

November 29, 2024

## Royal Challengers Sports Private Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term –Working capital demand loan	100.00	120.00	[ICRA]AA (Stable); reaffirmed/ assigned for enhanced amount
Long-term/Short term –Bank guarantee	100.00	100.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
<b>Total</b>	<b>200.00</b>	<b>220.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of ratings derive comfort from Royal Challengers Sports Private Limited’s (RCSPL) strong parentage as it is a wholly-owned subsidiary of United Spirits Limited (USL). The ratings also consider RCSPL’s strong revenue visibility for the remaining three years starting from FY2026, supported by its fixed-income arrangement with the Board of Control for Cricket in India (BCCI). As a franchisee of the cricket team, Royal Challengers Bangalore (RCB, which participates in the Indian Premier League [IPL]), media rights and official sponsorship income received from the BCCI accounts for the major portion of RCSPL’s revenues. ICRA notes that the media rights for the current five-year cycle of IPL 2023-2027 (to be played between FY2024 and FY2028) were sold by BCCI for Rs. 48,390 crore in June 2022, witnessing a significant uptick (~300% increase) from the previous cycle’s bid price of Rs. 16,347 crore. This resulted in a significant increase in the company’s net central rights revenue in FY2024. The company has witnessed revenues of over ~Rs. 422 crore from the fixed arrangement with the BCCI in FY2024 against Rs.200-250 crore garnered between FY2021 and FY2023. In H1 FY2025, the company earned net revenue of Rs. 277 crore from this fixed arrangement. Apart from the fixed revenues, the company also generates income from sponsorships and match ticketing. ICRA also notes that the company needs to pay 20% of its income from the net central rights, sponsorship and ticketing revenues to BCCI as franchisee fee for the IPL. Overall, RCSPL’s financial profile is expected to remain healthy, supported by robust operating profit margins (OPM) of around 35% and healthy debt metrics over the next few years.

The ratings are, however, constrained by RCSPL’s nascent stage of operations in the Women’s Premier League (WPL), which started in FY2023. While the WPL franchisee fee payout of Rs. 90.1 crore per annum for a tenure of 10 years (starting from FY2023) is expected to impact the profits of the company to a certain extent, strong cash flows from IPL are expected to largely mitigate the same. ICRA notes that RCSPL has strong revenue visibility over the medium term, however, the single line of business (cricket tournament) contributing to the major part of the company’s cash flows, poses a risk. Any significant decline of the viewership of IPL/WPL tournaments or termination of franchisee by BCCI would impact RCSPL’s operations. Further, delay in receipt of payments from BCCI for the accrued revenues of respective IPL seasons may lead to interim cash flow mismatches for the company, given the irregular nature of its expenses. However, ICRA notes that no significant payment delay from BCCI has been witnessed by the company in the past.

The Stable outlook on the long-term rating reflects ICRA’s expectations that the company will continue to have a steady revenue base over the medium term and will maintain its healthy debt metrics.

## Key rating drivers and their description

### Credit strengths

**Strong parentage of USL** – RCSPL is a wholly-owned subsidiary of USL. While the company does not require any financial support from USL at present, it enjoys financial and operational flexibilities due to its parentage. Further, ICRA notes that the company had received loans from USL in the past and the parent will continue to provide need-based support.

**Strong revenue visibility on account of fixed-income arrangement with BCCI** – The company owns the franchise rights of RCB, which participates in IPL, a cricket tournament held by BCCI on an annual basis. It derives the major portion of its revenues from the central rights income, which is shared by BCCI with all its franchisees (which own IPL teams). This income is based on the auction value for sale of media rights conducted by BCCI every five years. The media rights for the current five-year cycle of IPL 2023-2027 (likely to be played between FY2024 and FY2028) were sold by BCCI for Rs. 48,390 crore in June 2022, witnessing a ~300% increase from the previous cycle's bid price of Rs. 16,347 crore. ICRA understands that the major portion of the total media rights income (excluding the share of BCCI) is equally distributed among the 10 franchisees and some portion is distributed as per the league standing. As the revenue derived by the company is proportional to the media rights income received from BCCI, this increase has translated into robust revenue growth for the IPL franchisee in FY2024. The company has earned gross revenues of ~Rs. 420 crore from the fixed arrangement with BCCI in FY2024 against Rs. 200-250 crore between FY2021 and FY2023. Additionally, the central rights revenues were higher in FY2024 as three IPL matches of 2024 edition were played in March 2024. Subsequently, its revenue in H1 FY2025 declined due to relatively lower number of IPL 2024 matches played in FY2025. However, the company's FY2025 revenues will also depend on how many matches of IPL 2025 are played in Q4 FY2025. ICRA also notes that the company needs to pay 20% of its gross revenues to BCCI as franchisee fee for IPL. Overall, the company has a strong revenue visibility for the five-year period that started from FY2024, which would also support its cash flows to a large extent.

**Healthy financial profile** – The company witnessed a sharp increase in FY2024 revenues, supported by the net media rights received from BCCI and some matches of IPL 2024 taking place in FY2024. Apart from the fixed revenues, the company generates income from sponsorships and match ticketing, which are expected to support the overall revenues, in line with the improvement in the brand value of RCB. In FY2024, the company's revenues witnessed a YoY growth of 162%, primarily due to increased media rights and increased number of matches played by RCB in FY2024 (17 league matches against 12 in FY2023). However, a change in the IPL league position (6<sup>th</sup> in IPL 2023 against 4<sup>th</sup> league standing in IPL 2022) curtailed the revenue growth to some extent. The OPM remained strong at 46.8% in FY2024, driven by higher net central revenues, sponsorship and ticketing income. In H1 FY2025, RCSPL witnessed revenue of ~Rs. 412 crore, with an OPM of 59.6%. The WPL 2025 is yet to be played due to which the OPM for H1 FY2025 is relatively higher. The same is expected to moderate subsequently. The company has paid dividend of Rs. 124.9 crore in FY2024 to its parent company and has also declared an interim dividend of Rs. 120 crore in H1 FY2025. The company is expected to keep paying sizeable dividend to its parent company, going forward. Further, the company does not have any long-term debt outstanding and is expected to have a comfortable liquidity position. RCSPL's financial profile is expected to remain healthy, supported by stable revenues, strong margins and healthy debt metrics over the near term.

### Credit challenges

**Nascent stage of WPL impacting profitability to a certain extent** – The company purchased the franchise rights for operating a cricket team in WPL with a bid price of Rs. 901 crore in January 2023. RCSPL has an obligation to pay Rs. 90.1 crore per season to BCCI for the first ten seasons. As the first season of WPL was played only in 2023, it is yet to reach its optimum revenue potential. The media rights income earned by BCCI from WPL seasons 2023-2027 amounts to Rs. 951 crore, a part of which will be distributed equally among the five franchisees and some portion will be distributed as per the league position. While the WPL payout will impact the profitability of the company, experience of RCSPL in managing an IPL franchisee and strong cash flows from IPL are expected to mitigate the risk, to an extent.

**Single line of business** – The company has franchisee rights of RCB, which participates in IPL and WPL conducted by the BCCI. RCSPL’s majority of the income is derived from its share of media rights income of IPL/WPL, sponsorships and match ticketing generated from the two cricket tournaments. Any significant decline in the viewership of IPL/WPL tournaments and unavailability of key players, leading to a decline in the franchisee’s sponsorship revenues, could impact the company’s revenues. However, strong revenue visibility from the fixed-revenue arrangement with the BCCI for IPL is expected to mitigate this risk to an extent.

**Delay in payments from BCCI leading to cash flow mismatches** – BCCI has a scheduled payment structure for distributing the central rights revenue to all the franchisees. While there has been no major delay in these payments in the past, temporary cash flow mismatches may arise if there is a delay in payments from BCCI, given the irregular nature of its expenses. However, the company has working capital limits available, which would largely support the cash flow mismatches, if any.

### Liquidity position: Adequate

As of September 30, 2024, the company had cash and liquid investments of ~Rs. 277.2 crore. The company does not have any long-term debt repayment obligations, however, the company has committed obligation of Rs. 90.1 crore per annum to BCCI for 10 WPL seasons starting from season 2023. In FY2024, the company paid a dividend of Rs. 124 crore and it has also declared an interim dividend of Rs. 120 crore in H1 FY2025. The dividend payments are expected to continue going forward. Overall, ICRA expects the company to meet its operational requirements through its cash accruals and existing reserves. Further, the company is expected to receive support from USL, its parent company, if required in the near-to-medium term.

### Rating sensitivities

**Positive factors** – RCSPL’s ratings could be upgraded, if there is any significant improvement in its revenues, earnings and liquidity position, while maintaining its strong debt metrics, on a sustained basis.

**Negative factors** – RCSPL’s ratings could be downgraded, if there is any sustained deterioration in its revenues, earnings, debt metrics or liquidity position. Any significant debt-funded capital expenditure, deterioration in the parent’s credit profile or RCSPL’s operational/financial linkages with the parent, could also impact the ratings.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	USL holds 100% stake in RCSPL at present. It enjoys financial and operational flexibilities by virtue of its parentage
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of RCSPL

### About the company

RCSPL, incorporated on March 11, 2008, holds the perpetual franchise rights of Royal Challengers Bangalore (RCB), which participates in IPL and WPL. These rights were purchased from the Board of Control for Cricket in India (BCCI). The franchise rights of RCB were brought by RCSPL for ~Rs. 480 crore in 2008 (for IPL) and Rs. 901 crore in January 2023 (for WPL). The company is a wholly-owned subsidiary of United Spirits Limited (USL).

### Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	244.2	640.4*
PAT	-11.6	221.8
OPBDIT/OI	-2.5%	46.8%
PAT/OI	-4.8%	34.6%
Total outside liabilities/Tangible net worth (times)	1.1	1.2
Total debt/OPBDIT (times)	-15.1	0.1
Interest coverage (times)	- 1.5	332.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation, \* includes insurance claims received worth Rs. 5.7 crore.

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	November 29, 2024	Date	Rating	Date	Rating	Date	Rating
Working Capital Demand Loan	Long Term	120.00	[ICRA]AA (Stable)	September 01,2023	[ICRA]AA (Stable)	-	-	-	-
Bank Guarantee	Long term/Short term	100.00	[ICRA]AA (Stable) / [ICRA]A1+	September 01,2023	[ICRA]AA (Stable) / [ICRA]A1+	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term –Working Capital Demand Loan	Simple
Long term/Short term –Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term –Working Capital Demand Loan	FY2023 and FY2024	NA	NA	120.00	[ICRA]AA(Stable)
NA	Long term/Short term – Bank Guarantee	FY2023	NA	NA	100.00	[ICRA]AA(Stable)/[ICRA]A1+

Source: Company

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**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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