

April 29, 2022

## Kho Kho Sports League Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Non-fund Based	14.0	14.0	[ICRA]BBB- (Stable); reaffirmed
<b>Total</b>	<b>14.0</b>	<b>14.0</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA's rating on the bank facilities of Kho Kho Sports League Private Limited (KKSLLPL) mainly factors in the financial support from its promoter, Gyan Enterprises Private Limited (GEPL), which has continued to infuse funds into KKSLLPL based on its funding requirement. GEPL holds the entire equity stake in KKSLLPL, along with 11.44% stake in Dabur India Limited (DIL). The rating factors in the letter of comfort issued by GEPL to the bank, which has provided the bank guarantee limits. This apart, ICRA notes that the tie-up with the broadcasters is already in place and royalty fee is currently being paid out to the Kho Kho Federation of India (KKFI).

However, the rating is constrained by the high execution risk, as Ultimate Kho Kho League, a joint venture (JV) between KKSLLPL and Kho Kho Federation of India (KKFI), has not yet started operations and most of the franchisees are yet to be onboarded. The league has already been postponed on account of the Covid-19 pandemic. The rating is further constrained by the persisting funding risk as central sponsors have also not been onboarded yet.

The Stable outlook on the long-term rating reflects that KKSLLPL will continue to benefit from the continuous support from its strong promoter group.

### Key rating drivers and their description

#### Credit strengths

**Strong financial support from promoters** – KKSLLPL is a subsidiary of GEPL, which is further owned by Mr. Amit Burman, the current Chairman of DIL, and his mother Ms. Asha Burman. GEPL also holds 11.44% 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. The promoters have already infused Rs. 19.51 crore in KKSLLPL as on March 31, 2021. Moreover, ICRA expects that the promoters will continue to infuse additional funds, as and when required, as the league (UKK) will not be generating cash till the first season is played (currently scheduled for August 2022). The rating also factors in the letter of comfort issued by GEPL for the rated sanctioned bank guarantee. Additionally, the rated facility carries a personal guarantee from Mr. Amit Burman, Current Chairman of Dabur India Limited (DIL).

**Tie-ups with KKFI and broadcasters already in place** – KKSLLPL has tied-up with the KKFI and has already paid the royalty and majority commercial fee for the first three years. This apart, the league has tied up with the broadcasters and has locked in the window in August 2022 to air the league on television. Four franchisees out of the total six in the first season, however, have not yet been tied-up yet but are in the agreement signing stages.

## Credit challenges

**High execution risk** – The execution risk for the league remains high as the league has not yet started and four out of the total six franchisees for the first season are yet to be onboarded. The league was initially expected to commence in FY2021 but has been postponed owing to the Covid-19 pandemic.

**Funding risk** – To meet the full funding requirement, the league would require central sponsorship, which would provide the required funds to the league, franchises and KKFI. While the sponsorship has not yet been finalised, it is expected to be onboarded soon.

## 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 seen in the past.

## Rating sensitivities

**Positive factors** – The rating may witness an upgrade in case of timely commencement of the league and subsequent stabilisation of financial metrics, resulting in better-than-expected cashflows from the league.

**Negative factors** – Lack of support from the promoter group or delay in onboarding of central sponsors and/or weaker-than-expected cash flows from the league may trigger a rating downgrade. The rating may also witness a downgrade in case of weakening strategic importance for the parent, i.e. GEPL.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Approach - Implicit parent or group support</a>
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 KKSLLPL, and has a 11.44% stake in DIL
Consolidation/Standalone	Standalone

## About the company

Kho Kho Sports League Private Limited (KKSLLPL) was incorporated to promote, carry on, endorse and develop any sports (including but not limited to kho kho), entertainment events and any business venture related to such activities. KKSLLPL is a subsidiary of GEPL, which holds 11.44% stake in DIL.

The company is focused on organising Ultimate Kho Kho (UKK) through a JV named Sportzsquare Ventures Private Limited (SVPL). The JV has been formed with Kho Kho Promotion Trust (which is a Trust of KKFI).

## Key financial indicators

	FY2020	FY2021
	Audited	Audited
Operating Income (Rs. crore)	-	-
PAT (Rs. crore)	- 1.11	- 1.29
OPBDIT/OI (%)	-	-
PAT/OI (%)	-	-
Total Outside Liabilities/Tangible Net Worth (times)	20.48	- 49.86
Total Debt/OPBDIT (times)	- 446.05	- 591.44
Interest Coverage (times)	- 0.04	- 0.03

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 (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					April 29, 2022	-	January 22, 2021	-
1	Non-fund Based	Long-term	14.0	-	[ICRA]BBB- (Stable)	-	[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: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Non-fund Based	-	-	-	14.0	[ICRA]BBB- (Stable)

Source: Company

### Annexure-2: List of entities considered for consolidated analysis: Not applicable

## ANALYST CONTACTS

**Rajeshwar Burla**

+91 40 4067 6527

[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Mathew Kurian Eranat**

+91 80 4332 6415

[mathew.eranat@icraindia.com](mailto:mathew.eranat@icraindia.com)

**Kapil Banga**

+91 124 4545 391

[kapil.banga@icraindia.com](mailto:kapil.banga@icraindia.com)

**Hemant Dahiya**

+91 124 4545 365

[hemant.dahiya@icraindia.com](mailto:hemant.dahiya@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



### Branches



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