00	440.00	(INR Four Hundred and Forty Crores Only)		

[#]Details at Annexure I, ^{*}Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

¹O/s as of 31-3-2020

²The “SO” suffix was replaced with “CE” on 14-Sep-2019 in compliance with SEBI guidelines.

Unsupported Rating: BWR BBB-

BWR has principally relied upon the audited financial results up to FY19, FY20 Provisional financials and projected financials of the company, publicly available information and information/clarification provided by the company's management.

Rationale:

The reaffirmation of the rating continues to factor in the letter of comfort extended by JSW Techno Projects Management Limited (JTPML) and DSRA shortfall undertaking from JSW Projects Limited (JPL) (changed from South West Mining Limited (SWML) on 13-Sep-2019), 50% stake in JSW GMR Cricket Private Limited (Formerly known as GMR Sports Private Limited) (owner of IPL (Indian Premier League) franchise “Delhi Capitals” (formerly known as Delhi Daredevils)) being held by JSW Group through its sports venture, JSW Sports Pvt. Ltd.; equity infusion by JSW Sports Pvt. Ltd. resulting in improvement in net-worth of the company in FY19; higher future revenue visibility due to the new broadcasting and internet rights deal between Star Sports and BCCI (from 2018 to 2022), has resulted into increase of company's share of Central Rights revenue from IPL in FY19 (A) and FY20 (Provisional) as against FY18.

However, the rating is constrained by the fact that, JGCPL is highly leveraged and risk inherent in the structure due to provision of Put option after 15 and 30 months and balloon principal repayment at the end of the NCD tenor and bullet repayment of the new term loan availed, which will require refinancing. However, considering the resourcefulness of JSW Group and other support inherent in the issue, this risk is partly mitigated.

The rating is also constrained by the uncertainty regarding the IPL 2020 on account of the ongoing pandemic and its implications on JGCPL's revenue in FY21. However based on cash & cash equivalents O/s as of 31-3-2020 and refund of deposits expected from the group companies in FY21, cash accruals are expected to be adequate vis-à-vis the debt repayment obligations.

The CE suffix to the rating has factored credit enhancement by JSW Promoter Group companies to the NCDs issue, through DSRA shortfall undertaking from JSW Projects Limited (JPL) and Letter of Comfort (LoC) from JSW Techno Projects Management Ltd.

BWR believes the JSW GMR Cricket Private Limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

Description of Key Rating Drivers:

Credit Strengths:

Letter of Comfort and DSRA Shortfall Undertaking:

BWR has taken note of the change in the DSRA shortfall undertaking support provider, Shortfall Undertaking dated June 01, 2018 executed between South West mining Limited (Support Provider) and JSW GMR Cricket Private Limited (Company) terminated vide Termination Letter dated September 13, 2019. A New Shortfall Undertaking was executed between JSW Projects Limited (Support Provider) and JSW GMR Cricket Private Limited (Company) vide Shortfall Undertaking dated September 13, 2019. As per the terms of issue, the Issuer has to fund DSRA account at least 4 business days prior to the scheduled interest+ principal repayment failing which JSW Projects Limited (a 100% Sajjan Jindal family owned entity) to fund the DSRA account at least 2 business days prior to the scheduled interest + principal repayments. The NCD is also backed by the Letter of Comfort (LOC) provided by JSW Techno Projects Management Limited (JTPML), which is also a 100% Sajjan Jindal family owned entity.

Acquisition of 50% stake by JSW Group, presence of family members of Sajjan Jindal in the board:

JSW Group through its sports venture, JSW Sports Pvt. Ltd, is holding 50% stake in JSW GMR Cricket Private Limited (Formerly known as GMR Sports Private Limited). The Company is a 50:50 JV and both JSW Sports Private Limited (JSPL) and GMR Enterprises Private Limited (GEPL) along with Sukreeda Sports and Entertainment LLP & the individual promoter shareholders have a joint control over the

company. Key members of the JSW Group promoter family, i.e. Mr. Parth Jindal and Mrs. Sangita Jindal are on the board of JGCPL. The shareholding pattern of the company as of 31-3-2020 was as JSW Sports Private Limited holding 50% stake, Sukreeda Sports and Entertainment LLP holding 21% stake, GMR Enterprises Private Limited holding 17.08% stake and individual promoters holding 11.92% stake.

Improvement in company's net-worth:

The acquisition was through stake purchase from existing shareholders as well as issuance of new shares. Due to the issuance of new shares and related equity infusion, there has been improvement in the Tangible Networth (TNW) of the company in FY19 (A) which stood at Rs. 80.17 Crs as against negative TNW of Rs. 105.75 Crs in FY18. As per FY20 (Provisional Financials), TNW of the company stood at Rs. 83.93 Crs.

Higher future revenue visibility due to increase in Central Rights revenue from IPL:

BCCI has sold the broadcasting & internet rights to Star Sports for 5 IPL seasons to be held from 2018 to 2022, for a total sum of Rs. 16,347.5 Cr. Over and above this, BCCI and the teams would earn from title and on-ground sponsorships. The total of all of these is called Central Revenue. 50% of this amount will go to BCCI. Out of the rest, 45% of the amount will be equally distributed between the 8 teams over a period-5 years. Rest 5% will be distributed among the teams based on the ranking in the IPL league table. Besides the Central Revenue, the teams will earn from Gate Receipts of Home Matches (100% share) and Local sponsorship and merchandising. Due to the current 5 year broadcasting and internet rights deal, there is an increase in the company's share of Central Rights revenue from IPL in FY19(A) and FY20 Provisional Financials) as against FY18. The central rights revenue declined in FY20 as against FY19 i.e. from Rs. 303.57 Crs in FY19 to Rs. 204.54 Crs FY20 as IPL season 11 was completed during April to May 2018 and IPL season 12 was staged during March to May 2019. Accordingly, as against normal practice of having one season revenue and expenses, the financial statements for the period ended 31st March, 2019, includes part revenue and expenses corresponding to 3 matches of season 12 played in home ground in March 2019. The decline in central rights revenue was also on account of the change in the percentage revenue proportionate from broadcasting & internet rights which was at 25% for IPL season 11 and 18.75% for ILP season 12 and will be at 18.75% for the remaining three seasons.

Improvement in team's performance in IPL season 2019:

There has been improvement in the JGCPL's team "Delhi Capitals" performance, the team stood third (out of eight teams) in the IPL season held in March-May 2019 as against last position in IPL season held in April-May-2018.

Credit Concerns:

High debt/equity ratio post NCD issue and Availment of new term loan:

Post the issuance of the NCD and the term loan, the Company is highly leveraged, the D/E ratio of the company stood at 6.14 times in FY19 (A) and 5.85 times in FY20 (Provisional Financials) resulting in limited financial flexibility.

Risks from provision of Put option and balloon repayment at the end of tenor of the NCD and bullet repayment of the new term loan availed:

There is provision for Put option at the end of 15 and 30 months from the date of allotment of the NCDs. If the put option is exercised, the company may have to depend on refinancing or support from the JSW Group. The repayment of the NCDs are in staggered manner with 45% of principal payment to be done in the first 54 months and the balance 55% of principal payment to be done at the end of the 60th month from allotment. In addition to this the company has availed term loan of Rs. 100 Crs (Amount drawn: Rs. 50 Crs as of 31-3-2020) having a bullet repayment in June-2021. However, considering the resourcefulness of JSW Group and other support inherent in the issue, this risk is partly mitigated. It can also be refinanced with the support of future cash-flows at the time of redemption.

Uncertainty regarding the IPL 2020:

There is uncertainty regarding the IPL 2020 and company's revenue profile in FY21 on account of the lockdown declared by the Government of India to contain the spread of the Novel Coronavirus (Covid-19). While most of the measures are applicable till May 31, 2020, their revocation will be contingent on further directives from the central government and the extent of spread of Covid-19. Any delay in return to normalcy is expected to put pressure on to the financial risk profile of the company. However based on cash & cash equivalents O/s as of 31-3-2020 and refund of deposits expected from the group companies in FY21, cash accruals are expected to be adequate vis-à-vis the debt repayment obligations.

Liquidity Position (Adequate):

As per FY20 (Provisional financials), Cash & Cash equivalent amounts to Rs. 49.49 Crs which includes balance with bank in current account of Rs. 1.49 Crs and In term deposit account amounting to Rs. 48.00 Crs (with maturity more than 3 months but less than 12 months). In addition to this the company also has Current investments which include investments in mutual funds of Rs. 16.82 Crs. As per the terms of issue, the Issuer has to fund DSRA account at least 4 business days prior to the scheduled interest and principal repayment failing which JSW Projects Ltd (a 100% Sajjan Jindal family owned entity) to fund the DSRA account at least 2 business days prior to the scheduled interest + principal repayments. Relief measures, such as a moratorium on debt servicing over a three-month period, as notified by the Reserve Bank of India (RBI) on 27 March 2020, is not being availed by the company.

Analytical Approach

For arriving at the rating, BWR has applied its rating methodology as detailed in the rating criteria detailed

below (hyperlinks provided at the end of this rationale).

Rating Sensitivities:

Positive:

- Sustained increase in revenue, leading to improvement in operating profitability and Significant reduction in debt leading to improved financial risk profile.

Negative:

- Suspension of the IPL 2020 in FY21 leading to shutdown of operations, nil accrual and weakening of the financial risk profile and/or Increment in external debt borrowings resulting into weakening of the capital structure.
- If there is any deterioration in the credit profile of the credit enhancement provider’s i.e. JSW Projects Limited (JPL) and JSW Techno Projects Management Ltd (JTPML).

About the NCDs issue:

The NCD was issued on 8-June-2018 and the maturity date is on 8-June-2023. The coupon rate is 11% p.a. payable annually starting from 8-June-2019. The NCD has Put/Call option at the end of 15 and 30 months with 3 months of advance notice from either side.

About the Company:

JSW Group through its sports venture, JSW Sports Pvt. Ltd, is holding 50% stake in JSW GMR Cricket Private Limited (Formerly known as GMR Sports Private Limited). The Company is a 50:50 JV and both JSW Sports Private Limited (JSPL) and GMR Enterprises Private Limited (GEPL) along with Sukreeda Sports and Entertainment LLP & the individual promoter shareholders have joint control over the company. The company owns the IPL franchise Delhi Capitals (earlier called Delhi Daredevils).

Key Financial Indicators (As per BWR calculations):

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	₹ Cr	134.74	382.64
PAT	₹ Cr	-43.13	22.86
Tangible Net worth	₹ Cr	-105.75	80.17
Total Debt	₹ Cr	99.30	492.56

For FY20 (Provisional financials), the company has achieved total operating income of Rs. 264.22 Crs with PAT of Rs. 3.72 Crs

About the Credit Enhancement Providers:

JSW Techno Projects Management Ltd:

JSW Techno Projects Management Ltd. (JSWTPML) was incorporated in May 4, 2010. It is 99.80% owned by Mrs. Sangita Jindal (including her nominees) w/o Mr. Sajjan Jindal, Chairman & Managing Director of JSW Steel Ltd. The Company is engaged in strategic investments in JSW group companies along with project management, operation and maintenance/management consultancy services and in manufacturing of industrial gases.

Key Financials of JTPML (As per BWR calculations):

Amounts in Rs. Cr.	FY 18 (Audited)	FY 19 (Audited)
Total Operating Income	221.75	550.25
PAT/Loss	-134.8	-39.76
Tangible Networth	4169.36	4126.67
Total Debt	2935.64	4462.10

As per FY20 (provisional financials), the company has achieved total operating income of Rs. 726.64 Crs with PAT of Rs.87.75 Crs.

JSW Projects Limited:

JSW Projects Limited (JPL) operate 1.2 MTPA (million tonnes per annum) COREX gas based DRI (Direct Reduction of Iron) Plant, one Coke Dry Quenching (CDQ) plant comprising of four units with aggregate capacity of 3.42 MTPA and 76 megawatt captive power plant based on waste heat recovery from CDQ process. JPL operates these facilities on the basis of BOOT (Build Own Operate Transfer) agreement with JSW Steel Limited; Currently Sajjan Jindal Family Trust is the 100% shareholder of the company.

Key Financials of JPL (As per BWR calculations):

Amounts in Rs. Cr.	FY 18 (Audited)	FY 19 (Audited)
Total Operating Income	640.7	687.94
PAT	189.37	203.06
Tangible Networth	243.44	446.57
Total Debt	2085.38	1897.49

As per 9MFY20 (provisional financials), the company has achieved operating income of Rs. 431.58 Crs with PAT of Rs.91.06 Crs.

Annexure I:

Instrument	Issue Date	ISIN No.	Coupon	Maturity Date
NCD	8-June-2018	INE295P08011	11% p.a. payable annually	8-June-2023

Rating History for the last three years (Including withdrawal and suspended):

S.No	Instrument /Facility	Current Rating (2020)			Rating History ²		
		Type (Long Term/ Short Term)	O/s Amount ¹ (₹ Crs)	Rating	28-May -2019	30-May -2018	2017
1.	NCD	Long Term	440.00	BWR BBB+(CE)/Stable	BWR BBB+(SO)/Stable	BWR BBB+(SO)/Stable	-
Total		440.00 (INR Four Hundred and Forty Crores Only)					

¹O/s as of 31-3-2020

²The “SO” suffix was replaced with “CE” on 14-Sep-2019 in compliance with SEBI guidelines.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: NIL

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Criteria-credit enhancement](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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