

## RPSG Ventures Limited

November 26, 2024

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	550.00 (Enhanced from 342.50)	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 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 equity infusion of ₹284 crore in FY24 and the market value of its investments in FSL (₹13,412 crore as on November 11, 2024). Such investment provides comfortable debt cover against the existing borrowings (including comforts etc for debt availed by its subsidiaries). Going ahead, the debt cover (including comforts extended) is expected to moderate 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 any comforts etc extended) 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. Furthermore, debt of RVL's subsidiary companies (viz. RPSG Sports Pvt Ltd, Guiltfree Industries Ltd, Apricot Foods Pvt Ltd and Herbolab India Pvt Ltd) have also been considered in the analysis, where RVL has extended its comfort.

### 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 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, speciality black, retail, education, business process outsourcing, media & entertainment, sports, rubber and tea plantations, among others. 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; rated CARE BBB-; Stable/CARE A3), Quest Properties India Limited (QPIL; rated CARE A-; Stable), and RPSG Sports Private Ltd (RSPL; rated CARE BBB; Stable/CARE A3). The group is spearheaded by Sanjiv Goenka who has over three decades of professional experience.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited'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 comforts. The market value of investments (quoted) stood at ₹7,378 crore, taking the debt cover (the market value of its unencumbered equity shares of listed companies to total external debt including comforts) to 3.08x as on March 31, 2024 (against 8.00x as on December 31, 2023). The debt cover improved to 4.06x as on September 30, 2024, driven by increase in market value of investments which partly offsets the increase in debt. Any significant rise in the debt levels or substantial decline in the market capitalisation will remain a key rating monitorable.

### **Stable revenue streams with high profitability margin**

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 FY24 largely remained at the same level as of FY23 with stable service revenue and dividend income from FSL. The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin, though moderated y-o-y with increase in employee and other expenses, it continued to remain healthy at 60.28% in FY24 (70.84% in F23). In H1FY25, the company's TOI improved over H1FY24 contributed by income from services. Going forward, the operating margin is expected to continue to be strong.

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

The company's capital structure stood comfortable with overall gearing ratio of 0.05x as on March 31, 2024. The interest coverage was also healthy at 12.56x in FY24 (15.66x in FY23). The company has also extended comforts for debt availed by its subsidiary companies amounting to ₹2,257 crore as on March 31, 2024 (₹1,355 crore as on March 31, 2023). Considering the comforts etc extended, the adjusted overall gearing ratio moderated to 0.88x as on March 31, 2024 from 0.66x as on March 31, 2023 and further to 1.05x as on September 30, 2024, as the company raised debt of ~₹150 crore and extended additional comfort towards 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 RVL's investment 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 investment prices in FSL shall be a key rating sensitivity factor. In case of substantial diminution in the investment value, RVL's financial flexibility may be impacted.

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

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

### **Liquidity: Adequate**

The liquidity stood healthy with surplus funds to the tune of ₹512 crore as on September 30, 2024, backed by refund of loans from few subsidiaries and additional debt availed.

In FY25, the company has debt repayment obligation of ₹60.00 crore against which the company is expected to generate sufficient cash accruals out of its operations. The fund support to its subsidiary entities shall be majorly met out of the dividend income, which is received by the company from FSL and available liquidity surplus. The company enjoys financial flexibility as a part of the RPSG group and also from its shareholding in FSL.

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

Parameter	Compliance and action taken by the company
<b>Environmental</b>	Not relevant for the company
<b>Social</b>	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. In FY24, there were no complaints relating to child labour, forced labour, involuntary labour, sexual harassment of women at workplace. Company has incurred CSR expenses of ₹2.18 crore against required spent of ₹1.37 crore.
<b>Governance</b>	In FY24, the company received no complaints from stakeholders related to unethical practices RVL's board comprises three independent directors of the six total directors.

## 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

Macroeconomic 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 and 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 business verticals. Subsequently, CVL was rechristened as RVL in January 2021. RVL holds investments in entities of the group operating in sectors such as IT-related services, business process outsourcing, FMCG, and real estate, among others. 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 of the same.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	305.94	314.94	101.90
PBILDT	216.72	189.85	21.46
PAT	76.25	129.32	6.83
Overall gearing (times)	0.06	0.05	0.10
Adjusted overall gearing (times) *	0.66	0.88	1.05
Interest coverage (times)	15.66	12.56	2.52

A: Audited UA: Unaudited; Note: these are latest available financial results

\*Adjusted overall gearing considers comforts extended by RVL for debt availed by its subsidiary companies

**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 facility:** Annexure-3

**Complexity level of facilities rated:** Annexure-4

**Lender details:** 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 and Rating Outlook
Fund-based - LT-Term loan		-	-	30-09-2030	250.00	CARE BBB+; Stable
Non-fund-based - LT-Bank guarantee		-	-	-	300.00	CARE BBB+; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the 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	Non-fund-based - LT-Bank guarantee	LT	300.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Mar-24)	1)CARE BBB+; Stable (02-Feb-23)	-
2	Fund-based - LT-Term loan	LT	250.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (06-Mar-24)	1)CARE BBB+; Stable (02-Feb-23)	-

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated facilities:** Not applicable

#### Annexure-4: Complexity level of 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 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.

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### About us:

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