

Sportking INDIA LTD.

(Govt. Recognised Four Star Export House)

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SIL/2025-26/SE

Date: 21.05.2025

To BSE Limited Phiroze Jeeheebhoy Towers, Dalal Street, Mumbai-400001	To National Stock Exchange of India Ltd, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai- 400051
Script Code: 539221	Symbol: SPORTKING

Sub: Credit Rating intimation under Regulation 30 of SEBI (LODR) Regulations, 2015

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read along with SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated 11th November, 2024, we wish to inform you that CRISIL Ratings Limited after due consideration has upgraded Long Term Rating of the Company from **"CRISIL A/Positive" to "CRISIL A+/Stable"** while the Short Term Rating reaffirmed at **"CRISIL A1"**.

The details of the rating in respect of the Company's banking facilities are as under:

Sr No	Name of the Facility	Amount (Rs in Crs)	Rating	Rating Action
1.	Long Term Rating	935.00	Crisil A+/Stable	Upgraded from CRISIL A/Positive" to "CRISIL A+/Stable"
2.	Short Term Rating	65.00	CRISIL A1	Ratings Reaffirmed
	Total	1000.00		

The copy of Rating Rational uploaded by Crisil on their website enclosed. You are requested to please take the same on your records.

Yours truly,

For SPORTKING INDIA LIMITED

LOVLESH VERMA
COMPANY SECRETARY
(ACS: 34171)

Rating Rationale

May 21, 2025 | Mumbai

Sportking India Limited

Long-term rating upgraded to 'Crisil A+/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.1000 Crore
Long Term Rating	Crisil A+/Stable (Upgraded from 'Crisil A/Positive')
Short Term Rating	Crisil A1 (Reaffirmed)

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has upgraded its rating on the long-term bank facilities of Sportking India Limited (Sportking) to '**Crisil A+/Stable**' from 'Crisil A/Positive'; The short-term rating has been reaffirmed at 'Crisil A1'.

The rating upgrade reflects the improvement in the business risk profile of Sportking, with fiscal 2025 revenue reaching above Rs. 2500 crores and operating margin improving to 10.6%, from ~10.1% in fiscal 2024. The revenue of the company is expected to increase by 1-3% to ~Rs. 2600 crores in fiscal 2026 as it is operating near full capacity. Further, the operating margins are expected to remain healthy at 10.5-11.5% in fiscal 2026, supported by stable spreads, and minimal inventory losses. The margins are expected to improve to 11-12% over the medium term, supported by additional use of solar power, resulting in lower power costs. Accordingly, the Net Cash Accruals for the company are expected to remain at ~Rs. 200-220 crores for fiscal 2026.

Additionally, the financial risk profile continues to remain healthy with debt/ebitda at 2.17 times and interest cover of 5.7 times fiscal 2025. The overall debt levels for the company had reduced significantly, in fiscal 2025 driven by lower short-term debt on account of significant procurement by CCI, obviating the need for holding inventory. This is expected to normalize this fiscal and debt is accordingly expected to remain around Rs. ~650-700 crores for fiscal 2026. With repayment obligations of Rs. 70-80 crores over the next 2-3 years the debt is expected to reduce to Rs. 500-580 crores over the medium term. However, given the capacity utilization remains at ~95%, any significant debt funded capex will remain a key monitorable.

The debt protection metrics of the company are expected to remain comfortable with the interest coverage and net cash accrual to adjusted debt (NCAAD) ratios expected to improve to 7-9 times and 0.3-0.4 times, respectively, in the medium term from 5.7 times and 0.33 time, respectively, in fiscal 2025. Moreover, gearing and total outside liabilities to tangible networth (TOL/TNW) ratios are also likely to improve from 0.58 and 0.76 times, respectively, as on March 31, 2025 to below 0.6 and 0.8 time, respectively, in the medium term. The debt/ebitda is anticipated to be below 2.5 times in the medium term, compared to 2.17 times in fiscal 2025.

These strengths are partially offset by the large working capital requirement and susceptibility to volatility in raw material prices and foreign exchange (forex) rates.

Analytical Approach

For arriving at its rating, Crisil Ratings has taken a standalone view on the company. Preference capital has been treated as equity due to a low coupon rate and no redemption in the medium term.

Key Rating Drivers & Detailed Description

Strengths:

Strong position in the cotton yarn industry: Sportking has a strong market position in the compact cotton yarn industry, with total spindle capacity expanded to 3.79 lakh and operating income of over Rs 2,530 crore in fiscal 2025. The company benefits from its diversified geographic reach across several markets such as Bangladesh, China, Egypt and the US, and its longstanding relationships with garment retailers in the US and Europe. In fiscal 2025, overseas demand is expected to improve as Indian spinners have become more competitive on account of domestic cotton prices remaining below

international prices. Structural changes in overseas markets, such as the China+1 strategy, will also favour players such as Sportking.

Large scale of operations and healthy operating efficiency: Post expansion, Sportking has demonstrated capacity utilisation of ~95% and improvement in overall scale. The company is looking to de-risk its exposure to basic cotton yarn products, by focusing on value-added products such as contamination-free, sustainable and multi-twist cotton yarn, which fetch higher margin.

Operating margin should fare better than historical trends due to stable cotton prices resulting in reduced inventory prices.

Improving and healthy financial risk profile: The financial risk profile continues to remain healthy with debt/ebitda at 2.17 times and interest cover of 5.7 times fiscal 2025. The overall debt levels for the company had reduced significantly, in fiscal 2025 driven by lower short-term debt on account of significant procurement by CCI, obviating the need for holding inventory. This is expected to normalize this fiscal and debt is accordingly expected to remain around Rs. ~650-700 crores for fiscal 2026. With repayment obligations of Rs. 70-80 crores over the next 2-3 years the debt is expected to reduce to Rs. 500-580 crores over the medium term. However, given the capacity utilization remains at ~95%, any significant debt funded capex will remain a key monitorable.

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Financial flexibility is healthy, as reflected in moderate bank limit utilisation. This, coupled with adequate liquidity, will continue to support debt servicing. Larger-than-expected, debt-funded capex or dividend payout, resulting in a weaker capital structure, will remain a key monitorable.

Weaknesses:

Susceptibility to volatility in raw material prices and forex rates: The company derives over 90% of its revenue from yarn and thus remains susceptible to volatility in the prices of cotton and cotton yarn. As a result, operating margin has fluctuated between 10% and 28% over the 10 fiscals through 2025. Demand for cotton and yarn is driven by international demand-supply dynamics. In the past decade, the industry has seen five cycles (fiscals 2012, 2015, 2018, 2020 and 2021) where demand spiraled and then fell rapidly. Additionally, as Sportking derives close to half of its revenue from exports, it also remains exposed to fluctuations in forex rates. This risk is mitigated via forex forward contracts or working capital limits in foreign currency.

Large working capital requirement: Gross current assets are high estimated around 170-180 days over the medium term, driven by large inventory and receivables. The company maintains a sizeable stock of raw cotton bales, which are procured seasonally. Hence, there is higher reliance on working capital debt.

Liquidity: Strong

Liquidity is marked by sufficient annual cash accrual of Rs 190-210 crore and moderate bank limit utilisation. With no major capex expected, cash accrual of over Rs 190-210 crore per annum in the next two fiscals will comfortably cover the term debt obligation of Rs 70-80 crore. Utilisation of bank limit of Rs 460 crore averaged 35% over the 12 months ended March 2025.

Outlook: Stable

Sportking is expected to maintain its strong market position and healthy capital structure over the medium term.

Rating sensitivity factors

Upward factors

- Sustained increase in revenue along with healthy operating profitability resulting in an increase in Net Cash Accruals (NCA) to above Rs. 240-250 crores on a sustained basis.
- Better than expected cash generation, prudent working capital management, and capex spend, which along with progressive debt repayment, will lead to continued improvement in debt metrics

Downward factors

- Weak operating performance resulting in operating profitability of 9-10% on a sustained basis
- Weakened cash generation, along with elongation in working capital cycle and increased capex impacting debt metrics

About the Company

Sportking, incorporated in February 1989, is a part of the Sportking group. The company manufactures cotton, synthetic and blended yarn in counts ranging from 20s to 46s. It has units in Ludhiana and Bathinda, both in Punjab. The company has a large capacity of 3.79 lakh spindles and dyeing capacity of 20 tonne per day. It manufactures value-added yarns, such as compact, sustainable and contamination-free cotton yarn, which provide higher realisations than normal cotton yarn.

Key Financial Indicators (Crisil Ratings adjusted numbers)

As on/for the period ended March 31	Unit	2025	2024
Revenue	Rs.Crore	2551	2413
Profit After Tax (PAT)	Rs.Crore	109	70
PAT Margin	%	4.3	2.9
Adjusted debt/adjusted networkth	Times	0.58	1.01
Interest coverage	Times	5.76	4.08

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit ^{&}	NA	NA	NA	460.00	NA	Crisil A+/Stable
NA	Foreign Exchange Forward [#]	NA	NA	NA	38.81	NA	Crisil A+/Stable
NA	Letter of Credit	NA	NA	NA	65.00	NA	Crisil A1
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	12.29	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	30-Sep-27	49.50	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-28	2.30	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-31	91.50	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-29	33.50	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	30-Jun-27	23.00	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	30-Sep-30	36.00	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-31	45.90	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-31	44.70	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-33	25.00	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	31-Mar-33	25.00	NA	Crisil A+/Stable
NA	Term Loan	NA	NA	30-Sep-30	47.50	NA	Crisil A+/Stable

& - Interchangeable with packing credit/packing credit in foreign currency
- forward derivative limit

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	935.0	Crisil A+/Stable	04-02-25	Crisil A/Positive	07-08-24	Crisil A/Positive	30-08-23	Crisil A/Stable	16-09-22	Crisil A/Stable	Crisil A-/Stable / Crisil A2+
			--		--	13-02-24	Crisil A/Stable	06-06-23	Crisil A/Stable	25-04-22	Crisil A1 / Crisil A/Stable	--
Non-Fund Based Facilities	ST	65.0	Crisil A1	04-02-25	Crisil A1	07-08-24	Crisil A1	30-08-23	Crisil A1	16-09-22	Crisil A1	Crisil A2+
			--		--	13-02-24	Crisil A1	06-06-23	Crisil A1	25-04-22	Crisil A1	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit ^{&}	95	Punjab National Bank	Crisil A+/Stable
Cash Credit ^{&}	50	Union Bank of India	Crisil A+/Stable
Cash Credit ^{&}	295	State Bank of India	Crisil A+/Stable
Cash Credit ^{&}	20	YES Bank Limited	Crisil A+/Stable
Foreign Exchange Forward [#]	4.2	Punjab National Bank	Crisil A+/Stable
Foreign Exchange Forward [#]	34.61	State Bank of India	Crisil A+/Stable
Letter of Credit	40	State Bank of India	Crisil A1
Letter of Credit	10	Union Bank of India	Crisil A1
Letter of Credit	15	Punjab National Bank	Crisil A1
Proposed Long Term Bank Loan Facility	12.29	Not Applicable	Crisil A+/Stable
Term Loan	49.5	State Bank of India	Crisil A+/Stable
Term Loan	2.3	Central Bank Of India	Crisil A+/Stable
Term Loan	91.5	Indian Bank	Crisil A+/Stable
Term Loan	33.5	Punjab National Bank	Crisil A+/Stable
Term Loan	23	Union Bank of India	Crisil A+/Stable
Term Loan	36	Union Bank of India	Crisil A+/Stable
Term Loan	45.9	Union Bank of India	Crisil A+/Stable
Term Loan	44.7	Export Import Bank of India	Crisil A+/Stable
Term Loan	25	Punjab National Bank	Crisil A+/Stable
Term Loan	25	State Bank of India	Crisil A+/Stable
Term Loan	47.5	Indian Bank	Crisil A+/Stable

& - Interchangeable with packing credit/packing credit in foreign currency
- forward derivative limit

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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