

May 20, 2026

## Spinning stronger margins ahead...

**About the stock:** Sportking India (SKL) is a leading yarn manufacturer in India with 2 spinning units (3.79 lakh spindle capacity) and 1 dyeing unit in Punjab. The company has diverse product base ranging from cotton yarn to acrylic, blended and polyester yarn. The company's annual total yarn production capacity is ~88000 MT with capacity utilisation of 95-96% across both units. The company is expanding its operations with a new greenfield facility in Odisha (1.5 lakh spindles which is expected to commission in H2FY27).

## Investment Rationale

**Indian yarn manufacturers in sweet spot – higher demand and increased utilisation to drive higher yarn spreads in the near term:** Demand for Indian cotton yarn has picked up from countries such as China, Bangladesh and Vietnam following the disruption in global logistics after the break-out of war in West Asia resulted in delays in shipments from US and Brazil. The Indian yarn manufacturing companies based in western part of India are witnessing 40% increase in the order book and are operating at utilisation rate of 95-100%. India cotton yarn exports grew by ~7% over Sept,25-Feb,26 to 5,84,233 tonnes. Increase in demand from key textile manufacturing countries resulted in 31% spike in the yarn prices between Oct-25 to May-26 trading to Rs290 per kg. Industry cotton yarn spread has increased to R114 per kg in May,26 from Rs74 per kg in Oct,25 (an increase 55% over the same period). Industry expects yarn spreads to remain high over the next two to three quarters on back of favourable industry dynamics. This will provide strong boost to the profitability of the domestic yarn manufacturers in the near term.

**SKL to expand capacity by 40% sensing large domestic and international opportunity:** SKL is undertaking a ~Rs.1,000cr capex to expand its yarn manufacturing capacity by ~40% to ~5.3 lakh spindles through a new Odisha facility, expected to commence operations by H2FY27. With existing facilities operating at ~95-96% utilisation, the expansion provides strong headroom for future volume growth across domestic and export markets. The Odisha plant is also expected to be structurally margin accretive, supported by lower power costs, government incentives and logistical advantages, which could make the facility 4-5% margin accretive than existing Punjab operations at optimal utilisation. Further, proximity to textile and garment hubs along with export markets such as Bangladesh and Vietnam is expected to strengthen long term competitiveness. With new Odisha facility achieving optimal utilisation by FY28E, we expect revenues to grow at a CAGR of 24% over FY26-28E.

**EBIDTA margins to expand by ~600bps over FY26-28E:** SKL's volumes are expected to grow at a CAGR of 18.6% over FY26-28E driven by optimal utilisation levels in new Odisha facility. Its yarn spread is expected to witness CAGR of 8.3% over FY26-28E to Rs.114.5/kg in FY28E. Further, SKL's continued investments towards solar power in Punjab coupled with power subsidies in Odisha is expected to lead to Rs.14-15cr annual savings in power cost over the next 2 years. Additionally, its new Odisha plant is expected to achieve optimal utilisation in FY28E and is expected to have 4-5% better margins than existing facilities. Hence, we expect EBITDA margins to expand by ~600bps to 17.3% in FY28E. Its EBITDA and PAT are expected to grow at a CAGR of 53% and 64% respectively over FY26-28E.

**Rating and Target Price:** We recommend BUY with a price target of Rs.200 valuing the stock at 8x its FY28E EPS of Rs.25.1.

## Key Financial Summary

Key Financials (Rs Crore)	FY23	FY24	FY25	FY26	3 year CAGR (FY23-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Revenues	2205.0	2377.1	2524.2	2495.9	4.2	2774.6	3847.0	24%
EBIDTA	278.8	205.2	266.8	286.0	0.8	409.7	665.1	53%
EBIDTA Margins(%)	12.6	8.6	10.6	11.5		14.8	17.3	
Adjusted PAT	154.2	70.3	113.1	119.7	-8.1	178.9	323.0	64%
EPS (Rs.)	11.5	5.5	8.8	9.3		13.9	25.1	
PE (x)	12.4	26.0	16.1	15.3		10.2	5.7	
EV to EBIDTA (x)	8.1	13.3	9.1	8.1		8.0	5.0	
Price to book (x)	10.2	9.1	6.3	5.5		4.6	3.8	
RoCE (%)	17.0	9.4	11.6	12.4		13.7	17.8	

Source: Company, ICICI Direct Research



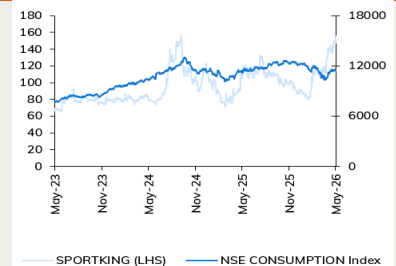
## Particulars

Particular	Amount
Market Capitalisation (Rs crore)	1804
Debt (FY25) - Rs crore	515
Cash (FY25) - Rs crore	15
EV (Rs crore)	2304
52 week H/L (Rs)	160 / 78
Equity capital (Rs crore)	12.9
Face value (Rs)	1

## Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	74.4	74.4	74.4	74.4
FII	0.1	0.0	0.0	0.2
DII	0.0	0.0	0.0	0.0
Others	25.6	25.6	25.6	25.4

## Price Chart



## Key risks

- Adverse weather conditions and geopolitical instability can lead to increase in input cost.
- Global uncertainties can have impact on the export revenues which contributes ~49% to its total revenues.

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## Company Background

SportKing India Ltd. (SKL), founded in 1989, is a leading yarn manufacturer. The company primarily produces 5 types of yarns, 100% cotton yarn, Polyester/Cotton blended yarns, fancy yarns, dyed yarns and acrylic/polyester blended yarns.

SKL was awarded “Four Star export house” in FY24 and has export footprint to over 39 countries across the globe. Currently, ~49% of SKL’s revenues are from export market while 51% is through domestic markets. With healthy tailwinds such as UK and EU FTA, the company continues to strengthen its domestic presence along with export to key markets.

SKL currently has 3 facilities in Punjab comprising of 2 spinning units and 1 dye house. The Unit I spinning unit has annual capacity of 66,480 spindles and manufactures acrylic, blended and polyester cotton yarn. The Unit II has an annual capacity of 3,12,672 spindles and manufactures Compact/contamination free cotton/polyester cotton yarn. SKL also has dye house with 15-20 MTPD capacity which supports the spinning units with dyes for synthetic fibre/yarn dyeing processing. The company has invested Rs.1000cr and is constructing a new 1,50,000 spindle spinning unit in Odisha which is expected to cater to the South India markets and also cater to neighbouring textile manufacturing countries such as Bangladesh, China and Vietnam. Post stabilisation of the new Odisha unit, the company plans to add another unit with 1,50,000 spindles at the same location.

SKL benefits from a strategically concentrated manufacturing presence in Punjab, which provides operational as well as logistical advantages. The company’s facilities are well connected through rail and road networks, enabling efficient supply chain dynamics. Proximity to the Inland container depot at Bhatinda and Ludhiana supports smoother import-export operations and improved access to major seaports. Additionally, over 80% of the company’s spindle capacity is concentrated under a single location, leading to better operational control and cost efficiencies. The company also benefits from lower power cost in Punjab supported by waiver of electricity duty and infrastructure development changes by the government.

SKL’s competitive strength are supported by its diversified product portfolio, strong focus on quality and efficient large-scale manufacturing operations. The company’s ability to offer customised yarn solutions, maintain consistent product quality and operate at competitive costs has helped it build long-standing customer relationships across markets. Its customer-centric approach along with timely execution and operational efficiency, further strengthens its positioning in the domestic and export yarn industry.












### Exhibit 1: SKL's business overview

### SKL's diverse product portfolio

SPORTKING INDIA – Overview of Business		Sportking PRODUCT RANGE – Catering to Diverse Consumer Needs	
<p>Established in <b>1989</b></p> <p>Owens <b>3</b> State of the art manufacturing facilities</p> <p><b>Diversified</b> Product Range</p> <p>Manufacturing facilities with <b>Modern Technology</b></p>		<p>Presence in <b>30+</b> countries</p> <p>Committed to create <b>High Quality</b> end products</p> <p>Compliance with <b>International Quality</b> recognition standards</p> <p>Recognised <b>Four Star</b> Export House</p>	
		<p><b>100% Cotton Yarns</b></p> <ul style="list-style-type: none"> <li>100% cotton combed compact yarns in normal and sublime quality for knitting and weaving</li> <li>100% cotton combed compact slub</li> <li>100% cotton combed 8/ twist</li> </ul> <p><b>Polyester/Cotton Blended Yarns</b></p> <ul style="list-style-type: none"> <li>Polyester/cotton combed yarns</li> <li>Polyester/ cotton Melange yarns</li> </ul> <p><b>Fancy Yarns</b></p> <ul style="list-style-type: none"> <li>lace yarns, lace slub yarns, injection slub yarns and snow yarns.</li> </ul> <p><b>Dyed Yarns</b></p> <ul style="list-style-type: none"> <li>100 % cotton and PC blended dyed yarns</li> </ul> <p><b>Acrylic &amp; Acrylic/Polyester Blended Yarns</b></p> <ul style="list-style-type: none"> <li>100% Acrylic high bulk yarns</li> <li>100% Acrylic Non bulk yarns</li> <li>Acrylic/ polyester blended high bulk yarns</li> </ul>	

Source: Company, ICICI Direct Research

## Exhibit 2: SKL's marquee customers

MARQUEE CUSTOMERS				
				
				

Source: Company, ICICI Direct Research

### Brief profile of promoter and top management

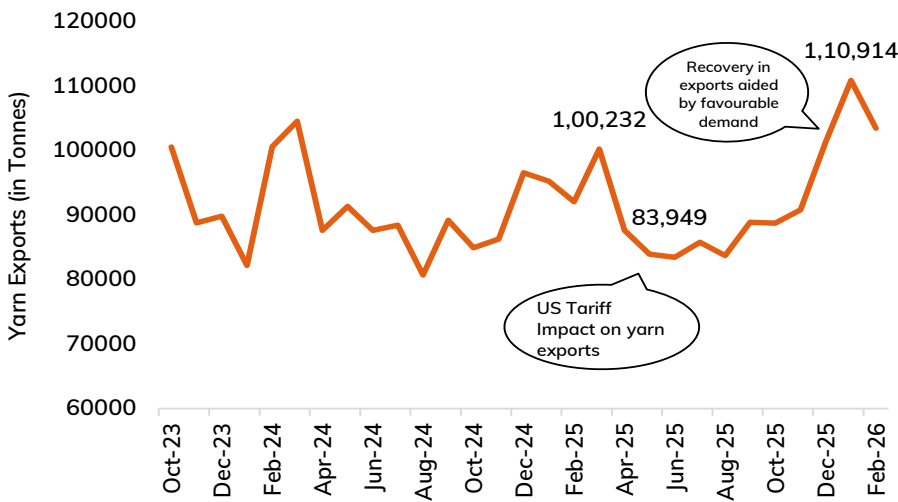
- Mr. Munish Avasthi (Chairman, MD):** He is a Bachelor in Commerce graduate from Delhi University having over 30 years of experience in the spinning and the textile industry. He is associated with the company as its director from 1992 and was appointed as Managing Director of the company in 1999. He has been also awarded First Generation Entrepreneur Award for Textile Mills by Cotton Association of India in April 2018. He was also honoured with the achievement Award at the 46th Ludhiana Management Association Annual Award for his outstanding contribution to the textile sector.
- Mr. Chetan Rupal (Whole Time Director):** He has over 15 years of experience in the fabric dyeing industry. He has a deep understanding of dyeing techniques, fabric behaviour, and quality control and quality control has been instrumental in streamlining processes and ensuring colouring standards. His expertise ensures efficient colour matching, cost optimization, and innovation in product development, giving SKL's yarn business a strong competitive edge in both domestic and international markets.
- Mr. Sandeep Sachdeva (CFO):** He is a qualified Chartered Accountant and Company Secretary with experience of more than 22 years in accounting & finance, trading, banking industries with exposure to direct and indirect taxation
- Mr. Shiv. K. Sharma (President - Production):** He is a B,Tech with an experience of over 37 years and looks after overall project implementation, production, development and maintenance of the company's Bhatinda unit.

### Investment rationale

#### Increase in demand from China boosting yields for Indian yarn manufacturers

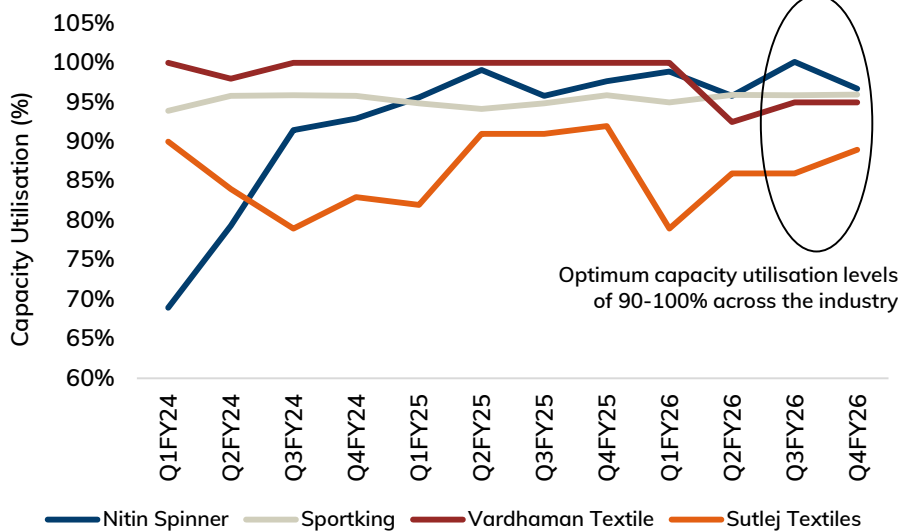
Demand for Indian cotton yarn has picked up from countries such as China, Bangladesh and Vietnam following the disruption in global logistics after the break-out of war in West Asia. China is already witnessing tight supply of cotton yarns, this along with delay in shipments from US and Brazil (transit time has increased by 10-15 days) is compelling China to incrementally import cotton yarn from India. Also, rupee's depreciation against yuan is making Indian cotton cheaper for Chinese buyers. On the other hand, China has increased the quota of imports compared to last year. National Development and Reform Commission (NDRC) of China has issued 3 lakh tonnes of cotton sliding-scale duty quota to ease the current tight cotton supply situation. This year the quota is higher by 1 lakh tonne when compared with CY25. According to industry experts, around 1,500 containers carrying 30,000 tonnes of cotton yarn are sailing from India to China every month since Nov,25 vs. an average of 300 containers per month (5 folds increase in the yarn shipments to China). Some of the Indian yarn manufacturing companies based in western part of India are witnessing 40% increase in the order book and are operating at utilisation rate of 95-100%. India cotton yarn exports grew by ~7% over Sept'25-Feb'26 to 5,84,233 tonnes.

Exhibit 3: Indian yarn exports witnessed surge during the last 6 months



Source: Company, ICICI Direct Research

Exhibit 4: Industry capacities are running at optimal utilisation levels of 90-100%

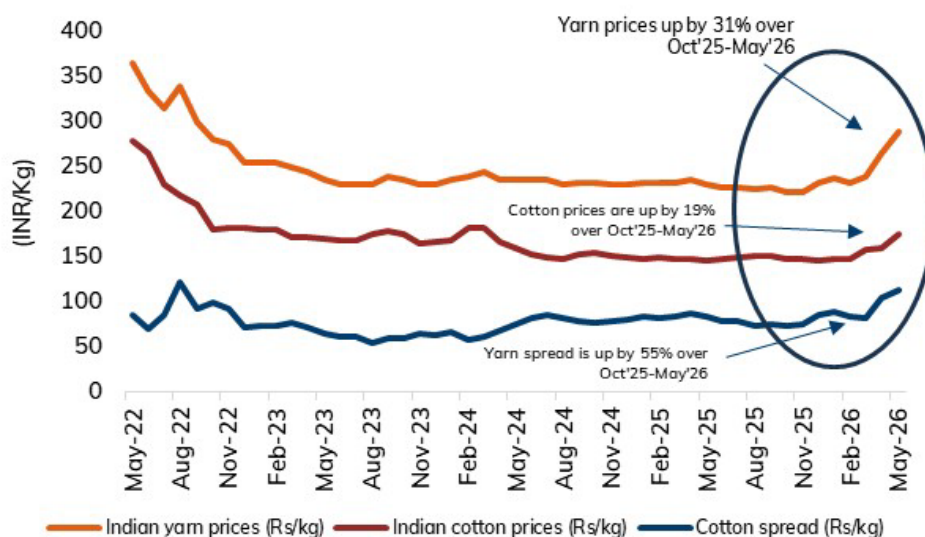


Source: Company, ICICI Direct Research

### Cotton yarn spread to improve with better realisation and higher demand

Increase in demand from key textile manufacturing countries such as China and increase in the cotton prices resulted in 31% spike in the yarn prices between Oct-25 to May-26 trading at Rs.290 per kg. With Indian yarn demand expected to remain high due to global uncertainties, yarn prices are expected to further improve in the coming months. On the other hand, Indian cotton prices have gone up by 19% over the same period due to spike in the international cotton prices. Further, likely lower production due to adverse weather conditions will keep cotton prices high. Industry cotton yarn spread has increased to Rs.114 per kg in May'26 from Rs.74 per kg in Oct'25 (an increase 55% over the same period). Yarn spreads are expected to remain high in the medium term due to favourable industry dynamics such as 1) increase in demand from countries such as Bangladesh, Vietnam and China 2) incremental orders coming from domestic textile players post implementation of UK and EU benefits and higher capacity utilisation levels. Higher spreads will help the EBIDTA margins of domestic yarn manufacturing companies to remain high in the medium term.

Exhibit 5: Yarn spreads improve by 55% over Oct'25-May'26

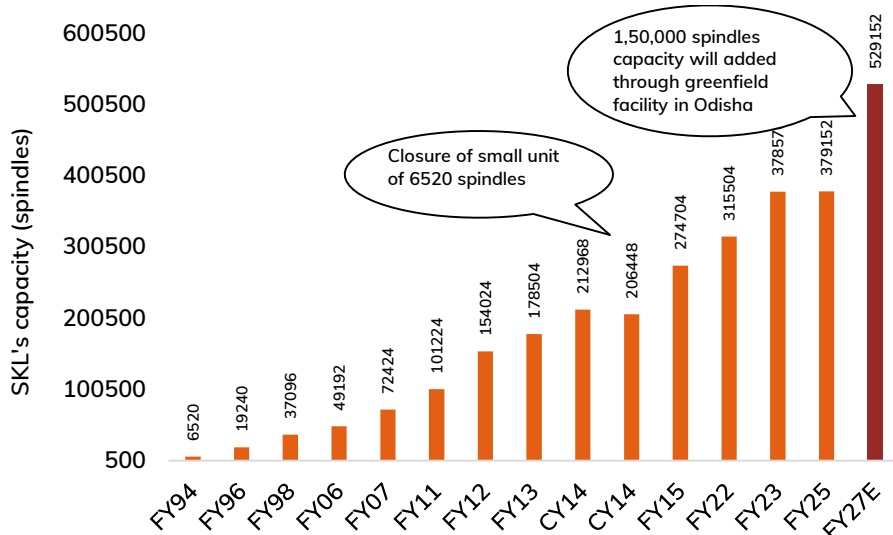


Source: Company, ICICI Direct Research

### SKL's manufacturing capacity to increase by 40% by H2FY27

SKL is planning to increase its current yarn capacity by ~40% to 5,30,000 spindles by setting up a new facility with 1,50,000 spindles in the state of Odisha with a capital expenditure (capex) of Rs1,000cr. The capex outlay will be funded through a mix of internal accruals and term loans. New facility will be operational by H2FY27. Existing capacity of ~3,79,152 spindles is operating at capacity utilization of 96% and thus upcoming capacity provides substantial headroom for growth and meeting growing demand for company's products in the domestic and international markets. The geographical location of the upcoming plant will enable SKL to better serve the eastern/southern textile hubs of India and also serve the other textile dependent countries such as Bangladesh and Vietnam given proximity to ports in the coming years. Further the state of Odisha, is a cotton surplus state, which will help in consistent supply of raw material. Further there are many garment manufacturers from Tirupur and large garment players from the country who are setting up garment facilities in the state of Odisha.

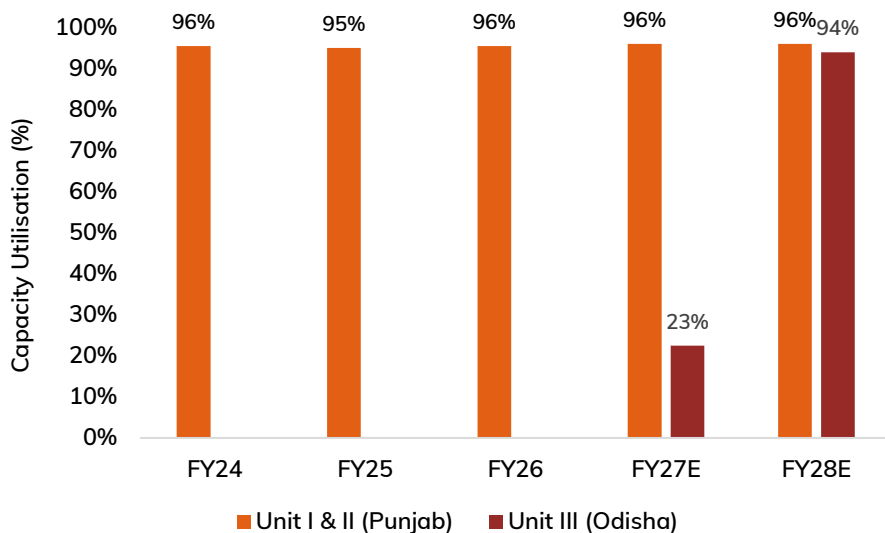
Exhibit 6: Capacity buildup over the years



Source: Company, ICICI Direct Research

Odisha facility is expected to start operating from H2FY27. In first six months of the operations, the plant is expected to achieve average utilisation rate of 23%. In the second year of operations, the plant will achieve utilisation rate 94% considering the steady yarn demand from Indian and domestic customers. Along with location advantage, the company will also get various incentives in the form of getting power at subsidized rate of Rs.4 per unit, employee generation subsidy for 5 years and stamp duty exemption, which will make the facility 4-5% margin accretive at optimal capacity utilisation compared to its existing facilities in the state of Punjab (Ludhiana and Bhatinda).

Exhibit 7: Existing capacity operating at optimal utilisation levels



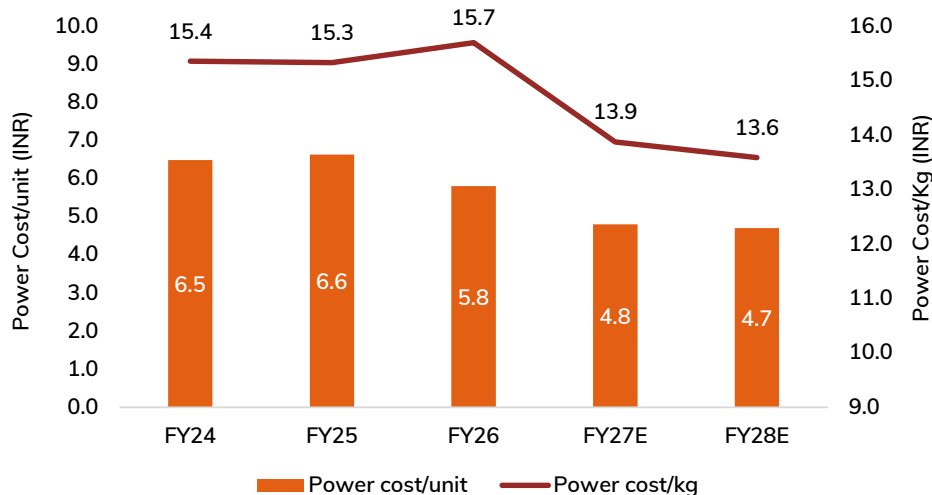
Source: Company, ICICI Direct Research

**Power cost to reduce with investment in solar plant and receiving subsidy from Odisha plant**

SKL invested Rs.14.1 Crore to acquire a 26% stake in Evincea Renewable Seven Pvt. Ltd, a special purpose vehicle (SPV) developing a solar power plant to supply renewable energy to its Punjab units. The SPV will commission the solar power plant with capacity of 40.3 MW for sustainable supply of low-cost power to the company's Bathinda and Ludhiana Unit for period of 25 years. The project, originally expected in Mar,26 has been delayed by month or two with commissioning expected in Q1FY27. The company is expecting to receive power at the rate of Rs3.5 per unit for its captive consumption. Further the company's Odisha plant will receive power at subsidised rate of Rs4 per unit. The management has guided for Rs.14-15cr annual savings in power cost over the next 2 years. Overall,

the company's cost of power consumption will reduce to Rs4.8 per unit from current Rs5.8 per unit by end of FY27. Power cost is ~43% of the total operating cost and hence reduction in the unit rate will incrementally add to the profitability in the coming years. Power cost per production kg is expected to reduce to Rs.13.6 per kg in FY28 from Rs.15.7 per kg in FY26.

Exhibit 8: Investment in Renewable power sources and Odisha subsidy to reduce power cost



Source: Company, ICICI Direct Research

\*Unit cost and cost/kg is based on our calculations

**Transforming from pure yarn manufacturer to vertically integrated textile player**

SKL has received in-principal approval for the merger of Marvel Dyers and Processors Pvt. Ltd (Marvel Dyers) and the manufacturing facilities of Sobhagia Sales Pvt. Ltd (Sobhagia Sales) with itself. Marvel Dyers specializes in dyeing, printing, and finishing of fabrics, while Sobhagia Sales is engaged in the manufacturing and retailing of readymade garments. This merger marks a significant step in SKL's ambition to evolve from a yarn manufacturer into a vertically integrated textile player with capabilities spanning from yarn to finished garments. The forward integration into fabric processing and garment manufacturing will enable the company to offer greater value addition, improve margins, and reduce dependence on third-party processors. Proposed merger is expected to be completed by end of FY26. It will take another 6-8 months for the integration of apparel and dyeing capacity. At optimal capacity utilisation level, the company is expecting merger units to contribute revenue of Rs200cr and generate EBIDTA margins of mid-teens by FY28. Further it is planning to invest Rs20-30cr to scale-up the garmenting capacity, which will help to generate revenues of Rs250-300cr (growing at 25-30%).

Exhibit 9: Pure yarn manufacturer to vertically integrated textile player

**PROPOSED MERGERS – Strategic Initiatives For Next Leg Of Growth**

Setting Foundation For Forward Integration

**YARNS**  
*Sportking India*

**FABRICS**  
*Marvel Dyers & Processors*

**GARMENTS**  
*Sobhagia Sales*

**Greater Value Addition**

- ❖ **In- principle approval of merger** of M/s Marvel Dyers and Processor Pvt Ltd and manufacturing facilities of M/s Sobhagia Sales Pvt Ltd with Sportking India Limited
- ❖ Marvel Dyers is engaged in the business of **Dyeing, Printing & Finishing of Fabrics**
- ❖ Sobhagia Sales is engaged in the business of **Manufacturing and Retailing of Readymade Garments**
- ❖ The proposed amalgamation will enable forward integration with manufacturing and selling of Processed/ Dyed knitted fabric and garments resulting into value addition as the company expands its operations higher up the textile product chain.

Further Commitment to Sustainable Operations

- ❖ Proposed Investment of 26% of Equity Share Capital of M/s Evincea Renewable Seven Pvt. Ltd. a special purpose vehicle (SPV) for INR. 14.10 Crs. The company has already invested a portion of the proposed investment into the SPV.
- ❖ The SPV will commission the Solar Power Plant with capacity of 40.3 MW for supply of power to Company's Bathinda and Ludhiana Unit for period of 25 years
- ❖ Schedule commencement of power supply period is tentatively 6 months, and company is expecting saving in power cost about 10-12%
- ❖ Company has long standing commitment towards sustainable operations and the proposed investment will further extend the same.

Source: Company, ICICI Direct Research

## Key Assumptions

### Exhibit 10: Key Assumptions

Particulars	FY24	FY25	FY26	FY27E	FY28E
<b>Volumes</b>					
Yarn Volumes - Unit I & II (in '000 MT)	81	81	84	83	84
YoY Growth (%)		0.2	3.2	-1.3	1.9
Yarn Volumes - Unit III (in '000 MT)	-	-	-	8	34
YoY Growth (%)		-	-	-	-
<b>Total Volumes (in '000 MT)</b>	<b>81</b>	<b>81</b>	<b>84</b>	<b>91</b>	<b>118</b>
YoY Growth (%)		0.2	3.2	8.5	29.8
<b>Realisations</b>					
Yarn Realisations - Unit I and II (Rs./kg)	250.9	257.5	260.2	279.7	281.0
YoY Growth (%)		2.6	1.0	7.5	0.4
Yarn Realisations - Unit III (Rs./kg)	0.0	0.0	0.0	253.4	284.7
YoY Growth (%)		-	-	-	12.3
<b>Revenues</b>					
Yarn Revenues (In Rs. Cr)	2027.1	2085.7	2175.2	2515.5	3320.1
YoY Growth (%)		2.9	4.3	15.6	32.0
Other Revenues (In Rs. Cr)	350.0	438.5	320.6	259.1	526.9
YoY Growth (%)		25.3	-26.9	-19.2	103.4
<b>Total Revenues (In Rs. Cr)</b>	<b>2377.1</b>	<b>2524.2</b>	<b>2495.9</b>	<b>2774.6</b>	<b>3847.0</b>
YoY Growth (%)		6.2	-1.1	11.2	38.6

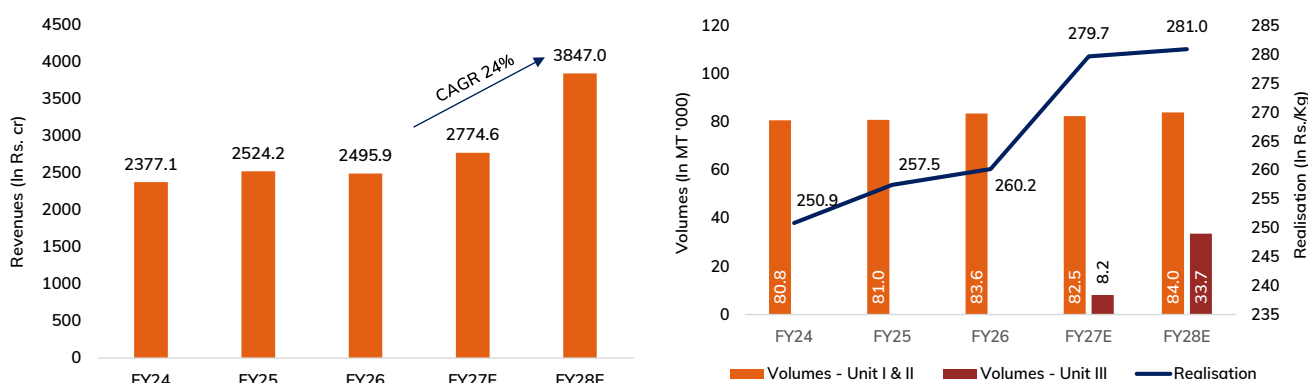
Source: Company, ICICI Direct Research

## Key Financial Summary

### Revenues to grow at 24% CAGR over FY26E-28E; aided by favourable yarn demand and capacity additions

SKL has steadily strengthened its growth trajectory through sustained capacity expansion aligned with favourable industry dynamics over the past few years. Between FY22-25, the company expanded its yarn spindle capacity from ~2.75 lakh spindles to ~3.79 lakh spindles. This operational scale-up helped sales volume to grow at CAGR of 16.2% from FY22-FY25 aided revenues to grow to Rs2,524cr in FY25 from Rs2,154cr in FY22. India government signing FTA with UK, EU and various other countries created long term growth opportunity for domestic textile players. Sensing this as an opportunity, the company is expanding its capacity by 1.5lakh spindle in FY27 (expanded by 40% over current capacity). This along with favourable yarn yields, the company revenues are expected to grow at CAGR of 24% over FY26-28E to Rs3,847cr in FY28E. We expect volumes to grow at CAGR of 18.6% and realisation to grow at CAGR of 4% over the same period.

**Exhibit 11: Revenues to grow at ~24% CAGR over FY26-FY28E Volumes and Realisation to scale ahead**

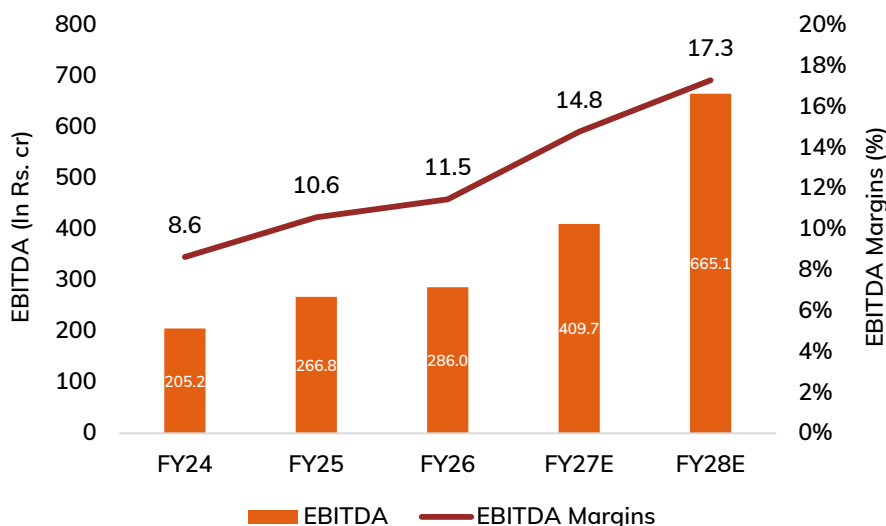


Source: Company, ICICI Direct Research

### EBITDA Margins to expand by ~600bps over FY26-FY28E; driven by improving yarn realisations and ramp-up of Odisha facility

SKL's EBITDA margins are expected to expand by ~600bps between FY26-28E, driven by favourable yarn yields, ramp-up of Odisha facility and lower power cost. Cotton prices expected to remain stable and sales realisations are expected to grow at 4% CAGR between FY26-FY28E. This coupled with 18.6% CAGR volume growth over FY26-28E is expected to lead ~450bps expansion in gross margins to 36.2% in FY28E from 31.8% in FY26. Further, the company is investing in installing solar renewable power in Punjab and is also expected to receive power subsidy in Odisha, which will result in 13.4% decline in power cost to Rs.13.6/kg in FY28 from Rs.15.7/kg in FY26. Improved gross margins, decline in power cost and better operating leverage would result in ~600bps improvement in EBITDA margins from 11.5% in FY26 to 17.3% in FY28E. EBITDA is expected to grow at 53% CAGR to Rs.665.1cr in FY28E.

Exhibit 12: EBITDA margins to witness ~600bps expansion over FY26-28E

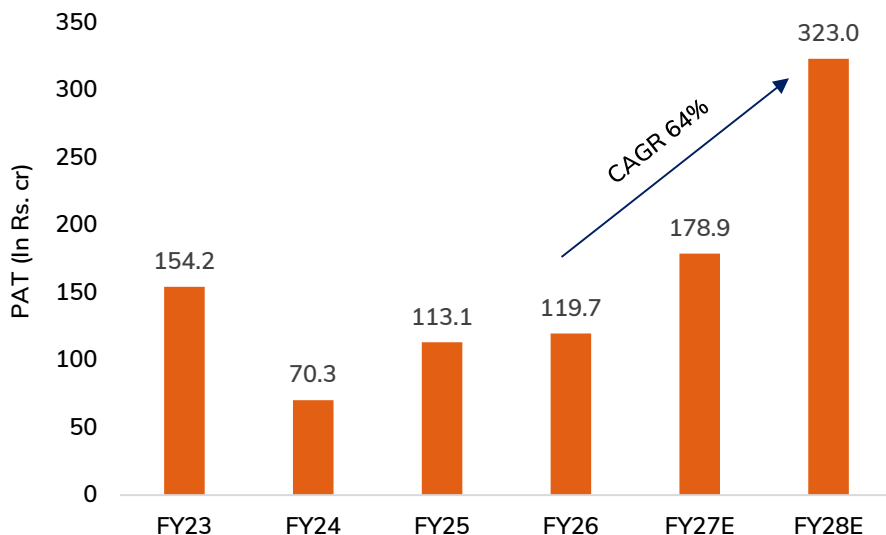


Source: Company, ICICI Direct Research

**PAT to grow at ~64% CAGR over FY26-28E**

We expect SKL's PAT to grow at CAGR of ~64% over FY26-28E to Rs.323cr driven by strong operating performance (EBIDTA expected to CAGR of ~53%). The strong bottomline growth is despite the fact that the interest cost and depreciation expected to increase due to capitalisation of Odisha plant.

Exhibit 13: PAT to witness ~64% CAGR over FY26-28E



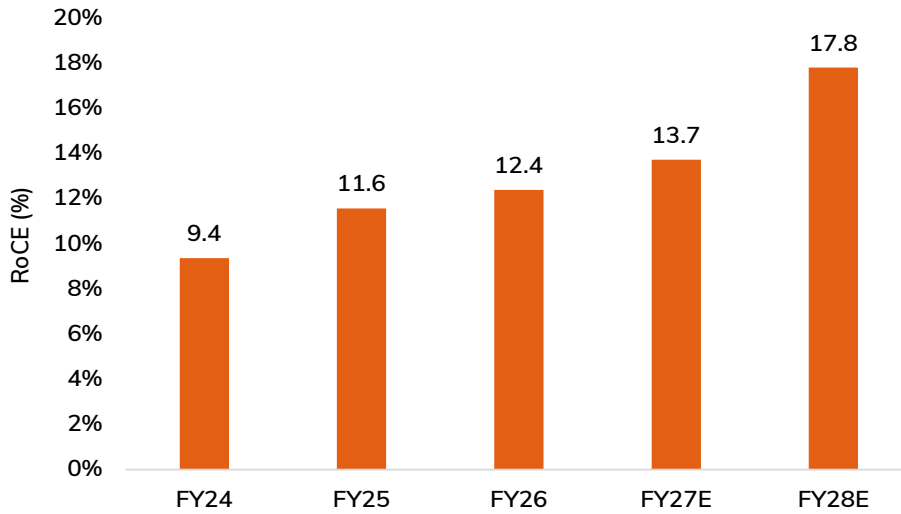
Source: Company, ICICI Direct Research

**FCFF to return to positive trajectory in FY28E; Strong cash flows can aid further expansion plans**

SKL has generated positive FCFF over the last 2 years in FY25 and FY26 led by improving working capital position and also lower capex spends. The company's FCFF is expected to be negative in FY27E due to the ongoing Rs.1000cr greenfield capex for the Odisha facility. Further, aided by robust profitability, the company is expected to return to positive FCFF in FY28E. With improving cash flows aided by strong operating performance, the company can use large part of its internal accruals for its future capex plans such as Phase II of the Odisha plant. This will reduce the company's dependence on debt for capex which provides further lever for improvement in profitability over the upcoming years.

**Improved profitability to aid improvement in return ratios**

SKL's RoCE is expected to witness ~550bps expansion from 12.4% in FY26 to 17.8% in FY28E. The improvement in the return ratio is primarily aided by strong growth in the profitability over FY26-28E. This along with stable working capital management will help consistent improvement in the return profile in the coming years.

**Exhibit 14: RoCE to witness improvement aided by robust growth in profitability**

Source: Company, ICICI Direct Research

## Risk and Concerns

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### **Cotton prices are volatile in nature; Adverse weather and geopolitical conditions can impact supply**

Cotton prices are volatile in nature with high dependence on weather conditions and also the macro-economic conditions across the globe. Any adverse event such as lower rainfall across key cotton production areas can lead to lower production thereby leading to supply crunch. Additionally, any geopolitical instability such as the current West Asia war is leading to impact of supply chain thereby impacting availability of cotton. Such supply side issues can lead to substantial increase in cotton prices. Substantial part of the raw material cost of SKL comprises of cotton. Hence, any significant rise in cotton cost can have impact on the margins of the company.

### **SKL's export revenues are ~48% of its total revenues; Geopolitical instability can have impact on revenues**

As of FY26, SKL's export revenues share stood at ~48% of its total revenues. Recent geopolitical events such as heightened tariffs by US and West Asia War have had substantial impact on exports across the industry. With substantial reliance on exports, SKL is exposed to geopolitical risks. Heightened unstable environment can have impact on SKL's volumes and revenues.

## Financial Summary

Exhibit 15: Profit and loss statement						₹ cr
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E	
<b>Total Operating Income</b>	<b>2377.1</b>	<b>2524.2</b>	<b>2495.9</b>	<b>2774.6</b>	<b>3847.0</b>	
Growth (%)	7.8	6.2	-1.1	11.2	38.6	
Raw Material Expenses	1704.7	1756.3	1702.1	1832.2	2455.4	
Gross Profit	672.4	767.9	793.8	942.4	1391.6	
Gross Profit Margins (%)	28.3	30.4	31.8	34.0	36.2	
Employee Expenses	139.4	142.7	142.4	158.2	216.6	
Other Expenditure	172.6	203.2	200.9	216.4	311.6	
Power and Fuel	155.3	155.2	164.4	158.2	198.3	
<b>Total Operating Expenditure</b>	<b>2172.0</b>	<b>2257.4</b>	<b>2209.9</b>	<b>2365.0</b>	<b>3181.9</b>	
<b>EBITDA</b>	<b>205.2</b>	<b>266.8</b>	<b>286.0</b>	<b>409.7</b>	<b>665.1</b>	
Growth (%)	-26.4	30.0	7.2	43.2	62.4	
Interest	59.1	50.3	45.1	66.3	94.3	
Depreciation	85.9	89.6	94.5	120.1	156.2	
Other Income	35.7	26.8	14.6	17.5	20.1	
PBT	95.9	153.7	160.9	240.7	434.7	
Less Tax	25.6	40.5	41.2	61.9	111.7	
<b>Adjusted PAT</b>	<b>70.3</b>	<b>113.1</b>	<b>119.7</b>	<b>178.9</b>	<b>323.0</b>	
Growth (%)	-54.4	60.8	5.8	49.4	80.6	
Minority Interest (MI)	0.0	0.0	0.0	0.0	0.0	
<b>Adjusted PAT (After MI)</b>	<b>70.3</b>	<b>113.1</b>	<b>119.7</b>	<b>178.9</b>	<b>323.0</b>	
Exceptional item - gain / (loss)	0.0	0.0	0.0	0.0	0.0	
<b>Reported PAT</b>	<b>70.3</b>	<b>113.1</b>	<b>119.7</b>	<b>178.9</b>	<b>323.0</b>	
Growth (%)	-46.7	60.8	5.8	49.4	80.6	
<b>EPS (Diluted)</b>	<b>5.5</b>	<b>8.8</b>	<b>9.3</b>	<b>13.9</b>	<b>25.1</b>	

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement						₹ cr
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E	
Profit/(Loss) after taxation	34.6	86.4	105.1	161.3	302.8	
Add: Depreciation & Amort.	85.9	89.6	94.5	120.1	156.2	
Add: Other income	35.7	26.8	14.6	17.5	20.1	
Net Increase in Current Assets	-436.2	169.2	25.5	-119.6	-375.0	
less: 'Net Increase in Current Liabilities	22.5	-9.5	30.5	-5.9	-24.8	
<b>CF from Operating activities</b>	<b>-302.5</b>	<b>381.5</b>	<b>209.2</b>	<b>185.3</b>	<b>129.0</b>	
Investments & Bank bal	56.1	-0.2	-0.2	0.2	0.0	
(Purchase)/Sale of Fixed Assets	-108.2	-67.9	-74.6	-1095.4	-150.1	
Intangible assets	0.1	0.1	0.1	-0.1	0.0	
Others	3.9	-4.4	-13.6	-10.1	-12.6	
<b>CF from Investing activities</b>	<b>-48.2</b>	<b>-72.5</b>	<b>-88.3</b>	<b>-1105.4</b>	<b>-162.7</b>	
(inc)/Dec in Loan	400.9	-302.1	-109.4	1000.0	25.0	
(inc)/Dec in lease liabilities	-0.1	0.2	8.2	-8.2	0.0	
Change in equity & reserves	-61.2	4.0	2.1	0.0	0.0	
Minority Interest	0.0	0.0	0.0	0.0	0.0	
Dividend paid	-6.4	-12.7	-12.9	-25.7	-25.7	
Deferred Tax and Other Non Current Liabilities	7.5	0.7	-8.8	1.9	2.1	
<b>CF from Financing activities</b>	<b>340.6</b>	<b>(309.9)</b>	<b>(120.8)</b>	<b>967.9</b>	<b>1.3</b>	
Net Cash Flow	-10.1	-1.0	0.2	47.8	-32.4	
Cash and Cash Equivalent	11.6	1.4	0.5	0.7	48.5	
<b>Cash</b>	<b>1.4</b>	<b>0.5</b>	<b>0.7</b>	<b>48.5</b>	<b>16.1</b>	
<b>Free Cash Flow</b>	<b>-410.7</b>	<b>313.6</b>	<b>134.6</b>	<b>-910.1</b>	<b>-21.1</b>	

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet						₹ cr
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E	
Equity Capital	12.9	12.9	12.9	12.9	12.9	
Reserve and Surplus	889.6	994.0	1103.0	1256.1	1553.4	
Non-Controlling Interest	0.0	0.0	0.0	0.0	0.0	
<b>Total Shareholders funds</b>	<b>902.4</b>	<b>1006.9</b>	<b>1115.9</b>	<b>1269.0</b>	<b>1566.3</b>	
Total Debt	917.8	615.7	506.2	1506.2	1531.2	
Lease Liabilities	0.6	0.8	9.0	0.8	0.8	
Provisions	15.2	17.3	15.4	16.9	18.6	
Deferred Tax Liabilities	26.0	24.5	17.6	18.0	18.3	
<b>Total Liabilities</b>	<b>1861.9</b>	<b>1665.2</b>	<b>1664.1</b>	<b>2810.9</b>	<b>3135.2</b>	
Gross Block - Fixed Assets	1241.0	1302.1	1366.9	2326.9	2476.9	
Accumulated Depreciation	455.3	543.1	637.6	757.7	913.8	
Net Block	785.7	759.0	729.3	1569.3	1563.1	
Capital WIP	0.0	4.9	14.7	150.0	150.0	
Fixed Assets	785.7	763.9	744.0	1719.3	1713.1	
Goodwill & Other intangible assets	0.2	0.1	0.1	0.1	0.1	
Other non-Current Assets	22.4	26.8	40.4	50.5	63.1	
Inventory	645.0	434.9	391.3	440.9	611.3	
Debtors	356.1	456.3	396.2	456.1	632.4	
Other Current Assets	134.3	54.2	85.0	102.0	122.4	
Loans & Advances & other financial assets	18.1	38.9	72.3	79.5	87.4	
Cash	1.4	0.5	0.7	48.5	16.1	
Bank balance	0.0	0.3	0.4	0.3	0.3	
Current Investments	0.0	0.0	14.1	0.0	0.0	
Total Current Assets	1155.0	985.1	959.9	1127.2	1469.8	
Creditors	87.3	91.1	61.0	64.8	87.2	
Provisions	1.0	1.5	2.0	2.1	2.2	
Other Current Liabilities	12.9	18.1	17.2	19.3	21.6	
Total Current Liabilities	101.2	110.7	80.2	86.2	111.0	
Net Current Assets	1053.7	874.3	879.7	1041.0	1358.8	
<b>Application of Funds</b>	<b>1861.9</b>	<b>1665.2</b>	<b>1664.1</b>	<b>2810.9</b>	<b>3135.2</b>	

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios					
(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
<b>Per share data (₹)</b>					
Diluted EPS	5.5	8.8	9.3	13.9	25.1
Cash EPS	12.1	15.8	16.6	23.2	37.2
BV per share	71.0	79.2	87.8	99.9	123.3
Dividend per share	5.0	1.0	1.0	2.0	2.0
Dividend payout ratio (%)	9.1	11.2	10.7	14.4	8.0
<b>Operating Ratios (%)</b>					
Gross Profit Margins	28.3	30.4	31.8	34.0	36.2
OPM	8.6	10.6	11.5	14.8	17.3
PAT Margins	3.0	4.5	4.8	6.4	8.4
Asset Turnover (x)	2.0	2.0	1.9	1.5	1.6
<b>Return Ratios (%)</b>					
RoE	7.8	11.9	11.3	15.0	22.8
RoCE	9.4	11.6	12.4	13.7	17.8
<b>Valuation Ratios (x)</b>					
P/E	26.0	16.1	15.3	10.2	5.7
EV / EBITDA	13.3	9.1	8.1	8.0	5.0
EV / Net Sales	1.2	1.0	0.9	1.2	0.9
Market Cap / Sales	0.8	0.7	0.7	0.7	0.5
Price to Book Value	2.0	1.8	1.6	1.4	1.2
<b>Solvency Ratios</b>					
Debt / EBITDA	4.5	2.3	1.8	3.7	2.3
Debt / Equity	1.0	0.6	0.5	1.2	1.0
Inventory days	103	65	57	58	58
Debtor days	57	68	58	60	60
Creditor days	14	14	9	10	10
WC Days	146	119	106	108	108

Source: Company, ICICI Direct Research

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