

GMR Sports Private Limited

Instrument	Amount	Rating Action
	In Crore	
Fund-based limits	45.0	Revised to [ICRA]D from [ICRA]BB+(stable) and simultaneously reassigned to [ICRA]B+

ICRA has downgraded the rating assigned for GMR Sports Private Limited's (GSPL) Rs. 45.00-crore¹ fund-based limits to [ICRA]D (pronounced ICRA D) from [ICRA]BB+ (pronounced ICRA double B plus) and simultaneously reassigned a rating of [ICRA]B+ (pronounced ICRA B plus).

The revision in ratings factors in GSPL's debt service irregularities from February, 2016 to April 2016 and timely servicing of debt obligations May, 2016 onwards. High working capital requirements during the above-mentioned period resulted in an overdrawn cash credit account and delayed debt service payments towards its short-term loans. The ratings revision also factor in the poor performance of the "Delhi Daredevils" (DD) franchise in the last four seasons. DD's consistently poor show since FY2015 has made the company increasingly dependent on the GMR Group for funding support. The ratings also factor in the recent deterioration in the Group's liquidity condition, which impacted GSPL's liquidity as is evident from the delay in financial support last year, causing delays in debt servicing. ICRA notes that the franchise's continuous poor performance has resulted in declining sponsorship and ticketing revenues, which coupled with the increasing squad cost has put pressure on the profitability.

The ratings, however, draw comfort from the promoters, who now have an experience of nine years in operating an IPL (Indian Premier League) franchise. The performance of the team is crucial as it is directly linked to its ability to garner better sponsorships and ticketing revenues. The governing body's ability to hold the league in an economically feasible manner and GSPL's ability to grow its revenues while maintaining the cost structure and managing its cash flow position will be the key rating sensitive factors.

Company Profile

GMR Sports Private Limited (GSPL) was incorporated in February 2008 as a subsidiary of GMR Holdings Private Limited (GHPL). GSPL was constituted to look after the sports-related commercial activities, including organising sports events; managing the team; constructing, maintaining and taking up or leasing out stadiums; coaching players and also undertaking other related sports and sports-related cultural activities. GSPL owns the Delhi franchise of the BCCI IPL (Indian Premier League) cricket event and the team is named as "Delhi Daredevils". GMR had won the bid in the January 2008 IPL auctions to manage and own the Delhi franchise of the IPL for a total consideration of US\$84 Million (Rs. 336 crore at an exchange rate of INR40 = US\$1) payable over a period of 10 years in annual equal instalments. The team stood sixth (out of eight teams) in the last IPL season held in April 2016 – May 2016.

Recent Results

In FY2015, GSPL booked a loss of Rs 20.39 crore on an operating income of Rs 117.1 crore. As per the FY2016 provisional numbers, it lost Rs 8.90 crore on an operating income of Rs 137.2 crore.

September 2016

¹ 100 lakh = 1 crore = 10 million



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