RPSG Ventures Limited

February 02, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	385.00	CARE BBB+; Stable	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the 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 various 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 margins and comfortable capital structure.

Furthermore, the rating factors in the adequate liquidity position backed by the market value (approximately ₹3,900 crore as on January 16, 2023) of its investments in FSL which provides comfortable debt cover against the existing borrowings (including Letter of Comfort (LOC) provided by RVL for debt availed by its subsidiaries). Going ahead, however, the debt cover (including LOCs extended) is expected to reduce 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

- Fall in cover of market value of investments in group companies over total external borrowings (including LOC) of RVL below 2x.
- 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.

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, retail, education, business process outsourcing, media & entertainment, sports, rubber and tea plantations, etc. 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), Quest Properties India Limited (QPIL) and RPSG Sports Private Ltd (RSPL). The group is spearheaded by Mr Sanjiv Goenka who has more than three decades of professional experience.

Strong financial flexibility: Owing to its investment in FSL and being part of the RPSG group, the company enjoys strong financial flexibility. The market value of investments (quoted) stood at ₹3,923 crore as against external borrowings of ₹84.25 crore as on September 30, 2022. Hence, the company has adequate financial flexibility and cushion available. Being an investment holding company, RVL extends support to its group companies via investments, loans, advances and LOC. The debt cover (the market value of its unencumbered equity shares of listed companies to total external debt including LOC) stood at 6.42x as on September 30, 2022.

Any significant rise in the debt levels or substantial decline in the market capitalization will remain a key rating monitorable.

Stable revenue streams with high profitability margins: RVL provides IT consultancy, support services and cybersecurity

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

services to its group entities which are engaged in power generation and distribution business. Also, 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) has witnessed a CAGR of 8% during the period FY20-FY22 driven by the increase in service revenue and dividend income from FSL. The operating margin continued to remain healthy at more than 70% during the last 3 years (FY20-FY22).
In H1FY23, the company's TOI witnessed a y-o-y growth of 45% with increase in income from services. PBILDT margin, though moderated y-o-y with increase in employee and other expenses, it continued to remain healthy. Going forward as well, the margins are expected to remain strong.

Comfortable capital structure and debt coverage indicators: The capital structure of the company stood comfortable with overall gearing of 0.04x as on March 31, 2022. The interest coverage was also healthy at 37.79x in FY22. The company availed term loan of Rs.85 crore in FY22 towards meeting its long-term working capital requirement. The company has also extended LOC for debt availed by its subsidiary companies amounting to ₹527 crore as on March 31, 2022 (₹234 crore as on March 31, 2021). The increase in LOC is mainly due to LOC extended towards the new subsidiary incorporated in FY22, RSPL which has won the bid for the franchise of Lucknow cricket team of Indian Premier League (IPL). Considering the LOC, the adjusted overall gearing ratio also stood comfortable at 0.28x as on March 31, 2022 (0.15x as on March 31, 2020).
In FY22, the group invested ₹234 crore as compulsorily convertible preference shares (CCPS) in RVL which was further invested in RSPL to meet the franchise fee commitment.
Going forward, the capital structure and debt coverage indicators are expected to remain comfortable with no new debt availment plans of the company on a standalone level, though it may continue to provide LOC for 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 investment of RVL 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 prices of its investment in FSL shall be a key rating sensitivity factor. In case of substantial diminution in the value of investments, financial flexibility of RVL may be impacted.

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

Liquidity: Adequate

The company has an adequate liquidity position with free cash and bank balance of ₹87 crore as on September 30, 2022 against nil debt repayment obligation in FY23. In FY24, the company has debt repayment obligation of ₹42.50 crore against which the company is expected to generate sufficient cash accruals out of its operations. Furthermore, the company enjoys financial flexibility by virtue of being a part of RPSG group and also from its shareholding in FSL (market value of which is about ₹3,900 crore as on January 16, 2023). The company does not have any capex plans.

Applicable criteria

Policy on default recognition
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Investment Holding Companies
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Service Sector Companies
Policy on Withdrawal of Ratings

About the 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 along with its real estate business and FMCG business was transferred to CVL under the scheme of arrangement of the RPSG group to realign the various business verticals. Subsequently, CVL was rechristened as RVL in

January 2021.
RVL holds investments in entities of the group operating in various sectors such as IT related services, business process outsourcing, FMCG, real estate, etc. 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 out of the same.

Brief Standalone Financials (₹ crore)	FY21 (A)	FY22 (A)	H1FY23 (UA)
TOI	227.79	295.71	80.75
PBILDT	169.15	211.61	27.39
PAT	127.30	144.67	14.43
Overall gearing (times)	0.00	0.04	NA
Interest coverage (times)	NM	37.79	NA

A: Audited; UA: Unaudited; NA: Not available, NM: Not meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2024	85.00	CARE BBB+; Stable
Non-fund-based - LT-Bank Guarantee		-	-	-	300.00	CARE BBB+; Stable

Annexure-2: Rating history for the 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	Non-fund-based - LT-Bank Guarantee	LT	300.00	CARE BBB+; Stable				
2	Fund-based - LT-Term Loan	LT	85.00	CARE BBB+; Stable				

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various 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 the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings 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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