

October 30, 2024

Kho Kho Sports League Private Limited: [ICRA]BBB- (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term-Non-fund based	8.50	[ICRA]BBB- (Stable); assigned
Total	8.50	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the rating, ICRA has considered the consolidated profile of Kho Kho Sports League Private Limited (KKSLLPL), which includes KKSLLPL and its subsidiary, Sportzsquare Ventures Private Limited (SVPL).

The assigned rating for the bank facilities of KKSLLPL draws strong comfort from the healthy financial flexibility and strong promoter group, with Gyan Enterprises Private Limited (GEPL) as its parent company, which has a demonstrated track record of consistent infusion of funds over the past 5 years. GEPL holds the entire equity stake in KKSLLPL, along with 10.9% stake in Dabur India Limited (DIL, rated [ICRA]AAA (Stable) and [ICRA]A1+), which lends strong financial flexibility and consistent dividend income. This apart, the rating derives comfort from the established track record of Ultimate Kho Kho (UKK) league after completion of two seasons, agreement with the broadcaster till FY2026 and onboarding of six team franchisees. Further, the company has a long-term agreement with the Kho Kho Federation of India (KKFI), which is valid till 2040, providing exclusive commercial rights to conduct Kho Kho commercial league in India.

However, the rating is constrained by its ability to conduct planned seasons each year as per the initial schedule. ICRA notes that UKK league has conducted only two seasons since the six years of KKFI agreement, while no league expected to be conducted in FY2025. Additionally, given the loss-making operations during the initial years and negative net worth, its coverage indicators remain weak. KKSLLPL's ability to monetise the media rights post the expiry of the current agreement in FY2026, would be critical for financial health at the entity level.

The Stable outlook on the long-term rating considers the expected support of the strong promoter group and the company's continued thrust of KKFI for development and promotion of kho kho as a sport, which will help to scale up the league.

Key rating drivers and their description

Credit strengths

Healthy financial flexibility and strong promoter group – KKSLLPL is a subsidiary of GEPL, which is further owned by Mr. Amit Burman, a current Director in DIL, and his mother Ms. Asha Burman. GEPL holds 10.9% stake in DIL. The company benefits from its association with the Dabur Group and financial support from its promoters in the form of unsecured loans as well as equity. The promoters have already infused Rs. 75.1 crore in KKSLLPL (consolidated) as on March 31, 2024, to support the league in the form of unsecured loans. ICRA expects that the promoters will continue to support as and when required, as the league is not likely to generate profits in the near to medium term. The commitment of the promoters is also reflected by the letter of comfort issued by GEPL for KKSLLPL's rated bank limits.

Established track record of completion of two seasons – KKSLLPL has tied-up with KKFI for 22 years till 2040, wherein it has received exclusive commercial rights on behalf of KKFI to organise and manage competitive league of Kho Kho sport in India. The stipulated royalty fee payable to KKFI has been paid for 6 years (till 2024), during which 2 seasons have already been organised, though with a delay as compared to the initial schedule. Other commercial arrangements and tie-ups are also in

place in the form of agreements with six franchisees (for 6 teams: Odisha, Gujarat, Tamil Nadu, Telangana, Rajasthan and Mumbai) and the broadcaster Sony Pictures Network India Pvt. Ltd (Sony) for 5 years till 2026.

Credit challenges

Ability to conduct and grow future seasons in timely and planned manner yet to be seen – The ability to demonstrate and conduct planned seasons each year is yet to be seen, as the league has not been able to conduct seasons as per the initial schedule (only two seasons have been conducted in 6 years). Further, the season planned in FY2025 has been deferred and is likely to be conducted in FY2026. However, the company has been paying the annual royalty regularly to KKFI. Going forward, the count of franchisees is expected to increase from current 6 teams to 8 by season 3, and up to 14 teams by season 9. The execution of the same will remain the key monitorable. The league is likely to benefit from the Kho Kho World Cup being organised by KKFI in January 2025, which would promote the sport globally and could generate public interest.

Weak coverage metrics – Given the loss-making operations during the initial years and negative net worth, the coverage indicators for KKSLPL remain weak, as of FY2024. It is expected to turn profitable only over the medium to long term. Nonetheless, some comfort is drawn from the absence of any external borrowings with the entire debt being infused by the promoter group, which is likely to be converted into equity.

Ability to monetise broadcaster rights in a timely and remunerative fashion – At present, the broadcasting agreement is with Sony, as per which media rights are given free and a part of sponsorship revenue is also shared. Since the agreement is valid till 2026, KKSLPL's ability to monetise and sell media rights or enter into a new broadcaster agreement would remain crucial for future seasons.

Liquidity position: Stretched

The company's liquidity is stretched, given its limited cash balances and absence of operating cash flows as on date. Its liquidity is expected to be supported by the timely funding support from the strong promoter group, as witnessed in the past.

Rating sensitivities

Positive factors – The rating could be upgraded if there is significant increase in the scale operations, along with material improvement in profitability and liquidity on a sustained basis.

Negative factors – The rating could be downgraded if there is a delay in conducting the planned seasons in a timely manner leading to further pressure on its scale and profitability on sustained basis. Further, any weakening in linkages with the promoter Group or any material deterioration in the parent's credit profile could result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	For arriving at the rating, ICRA has taken a comfort of financial support the company derives from its promoter, GEPL, which holds the entire equity stake in KKSLPL, and has a 10.9% stake in DIL.
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of KKSLPL.

About the company

Kho Kho Sports League Private Limited (KKSLPL), incorporated on March 09, 2020, is a 100% subsidiary of Gyan Enterprises Private Limited (GEPL), which holds 10.9% shareholding in Dabur India Limited (DIL) as on March 31, 2024 and operates as a promoter holding company.

The company is engaged in the activity to promote, carry on, endorse and develop any sports, including but not limited to kho kho, etc, entertainment events and any business venture in relation to such sports and entertainment events. At present, it is

focused on organising Ultimate Kho Kho (UKK) league through a joint venture (JV) named Sportzsquare Ventures Private Limited (SVPL). The JV has been formed with Kho Kho Promotion Trust (a trust established by Kho Kho Federation of India).

Key financial indicators (audited)

KKSLPL Consolidated	FY2023	FY2024
Operating income	17.3	16.7
PAT	-28.2	-27.6
OPBDIT/OI	-144.3%	-139.4%
PAT/OI	-163.1%	-165.6%
Total outside liabilities/Tangible net worth (times)	-1.4	-1.3
Total debt/OPBDIT (times)	-2.1	-3.2
Interest coverage (times)	-7.6	-5.3

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Oct 30, 2024	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Non-fund-based	Long-term	8.50	[ICRA]BBB-(Stable)	Jul 19, 2023	[ICRA]BBB-(Stable); withdrawn	Apr 29, 2022	[ICRA]BBB-(Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Non-fund-based	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 – Non-fund based	NA	NA	NA	8.50	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sportsquare Ventures Private Limited (SVPL)	80%	Full consolidation

Source: Annual Report

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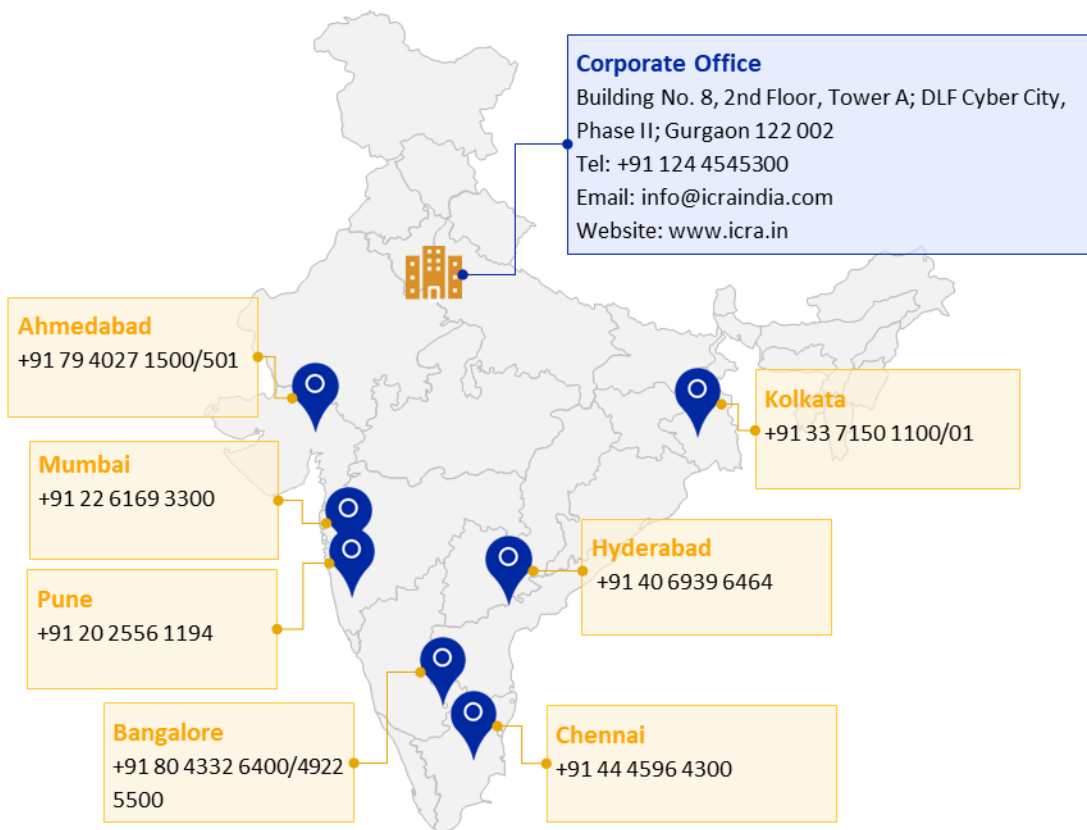
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