JSW GMR Cricket Private Limited

September 21, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non-Convertible Debentures	275.00	CARE A-; Stable (Single A Minus; Outlook: Stable)	Assigned
Total Long-Term Instruments	**275.00 (₹ Two Hundred Seventy-Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the instruments of JSW GMR Cricket Private Limited (JGCPL) is on account of the envisaged increase in revenue from central rights, as the media rights sold by Board of Control for Cricket in India (BCCI)- Indian Premier League (IPL) in June 2022, for the five-year window starting 2023 were bought at a record price of around ~3x than the previous bid price. The ratings also take cognizance of the fact that JGCPL is a of 50:50 venture between JSW and GMR group, who are one of the major business conglomerates in India. Historically stable and timely revenue streams, DSRA and LoC undertaking from JSW group companies, and adequate liquidity position further add cushion to the assigned ratings. The ratings are however tempered by ballooning repayment obligation, which is due in FY24 and weak coverage ratios.

Going forward, CARE expects timely receipt of payments from the governing body, completion of the tournament as scheduled will be key monitorable in terms of rating perspective.

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

- ✓ Sustained improvement in the profitability margins with PBILDT margin more than 45%.
- ✓ Improved capital structure with overall gearing below unity.
- ✓ 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

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

- × Deterioration in the capital structure with overall gearing more than 4.00x
- × Any unforeseen circumstance leading to a declined revenue share from the governing body with TOI less than Rs 250.00 crore.
- × Any contractual/legal disputes between the club and governing body or any breach in the standard guidelines

Detailed description of the key rating drivers

Key Rating Strengths

Fixed and stable revenue streams without any external dependency.

Revenue from Media rights is the major revenue source for JGCPL. 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 and ticket sales. For the year FY22, the company has received about Rs 265 crore from the governing body as central rights.

BCCI is the final governing body of the IPL tournament and is known for strong financial acumen is historically timely on its payments to IPL teams.

Further, the payments from the governing body are uniform across teams with only 10% of the money available in central pool for distribution is dependent on the players position and the remaining 90% is distributed evenly across all the team playing in the tournament.

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

Stable TOI with healthy profitability margins

The total operating income of the company is primarily stable with a CAGR of around ~7% for the past three years. The growth/volatility in the revenue is majorly driven by other factors like local sponsorship, gate revenue and endorsements**.** During FY22, the TOI is driven majorly from the increased sponsorship and brand promotion fees which increased from Rs 38.91 crore in FY21 to Rs 67.23 crore in FY22.

Historically, the company has a PBILDT margin between 16%-19% with players being the major expense for the company. PBILDT margin for FY22 had marginally declined to 16.11% driven by increased travel expenses and facilitation expenses during the IPL. During FY22, the company has posted a profit of Rs 10.78 crore (up from loss of Rs 3.40 crore in FY21) driven by declined interest expense for the company.

Increased penetration of IPL driving up the central rights revenue

The tournament is conducted and governed by IPL governing body which is under Board of Control for Cricket in India, which is one of the largest cricket boards in the world. The board has set up auction for the media rights of IPL in June 2022 and has earned around Rs 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 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 profitability margins.

Mechanism of revenue distribution

Every team playing in IPL is entitled to receives a particular sum from the governing body in yearly basis. For the window 2018-2022, out of the total bid value of Rs 16,348 crore, IPL governing body will retain 50% and the remaining 50% will be split across the teams. Out of the this, 45% is split evenly across every team irrespective of the position of the team. The remaining 5% will be distributed based on performance of the team in the edition.

Presence of Letter of Comfort and DSRA Undertaking from JSW group companies.

Any shortfall in debt repayment is covered by the DSRA shortfall undertaking support provided through a Shortfall Undertaking executed between JSW Projects Limited (CARE A+; Stable/ CARE A1+) dated 13 September 2019. As per the terms of issue, JGCPL must fund a DSRA account at least four business days prior to the scheduled interest + principal repayment, failing which JSWPL is to fund the DSRA account at least two business days prior to the scheduled interest + principal repayments. Further, the NCD's are backed by the letter of comfort provided by JSW Techno Projects management limited, (CARE A-; Stable/ CARE A2).

Strong promoters with healthy financial acumen

Incorporated as GMR Sports Private Limited, the company had changed its name post the acquisition of 50% stake by JSW group. As on June 30, 2022, both JSW and GMR groups own 50% each of the shareholding in JGCPL.

JSW Group: JSW group is a $22 billion conglomerate with interest across steel, energy, infrastructure, and paints with Mr. Sajjan Jindal as the chairman of the group. The group has also presence in other sports like football (Bangalore team in ISL), Kabbadi (Haryana Steelers in Pro Kabbadi League).

GMR Group: Founded in 1978, GMR group is one of the major infrastructure companies in India. The group is founded by Mr. Grandhi Mallikarjuna Rao,. The company operates airports in Delhi and Hyderabad and also has presence in major infrastructure projects in India. The group has also presence in other sports like Kabaddi (UP Yoddhas in Pro Kabaddi League) and Kho Kho (Telugu Yodhas in Ultimate Kho Kho league).

Key Rating Weaknesses

High interest expenses coupled with major repayment in FY24

Historically, the interest expense of the company is more than Rs 45.00 crore which is significantly impacting the net profits of the company. Further, in June 2023, the company has major repayment obligation which is also the last installment of the NCD issued by the company. However, post the repayment the company is expected to be debt free and aided by improved revenue the margins of the company are expected to improve post FY23.

Uncertainty in the timing of IPL

Historically IPL has been postponed few times on account of the external factors leading to delay in the receipt of central rights revenue for the companies. Although the accruals are sufficient enough to cover the major repayment coming in Q1FY24, any unlikely postponement of IPL event by one month will lead to cashflow mismatch for the company.

Liquidity: Adequate

Adequate liquidity with sufficient accruals Vis-à-vis repayment obligation. The increased revenue from central rights will further ease with liquidity in the company for FY24. With ease of restriction for attending matches coupled with increased seating capacity and number of matches being played are also higher from FY24, the ticket sales are expected to improve.

Further, the company also does not have any working capital limits. As on March 2022, the company has cash and liquid investments of Rs 91.44 crore (cash balance Rs 3.27 crore and mutual fund investment of Rs 88.17 crore).

Analytical approach: Standalone.

Applicable Criteria

Criteria on Assigning 'Outlook' or 'Credit Watch' to Credit Ratings
Financial ratios - Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Policy on Default Recognition
Rating Methodology -Services Sector

About the Company

JSW GMR cricket private limited (JGCPL) holds the franchise of "Delhi Capitals" which participates in the Indian Premier League (IPL). It was initiated by the Board of Control for Cricket in India (BCCI) and is looked after by the IPL governing body (BCCI-IPL) which is headquartered in Mumbai. The team has finished 5th in the latest edition of IPL. At the time of initial auction in February 2008, the franchise rights of Delhi were brought by GMR group for Rs 630 crore (US$ 84 million dollars). In March 2018, JSW through its sports arm buys 50% stake in the GSPL for ~ Rs. 550 crores (~US$ 84.5 million)

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q1-FY23
Total operating income	338.18	374.59	NA
PBILDT	62.78	60.36	NA
PAT	-3.40	10.78	NA
Overall gearing (times)	6.49	3.71	NA
Interest coverage (times)	0.95	1.27	NA

A: Audited; NA: Not available.

Status of non-cooperation with previous CRA: NA

Any other information: NA

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	INE295P08011	2018-06-08	11	June 08, 2023	275.00	CARE A-; Stable

Annexure-2: Rating History of 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	Debentures-Non-Convertible Debentures	LT	275.00	CARE A-; Stable				

**Long Term / Short Term*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Put option which is 54 months from the deemed date of allotment, i.e., 08 December 2022.

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non-Convertible Debentures	Complex

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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About CARE Ratings Limited:

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