



Rating Rationale

27 May 2022

JSW GMR Cricket Private Limited

Brickwork Ratings has reaffirmed the rating for the Non-Convertible Debenture Issue of Rs. 550.00 Crs (O/s amount: Rs. 316.25 Crs) of JSW GMR Cricket Private Limited (JGCPL or the company).

Particulars

Instrument**	Tenor	Previous Amount (Rs. Crs)	Present Amount ¹ (Rs. Crs)	Previous Rating (May-2021)***	Present Rating*
NCD	Long Term	385.00	316.25	BWR BBB+(CE)/Stable	BWR BBB+(CE)/Stable Reaffirmed
Total		385.00	316.25	(Rupees Three Hundred Sixteen Crores and Twenty Five Lakhs Only)	

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

**Details in Annexure I

¹O/s as of 18 April 2022

***amended rating rationale on 03 September 2021

Unsupported Rating: BWR BBB-/Stable

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the rating at BBB+(CE)/Stable for the Non-Convertible Debenture (NCD) issue of Rs. 550.00 Crs (O/s amount: Rs. 316.25 Crs) of JSW GMR Cricket Private Limited (JGCPL or the company), formerly GMR Sports Private Limited, the owner of Indian Premier League (IPL) franchise Delhi Capitals, formerly Delhi Daredevils.

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 (JSWPL, 100% owned by Sajjan Jindal family), 50% stake in JGCPL being held by JSW Group, stable financial performance and revenue visibility given the overall success of the IPL (2022 being the 15th successive edition).

The rating is constrained by the fact that JGCPL is highly leveraged and the presence of risks inherent in the structure due to the provision of a Put option after 42 and 54 months, i.e., in December 2021 (the debenture holders agreed to roll over the Put option for a fee of Rs. 2.25 Crs) and December 2022. Furthermore, the company is exposed to refinancing risks as the rated NCD has a balloon principal repayment on 08 June 2023 (maturity date). However, considering the JSW Group pedigree and other support inherent in the NCD issue, this risk is partly mitigated.



The rating is also constrained by the below par performance of the Delhi Capitals' team in the current IPL season 2022 as against the second/third position secured in the previous three seasons.

The rating with the CE suffix is based on the credit enhancement by JSW Group companies to the NCD issue through the DSRA shortfall undertaking from JSWPL and Letter of Comfort (LoC) from JTPML.

BWR believes that JGCPL's business risk profile will be maintained over the medium term. The Stable outlook indicates a low likelihood of a rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:-

DSRA shortfall undertaking and LOC: The DSRA shortfall undertaking support is provided through a Shortfall Undertaking executed between JSWPL (Support Provider) and JGCPL dated 13 September 2019. As per the terms of issue, JGCPL has to 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. The NCD is also backed by the LOC provided by JTPML.

Acquisition of 50% stake by JSW Group and presence of family member of Sajjan Jindal in the board: JSW Group through its sports venture JSW Sports Pvt. Ltd (JSPL) holds a 50% stake in JGCPL. The company is a 50:50 JV, and both JSPL and GMR Enterprises Private Limited (GEPL), along with Sukreeda Sports and Entertainment LLP (SSEL) and the individual promoter shareholders, have joint control over the company. A key member of the JSW Group promoter family, i.e., Mr. Parth Jindal, is on the board of JGCPL. The shareholding pattern of the company as of 31 March 2022 was as follows: JSPL has a 50% stake, SSEL 25% and GEPL 17.08%, and individual promoters hold a 7.92% stake.

Moderate net-worth base: Post the 50% stake acquisition by JSPL, the Tangible Networth (TNW) of JGCPL had improved significantly to Rs. 80.17 Crs as on 31 March 2019 as against a negative net worth of Rs.105.75 Crs as on 31 March 2018. As on 31 March 2022, the company's TNW was moderate at Rs. 85.69 Crs.

Future revenue visibility due to Central Rights revenue from IPL: The Board of Control for Cricket in India (BCCI) had sold the broadcasting and Internet rights to Star Sports for five IPL seasons to be held from 2018 to 2022, for a total sum of Rs. 16,347.5 Crs. Besides this, the BCCI and teams would earn from title and on-ground sponsorships. The total of all of these is called Central Revenue. Of this amount, 50% will go to the BCCI. Of the rest, 45% will be equally distributed between the eight teams over five years, and the balance 5% will be distributed among the teams based on the final 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. BWR understands that the process for selling the broadcasting and Internet rights for the next few seasons has started, and the same is expected to be renewed at a higher



transaction value, thereby improving the company's overall revenue profile in the near term. However, there is a lack of clarity on the exact contours of the transaction. Any negative amendments in the percentage sharing method and/or transaction value impacting the revenue profile will be a key rating sensitivity.

Credit Risks:-

High debt/equity ratio post NCD issue: Post the issuance of the NCD, the company is highly leveraged since the D/E ratio of the company, though having improved, stood at 3.71 times in FY22 (A) (FY21: 6.49 times), resulting in limited financial flexibility.

Put option and balloon repayment leading to refinancing risk: There is a provision for the NCD holders for exercising the Put option in December 2022, which exposes JGCPL to refinancing risk. This risk is further elevated since the rated NCD has a balloon principal repayment on 08 June 2023 (maturity date). However, considering the JSW Group pedigree and other support inherent in the NCD issue, this risk is partly mitigated.

Contingent liabilities: JGCPL as per FY22 financials had high contingent liabilities pertaining to service tax, income tax and entertainment tax, a large part (Rs. 44.34 Crs) of which comprises demands contested by the company with respect to service tax. The crystallization of such liabilities may impact the company's liquidity profile. However, based on the discussion with the company's management, BWR understands that for the overall contingent liabilities, the final outgo is not likely to be significant.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has adopted a standalone approach, and the terms and conditions of the rated NCD have also been considered. Reference may be made to the Rating Criteria hyperlinked below.

LIQUIDITY INDICATORS: Adequate

As of 19 May 2022, the company had an adequate cash and cash equivalent position of ~Rs. 115.15 Crs (balance in current account: Rs. 5.89 Crs, balance in mutual fund of Rs. 108.74 Crs and FDR of Rs. 0.52 Crs) vis-a-vis the payment (Principal+Interest) of Rs. 76.04 Crs due on 08 June 2022. In addition, as per the terms of the rated NCD issue, JGCPL has to fund the DSRA account at least four business days prior to the scheduled interest and principal repayment, failing which JSWPL is to fund the DSRA account at least two business days prior to the scheduled interest + principal repayments.

RATING SENSITIVITIES

Positive factors:

- Sustained increase in revenue, leading to improvement in operating profitability and significant reduction in debt leading to improved financial risk profile
- Timely refinancing of the NCD resulting in improved cash flow visibility



Negative factors:

- Suspension of any IPL season, weakening of the financial risk profile and/or material increase in external debt borrowings resulting in weakening of the capital structure
- A deterioration, if any, in the credit profile of credit enhancement providers JSWPL and JTPML

COMPANY’S PROFILE:

JSW Group through its sports venture, JSPL, is holding a 50% stake in JGCPL. The company is a 50:50 JV, and both JSPL and GEPL, along with SSEL and the individual promoter shareholders, have joint control over the company. The company owns the IPL franchise Delhi Capitals.

KEY COVENANTS OF THE FACILITY RATED

The NCD was issued on 8 June 2018, and the maturity date is 8 June 2023. The coupon rate is 11% p.a. payable annually starting from 8 June 2019. The initial redemption schedule of the NCD was as 3.75% on 8 June 2019, 3.75% on 8 December 2019, 5% on 8 June 2020, 5% on 8 December 2020, 6.25% on 8 June 2021, 6.25% on 8 December 2021, 7.5% on 8 June 2022, 7.5% on 8 December 2022 and 55% on 8 June 2023. Due to voluntary prepayments in FY19 and FY20, the last redemption in June 2023 is reduced to 42.5%. There was no voluntary prepayment in FY21 and FY22. Hence the redemption of 42.5% remains unchanged.

There is a Put option date (Option Date 4), which is 54 months from the deemed date of allotment, i.e., 08 December 2022.

KEY FINANCIAL INDICATORS:

Key Parameters ²	Units	FY21(A)	FY22(A)
Total Operating Income	Rs. Crs	279.86	333.16
PAT	Rs. Crs	-3.4	10.78
Tangible Net worth	Rs. Crs	74.92	85.69
Total Debt/Tangible Net worth	Times	6.49	3.71

²as per BWR calculations.

About the Credit Enhancement Providers:

JSW Techno Projects Management Ltd:

JTPML was incorporated on 4 May 2010. It is wholly owned by Mrs. Sangita Jindal [wife of Mr. Sajjan Jindal – Chairman & Managing Director of JSW Steel Limited]. JTPML is involved in four major divisions, i.e., Operations & Maintenance (project management, engineering and management consultancy services for the steel vertical of the JSW Group), Investment holding company of JSWSL, Industrial Gases division (supplying oxygen to JSWSL plants) and Pellet Trading (JTPML is entitled to receive 49% of the pellet output from Brahmani River Pellets Limited, which it sells in the domestic as well exports market).



KEY FINANCIAL INDICATORS:

Key Parameters ²	Units	FY20(A)	FY21(A)
Total Operating Income	Rs. Crs	731.96	2279.67
PAT	Rs. Crs	116.41	237.02
Tangible Net worth	Rs. Crs	3908.19	10283.71
Total Debt/Tangible Net worth	Times	1.07	0.34

²as per BWR calculations

As per FY22 (Provisional) financials, the company has reported a total operating income of Rs. 2460.65 Crs with a PAT of Rs. 266.08 Crs

JSW Projects Limited:

JSWPL is a part of the USD 14 billion JSW Group, which has diversified interests in the core economic sector, including steel, energy, minerals, infrastructure, cement, sports, ports and paints. The company has set-up and runs certain plants, namely, a 1.2 MTPA COREX gas-based Direct Reduction of Iron (DRI) plant, one Coke Dry Quenching (CDQ) plant comprising four units with an aggregate capacity of 3.42 MTPA and a 76 MW captive power plant based on waste heat recovery from the CDQ process. JSWPL operates these facilities on the basis of a Build Own Operate Transfer agreement with JSWSL valid up to 31 March 2023, after which JSWPL will transfer the assets to JSWSL at 25% of the residual value; Sajjan Jindal Family Trust held a 100% stake in JSWPL as of 31 March 2021. The company also operates a DRI plant of 0.12 MTPA capacity and a Captive Power Plant of 8 MW capacity in Sultanpur, Karnataka. The company had acquired a 0.3 MTPA Pellet plant near Hospet, Karnataka. A trial run production of this plant had been started, and the plant was expected to be operational in April 2022. The company had also acquired a 58.47% stake in BMM Ispat Limited (BMM) for a total consideration of Rs. 500 Crs. BMM mainly has facilities for pellet production (capacity 2.40 MTPA), DRI (capacity 0.66 MTPA), a beneficiation plant (capacity 2.60 MTPA), an induction furnace (capacity 0.15 MTPA), a rolling mill (capacity 0.09 MTPA), a power plant (capacity 235 MW), a steel melting shop (capacity 1.1. MTPA) and a merchant bar mill (capacity 0.85 MTPA). After acquisition by the company, BMM made a turnaround and is now a profitable company. As on 31 December 2021, BMM had reported an operating revenue of Rs. 2,775.6 Crs and a Net Profit of Rs. 378 Crs.



KEY FINANCIAL INDICATORS:

Key Parameters ²	Units	FY20(A)	FY21(A)
Total Operating Income	Rs. Crs	569.69	506.23
PAT	Rs. Crs	25.06	158.58
Tangible Net worth	Rs. Crs	471.65	630.33
Total Debt/Tangible Net worth	Times	1812.15	1666.96

²as per BWR calculations

As per FY22 (Provisional) financials, the company has reported a total operating income of Rs. 498.64 Crs with PAT of Rs. 163.22 Crs

Non-Cooperation with Previous Credit Rating Agency If Any: Not Applicable

Rating History for the Previous Three Years [Including Withdrawal & Suspended]

Sl. No.	Instrument Type	Current Rating (2022)			Rating History**		
		Type (Long Term/ Short Term)	Amount ¹ (Rs. Crs)	Rating	28-May-2021* **	28-May-2020	28-May-2019
1	NCD	Long Term	316.25	BWR BBB+(CE)/Stable Reaffirmed	BWR BBB+(CE)/Stable	BWR BBB+(CE)/Stable	BWR BBB+(SO)/Stable
Total			316.25	(Rupees Three Hundred Sixteen Crores and Twenty Five Lakhs Only)			

¹O/s as of 18 April 2022

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

***amended rating rationale on 03-Sep-2021

N/A: Not Available

Any other information: NIL

COMPLEXITY LEVELS OF THE INSTRUMENTS-Complex

For more information, visit

www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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



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JSW GMR Cricket Private Limited

Annexure I:

INSTRUMENT (NCD) DETAILS

Instrument	Issue Date (DD/MM/YY)	Issue Amount (Rs. Crs)	Present O/s Rated Amount (Rs. Crs)	Coupon	Maturity Date (DD/MM/YY)	ISIN Particulars
NCD	8-June-2018	550.00	316.25	11% p.a. payable annually	8-June- 2023	INE295P08011

Total: Rupees Three Hundred Sixteen Crores and Twenty Five Lakhs Only



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