

Sportking INDIA LTD.

(Govt. Recognised Four Star Export House)

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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

Subject: Transcripts of Earnings Call of Sportking India Limited for quarter and year ended 31st March, 2024

Dear Sir,

Pursuant to Regulation 30 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed herewith transcripts of the Earnings call of the Company held on Tuesday, 30th April, 2024 to discuss the Company's Financial Performance for quarter and year ended 31st March, 2024.

You are requested to take the above mentioned information on your records.

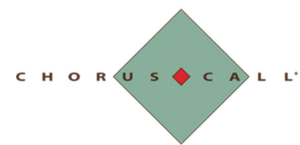
Yours truly,

For SPORTKING INDIA LIMITED

LOVLESH VERMA
COMPANY SECRETARY
(ACS: 34171)



“Sportking India Limited
Q4 FY '24 Earnings Conference Call”
April 30, 2024



MANAGEMENT: **MR. MUNISH AVASTHI –CHAIRMAN AND MANAGING
DIRECTOR –SPORTKING INDIA LIMITED**
**MR. SANDEEP SACHDEVA – CHIEF FINANCIAL
OFFICER –SPORTKING INDIA LIMITED**
**MR. LOVLESH VERMA – COMPANY SECRETARY –
SPORTKING INDIA LIMITED**

MODERATOR: **MR. DEVANSH DEDHIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Sportking India Limited Q4 and FY 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devansh from Orient Capital. Thank you, and over to you, sir.

Devansh Dedhia: **On behalf of Sportking India Limited**, I extend a very warm welcome to all participants on the Q4 and FY 2024 financial results discussion call. Today on the call, we have Mr. Munish Avasthi, Chairman and Managing Director, Mr. Sandeep Sachdeva, Chief Financial Officer; and Mr. Lovlesh Verma, the Company Secretary. Short disclaimer before we start this call. This call will contain some of the forward-looking statements, which are completely based upon our beliefs, opinion, and expectation as of today. These statements are not a guarantee of future performance and will involve unforeseen and uncertainty.

With this, I will now hand over to Mr. Munish Avasthi sir for his opening remarks. Over to you, sir.

Munish Avasthi: Thank you. Thank you Devansh. Good afternoon and welcome to all the participants of this earnings call of Sportking India Limited. I hope everyone has had an opportunity to go through the investor deck and the press release that we have uploaded on the exchanges. So, I would start with the last year. Last year was a challenging year for the industry as a whole and especially for us as we had to integrate almost 35% capacity expansion into our company. The year started on a very sombre note with many headwinds faced by our industry like expensive raw materials, supply chain issues, inventory accumulation with the whole chain.

We have seen in the last six months, especially, we've seen a gradual improvement in all the above factors. The Indian cotton has – which reached its bottom around, I think, January because of the indifferent attitude of farmers towards holding this year's crop. So, for last three to four months in the procurement season, we have seen in Indian cotton prices almost at a discount to the international prices, which was a good, pleasant surprise.

Then the supply chain issues, mostly are done away with. I think most of the people have made peace with all the increase; trades have leveled down and all the customers have accepted the trade increases in the sectors because of the Red Sea problem. So, that is no more a problem. The inventory accumulation which has been going on for the last six, seven quarters, which have been the biggest problem with our industry, it seems that problem was also now over.

And we feel that most of our brands, they have reached the optimum level of their inventory and they're ordering once again. Demand is better right now than any time we have seen in the last six to seven quarters in all segments. Home Textile is doing okay. Weaving is doing very well. Denim has bounced back and to some extent, knitting is also doing okay. The exports are good. We have seen almost 100% increase in exports of India in the last one year, of course, on a very small and bad base of last year. But nevertheless, it's been heartening to

see continuous demand from export markets coming. Domestic is better, I would say, still can be better, but we are seeing some stability in domestic demand also.

The synthetic portion of our business still lags as compared to cotton and cotton blends, because of the Chinese market. Chinese market is still underperforming, and there's some sort of dumping happening from China, India, so that is hurting the synthetic market quite a bit. So we see a continuous improvement. What we have seen in the last two quarters, we feel that the improvement is going to take some pace forward, and we see a continuous improvement in margins and demand for its products.

The cotton prices, our outlook on cotton prices is pretty neutral. I think the cotton prices right now are moving around INR58,000, INR59,000, which started the season at INR54,000-INR 54500. And we don't expect them to go much -- anymore than this. The next year, again, the crop overall across the world looks good. The cotton prices, it seems going to be this cheap or even cheaper going forward towards the next season, that augers well for overall demand in the industry.

So during this year, we had some key highlights that I would like to share with you. Of course, the capacity expansion of spindles, which we have fully integrated in existing capacity. Now we are total spindles count stands 379,000. All phases of rooftop solar power plant completed during this year, the total capacity stands at 25 megawatts.

The company status got upgraded by Ministry of Commerce industry from a Three Star Export House to Four Star Export House. For the upcoming financial year, we will continue to evaluate all options on expanding capacity and exploring new markets and strengthening our domestic presence and introducing new yarns in our repertoire.

I'll hand over the call to Mr. Sandeep Sachdeva, who will take you through the financial performances of the company.

Sandeep Sachdeva:

Thank you, Mr. Avasthi. Good afternoon, everyone. For Q4 FY '24, Sportking India Limited achieved revenue from operations of INR611.2 crores, up 14.5% year-on-year and 2.1% quarter-to-quarter basis. Share of exports to revenue was 41% as compared to 48% in the previous quarter. Exports have grown 15% Y-o-Y from INR217 crores to INR250 crores. The gross profit stood at INR146.5 crores with an increase of 20.7% on a Y-o-Y basis and 9% quarterly basis. Gross profit margin expanded by 123 bps Y-o-Y and 153 bps Q-to-Q.

EBITDA for the quarter was INR67.1 crores with an EBITDA margin of 11%. EBITDA increased by 20.4% Y-o-Y and 38% Q-to-Q. EBITDA margin improved by about 54 bps Y-o-Y and 286 bps Q-to-Q due to various higher gross profit as the company benefited from the lower input costs as well as controlled rise in employee cost. Profit after tax was INR32.9 crores with a margin of 3.7% compared to 65.7% when compared to Q3 FY '24 but dropped by 25.9% on a yearly basis due to rising depreciation and finance cost. As stated in earlier calls, depreciation remain in line on a quarterly basis, but elevated when compared to previous year on account of capacity expansion and roof top power project undertaken. The interest cost remains high as short-term limits are utilized for working capital management.

For FY24, revenue promulgation was INR2377.1 crores with an increase of 7.8% on a yearly basis. Gross profit was INR 517.20 crores with a margin of 21.8%. Gross profit decreased by 4.6% on a yearly basis. EBITDA for FY24 was INR205.2 crores with an EBITDA margin of 8.6%. EBITDA experienced a yearly decline by 26.4%. Profit after tax decreased by 46.7% Y-o-Y to INR70.3 crores with a PAT margin of 3%. For FY24, the Board has recommended a final dividend of INR5 per equity share of face value of INR10 each, 50% of face value and 5% of non-cumulative non-convertible redeemable preference share of face value of INR10. Dividend payout would be 9.5% of FY24 after tax.

Thank you. Now I request the moderator to open the floor for question and answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Anushka Singh from Arihant Capital. Please go ahead.

Anushka Singh: Thank you for the opportunity. I wanted to ask a couple of questions. The first being, what is the current status of your cotton inventory as in -- for how many months will that be? And also, do you have any outlook on cotton prices for the next harvest, which will probably be around September, October time. That's all.

Munish Avasthi: So we have -- our cotton inventory is about five to six months. Our outlook about the future prices is the long-term outlook is benign. We think the prices are going to be where we started this year, I think will start again in the next year -- so we think that international prices because of good prospects of crop in Brazil and USA having good moisture this year. So we believe that the prices are going to be benign for the next year.

Anushka Singh: Thank you.

Moderator: Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, our last buyback was done in April of last year. So one year has passed and so since we don't have any capex plan, sir, so and considering that the spreads in the industry are at their lows. So it seems to be an opportune time to do another large share buyback. But because dividend even when the times improve, we can still give dividend. But sir, buybacks only makes sense when the industry is going through a down cycle as it is going through now. So I would like to know your thoughts on the same.

Munish Avasthi: Yes. See, we don't share the pessimism you have about the industry. We feel some opportunity of new investments in current coming years and going forward. And we think that we have reached the bottom, and we are rather now much better than where we were. I think the bad phase according to our assessment is over. It's been two years since there has been any expansion. And with the growing demand of textiles across the world, and within India So we see a lot of opportunities for new investments.

So we'll keep on evaluating. So if we -- right now, I think we have new investments on horizon, which we are not ready to announce as of now, maybe very soon. So we will see

whenever is the opportune time for buybacks and we have enough funds to sponsor the buyback we will definitely do that.

Madhur Rathi: Sir, so for FY 25, would you like to quantify the kind of capex we are looking at? And sir, are the -- is the management thinking of expanding on the same line and the existing line of business, that is yarn or some other maybe forward integration into garmenting, fabrics, etc?

Munish Avasthi: See right now, there are a couple of projects which are on drawing board. So I would not like to comment -- speculate anything. So whenever we have something to announce we will do it in the due course of time.

Madhur Rathi: Sure, sir. Thank you very much. And so that's all from my side. And sir, I also want to thank you for the maiden dividend. So thank you very much.

Moderator: Thank you. The next question is from the line of Varun Mishra from Big Four Investment Capital. Please go ahead.

Varun Mishra: Yes. Hi, sir. Thank you for the opportunity. A couple of questions, sir, on the manufacturing side. What is the status for the existing land usage? Is there any area available for further brownfield expansion or any greenfield expansion as we go through?

Munish Avasthi: So we have enough space available for any expansion, which we are looking forward in next one year, so for our plan. And we have a few places, land available for the greenfield if we wish to.

Varun Mishra: Okay, sir. What is the max spindle count you could reach in the existing available area in the present facilities? If you could quantify that, that would be great.

Munish Avasthi: Sorry, I didn't get your question. How many...

Varun Mishra: My question is, what is the max spindle count that you could reach on the existing facilities in the areas present where your facilities are?

Munish Avasthi: So if you want with the area we have, we can increase it by easily by another 1.5 lakh spindle in the brownfield capacity. In the greenfield it can be much more than that.

Varun Mishra: It could be more than that.

Munish Avasthi: In the greenfield, if we go -- if we decide to shift to the other land partner we have, then, of course, there we can go as like there is no limit there.

Varun Mishra: Okay. And so at the same time last year, you had given a ballpark figure of INR 46,000 to 48,000 per spindle for the brownfield expansion and INR 50,000 to 55,000 per spindle for the greenfield expansion. So sir could you tell us like what is the cost now? Because I was trying to judge that, like on what basis do we decide to expand capacity?

Munish Avasthi: I think the prices of putting up a project has gradually - the gross prices, the total cost, which is short term predominantly in the last one year back has come down a little bit. And even the

delivery times, which were once quoted to two to three years, have now dwindled to do around four to five months. So that's why we don't need to plan much in advance for any expansion. So I think the cost remains almost the same as we quoted last time, 5% plus minus ballpark.

Varun Mishra: Okay, sir. Sir, my last question is, like, given that we are largely operating on a full capacity, can you guide us to like how does the sale and order book work for us? Like do we have any fixed contracts from the select customers? Or do you anticipate the demand to tune your production? Like how do we do that?

Munish Avasthi: So generally, we have a policy of to maintain a certain order book in these exports and domestic. And we stick to that policy throughout, whether it's good times, bad times. So we try to achieve -- and we are almost plus minus two, five days we are at that where the book makes us comfortable in executing our orders. So most of our business is done with the existing regular 20-year-old customers or even more. So it's just a system we go by.

Varun Mishra: Okay, sir. Thank you. My questions are answered. Thank you.

Moderator: Thank you. The next question is from the line of Alok an Individual Investor. Please go ahead.

Alok: Good evening, sir. My question is about sportking stores. Sir, are you planning to open your new stores in new cities or some new states?

Munish Avasthi: Okay. Sportking retail is not a part of this company. So I would like to limit the questions related to this company only.

Alok: Sorry, sir, sorry. Thank you.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Yes, namaskar, sir. Thank you for the opportunity. Firstly, if you could provide the mix between your pure cotton yarn and the blended yarn out of the total revenue?

Munish Avasthi: You want to know the quantity wise or the value-wise?

Saket Kapoor: So value is good work and also the quantity if you have both the data?

Munish Avasthi: Yes. So about 60% is cotton and I think around 25% is polyester cotton- cotton blended, and rest 10, think 6%, 7%, 8% is waste and 2% to 3% is synthetic, 100% synthetic.

Saket Kapoor: 2% to 3% is?

Munish Avasthi: 100% synthetic acrylic or polyester yarn.

Saket Kapoor: Okay. Right. And sir, how has the yarn prices trended for Q4 and post the exit for March, what are the price trends for the month of April and the demand outlook post the exit of the March quarter?

Munish Avasthi: Demand has been pretty good lately. I think demand continues to be good. Rather I would say demand is -- so generally, we see the peak demand in -- from October to March. But this year, we didn't see that much demand in October and November. It picked up in December and January.

And -- but we are seeing a continuing demand in so-called mad month, which is April, May. The demand continues to be good right now. The prices have been volatile because the cotton prices went up from 54,000 to 63,000. And now since the last one month, they have come down a little bit. So same way yarn prices from a bottom of around 250, they went up to 285 and they have come down to about 270 to 275 right now for 30 C&C

Saket Kapoor: For 30 count?

Munish Avasthi: 30 count.

Saket Kapoor: Sir, can you give the average realization for the quarter -- for the March quarter and vis-a-vis number for the December quarter Q-on-Q?

Munish Avasthi: The average Q-on-Q has gone up from the spread has gone up from -- by INR10 last quarter.

Saket Kapoor: Okay. And the average -- from the averages from the March exit, we are still up the realization even after the zigzag movement which you have mentioned right now.

Munish Avasthi: I think we are up by another -- yes, we are better off than where we were for last quarter. The spreads are better for us as a company than last quarter.

Saket Kapoor: Okay.

Munish Avasthi: Till now, yes.

Saket Kapoor: And we will be maintaining this 95% utilization levels as per the -- our order schedule the delivery schedule we are expecting...

Munish Avasthi: Yes, yes. Of course, the 95%, 96% capacity utilization. It comes down a little bit like in summer months, it's down by a couple of percentage points because of excessive heat. So average will be, I think, 95% plus for this quarter.

Saket Kapoor: Thanks. If we come to the mix for the raw material, how have the raw material basket shape and the key constituents of the raw materials, how much goes to cotton and what percentage to the other RM?

Munish Avasthi: It's in the same proportion. We use almost 80% of raw material is the cotton and rest is the synthetics polyester or acrylic.

Saket Kapoor: Okay. And there also, sir, I think the crude prices are more or less flat in a band of 5% to 10%. So are we seeing any more fluctuations in those derivatives?

- Munish Avasthi:** Synthetic prices have been in the range of INR5 to INR7 in the last six to eight months. So there has not been much fluctuation in synthetic prices. Cotton prices definitely went up by around 20% and then –since then they have come down a little bit because of international prices and the prospects of better crops for next year.
- So they have come down by 6%, 7%. But overall, the volatility historically, for the last two years, we saw a lot of volatility which is not there, which is good for businesses. And we see a pretty stable environment going forward of raw material prices.
- Saket Kapoor:** Correct, sir. Sir, if you could give the net debt number also and our cost of funds currently?
- Munish Avasthi:** So our short-term debt is around INR450 crores. And the cost is -- The cost of debt is around 7% and our long-term debt is around INR380 crores and the cost of debt is around 7.5%.
- Saket Kapoor:** Okay. And then do we have any rebate from the state government in terms of the loans under any of the tough things?
- Munish Avasthi:** We don't have any rebate in Punjab for the -- we don't have any interest subsidy. So these are the actual numbers. Our short-term debt of course which has gone up by a lot, we expected to be moderated by at least to come down to from INR450 crores to INR100 crores in next three to four months.
- Saket Kapoor:** You come against the last point, it will come down?
- Munish Avasthi:** It will come down to normal level of around INR100 crores, because of the procurement season, the cotton inventories are higher in this period. So, you see a lot of usage of short term working capital. So we expect our interest cost to come down and the short-term debt to come down significantly in next three to four months.
- Saket Kapoor:** Understood. And sir on the export front, I think the government do provide the certificates, which can be encash later on. So under that scheme, how much is due or the receivables?
- Munish Avasthi:** Right, the RoDTEP scheme is working, so that is going on and the government has extended it till October and we expect the government to keep on when the new government comes in to extend it because it is WTA compliance and it is a pay back for our duties. So that scheme goes on.
- Saket Kapoor:** And how much have you accounted for the last financial year for that and that is accounted directly in the revenue?
- Munish Avasthi:** Yes, yes, of course. It is like drawback and RoDTEP all these schemes are directly added to the revenue.
- Saket Kapoor:** And the numbers are for the last financial year?
- Munish Avasthi:** I don't have them right now in my, so we can give it to you later on.

- Saket Kapoor:** Two more small points. Firstly, on the current maturities are out of the long-term loan of INR380-odd crores mentioned. What are our current maturities for this year?
- Munish Avasthi:** This year our repayment schedule is for INR55 crores to INR60 crores.
- Saket Kapoor:** INR60 crores. And what is our total percentage of renewable power out of the total power requirement? How much have we proposed this solar expansion in the solar space?
- Munish Avasthi:** I think it is around 10%, 10% to 12%.
- Saket Kapoor:** Okay, so do we have the programs on the same of increasing it or what is the road map going ahead?
- Munish Avasthi:** So, right now we have gone for rooftop solar plants. So most of the roofs in our factories have been covered. So right now we don't have any significant plans. There is small capacity available about 1 megawatt. We are looking at it to get it done. Other than that, most of it, 95% 97% of the area has been covered.
- Saket Kapoor:** And our cost of power is INR5 as you mentioned from the state electricity board.
- Munish Avasthi:** It is around INR6, I think. Because there are some duties on top of INR5.50. So, it's a blend cost. The total cost from grade is around INR6.15.
- Saket Kapoor:** Okay. And lastly sir on the preference part of the story, if you could -- I'll join in the queue.
- Moderator:** Yes, please.
- Saket Kapoor:** Yes, yes. I'll -- yes, I would be.
- Moderator:** Thank you. The next question is from the line of Akshay Kothari from JHP. Please go ahead.
- Akshay Kothari:** Thanks for the opportunity. Sir, what is the target debt to equity we wish to maintain?
- Munish Avasthi:** So our target is, so I think we want to maintain anything below 1. And right now, the debt equity we want to maintain below 1.
- Akshay Kothari:** Okay. So if we plan to -- you said that there are a couple of things on the drawing board for acquisition, brownfield or greenfield. So, we'll fund it through equity or through debt then?
- Munish Avasthi:** We will do it through a combination of both, and we make sure that our long-term debt doesn't cross our -- the mark of 1. It will be a blend of both equity as well as debt.
- Akshay Kothari:** Okay. So by equity you mean dilution or internal accruals only?
- Munish Avasthi:** No internal accrual.
- Akshay Kothari:** Okay. And sir, secondly, on the demand front, is the Chinese consumption coming back?

- Munish Avasthi:** So that's one area which is still in spite of -- because that's why we see a lot of optimism going forward because the things are improving significantly without China. So China is still struggling, continues to struggle. We haven't seen any ray of light as of now of it improving anytime soon. But we see that across the world all of the markets are doing much better. And - - but there is still some pessimism. The customers are still buying hand to mouth. The brands are not stocking truly. So we think that still that part of optimism story is still to play out which I think might come maybe in the second half of this year.
- Akshay Kothari:** Understood. Yes. So that's it from my side. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ketan Chheda, an Individual Investor. Please go ahead.
- Ketan Chheda:** Hi. Thank you for the opportunity. Based on your outlook, would you be able to give a range of top line and margins? Would that be possible? Not a guidance, but thoughts of an outlook I will take first?
- Munish Avasthi:** See, our top line, we think, because we are not -- we don't have any capacity coming in the next 6 months to 8 months at least. So I think our first half we are looking at a revenue of around INR1200 crores plus minus 3% of any change in prices the volume will be the same. About the earnings, I think we should be doing better than what we have done in last quarter. So that's what I can tell you for the next 6 months.
- Ketan Chheda:** Okay. So just a follow-up on the margins. So like in the last three quarters, that is September, December and March ending, we've seen there is kind of a trend wherein the margins are surely inching up. So, you are expecting the margin would further keep inching up for the next couple of quarters. Is that what you're indicating?
- Munish Avasthi:** Yes, we believe so, and next as we see our optimum margin what we feel as an industry is 15% to 16% for a standalone on company like us. So we expect slowly and steadily we can get there. So let's see. So we see some improvements in next -- in this quarter and quarter next quarter -- next these two quarters. And going forward, it's the demand scenario things can even get better.
- Ketan Chheda:** Okay. And one clarification, I think to one of the previous participant's question you responded about acquisition. I think probably I missed your comments about the acquisition. Could you just clarify that again? Are you planning for any acquisition or are you planning for a Brownfield or Greenfield capacity expansion?
- Munish Avasthi:** No, I think he just misquoted. So no acquisition so we are not looking at any acquisition at all. We are just looking at Brownfield expansion standpoint.
- Ketan Chheda:** Okay. Thank you so much. These are all my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Priyanshi Sharma, an Individual Investor. Please go ahead.

- Priyanshi Sharma:** Hello. Thanks for the opportunity sir. So my question is to the CFO. Sir, our working capital seems to have increased a bit. Can you guide as what happened this year?
- Sandeep Sachdeva:** Ma'am increase in working capital was due to the purchase of the cotton because cotton being a seasonal commodity. Major utilization for the working capital was in that.
- Priyanshi Sharma:** Okay. Sir, can you guide on we are holding as much as twice the inventory as compared to last year. So is it an intentional decision looking at the cotton prices or some order-related decision?
- Munish Avasthi:** So, ma'am, I'll answer that. Ma'am last year, we were a little slow on procurement because of Indian prices being too high as compared to the world. We didn't see any -- the farmers were holding back the cotton. So we saw a different trend this year. And we took a decision looking at the quality and the better quality we were getting in those months and looking at the spread between international prices and Indian prices we saw it judicious to stock a little bit extra this year.
- Priyanshi Sharma:** Okay, fair enough. Sir, can you throw some light on the nature of our debt like what is our debt repayment schedule looking for the next year, that is FY25?
- Munish Avasthi:** Ma'am, I think we just answered that question. So I'll answer it again. It's our long-term debt repayment schedule for this year is about INR55 crores. And working capital, of course, it moves as our inventory moves. And we expect the short-term debt to come down to about INR100 crores in the next 3 months to 4 months for INR450 crores.
- Priyanshi Sharma:** Okay. Sir my second question is some of the report by rating agencies suggest that there's margin expansion possibilities for spinners in the coming financial years. So what are your thoughts on this like do you see some margin improvement trend to continue?
- Munish Avasthi:** We are already seeing that ma'am like if you see in last two, three quarters margins have improved. From last quarter, I think we have gone up by almost 200 basis points and this year also because last year overall margins were very low around 9%, 9.5%. So we are seeing for the first half at these margins to be better definitely better than that. So we concur with the assessment by the analyst.
- Priyanshi Sharma:** So a follow-up question to this like how much time it will take us to achieve the EBITDA margin of 12% to 13% as per the previous management guidance?
- Munish Avasthi:** Well, we are at 11% right now, so there is not much room left. So hopefully if everything goes well we might do it this quarter.
- Priyanshi Sharma:** Okay, Thank you, sir. That's all from my side.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Augmenta Asset Managers Limited. Please go ahead.
- Aman Madrecha:** Yes. Hi, sir. Thanks for the opportunity. Sir currently if we are seeing the cotton yarn spreads at around INR95 to INR100 per kg correct me if I'm wrong. So sir just wanted to understand

where are we because last quarter as you mentioned the spreads were around what INR120 per kg and given that in FY22 when the cycle was very good for the spinners wherein we got around upwards of 20% EBITDA margin. So what spread we were operating back then and also can we highlight about the cotton yarn spreads currently?

Munish Avasthi:

So that time I just have my '22, '23 numbers with me. So that time the spreads were at around 161. I don't know we just have to make sure that we are talking about the same levels when we're talking about spreads because some people take it as a clean crop, some people take it as a raw cotton concept. These are spreads with raw cotton. So that time we were working at 161 and right now the spreads are I think around 124-125. So, of course, the spreads are way down from that time.

Aman Madrecha:

Okay. So sir currently what we have seen is that like up till last year the cotton prices were inflated to the tune of like around INR1 lakh per candy and now the cotton prices have come down to around INR56,000- INR57,000 per candy and within the spreads are good. So what has changed like for example we know the cotton prices have corrected a lot.

So are -- how are we seeing the yarn market going forward because the difference between the US. cotton and the Indian cotton has also come drastically come down and we are exporting good amount of cotton also. So your overall view on the market majorly the export market like Bangladesh and all?

Munish Avasthi:

So that's what I said before that these benign cotton prices and overall a steady demand scenario which has contributed to this better demand and better margins. So we see it playing out for a foreseeable future because we don't see cotton prices to really -- other than maybe one or two months spike in the year end when the new crop is yet in those times there can be a small spike, but we see more or less these benign prices to go on and we see the demand because lower raw materials are always good for demand.

The risk attached to prices is less and the customers who are committing to or they like to fill up their pipelines which are -- have been totally empty for the last seven, eight quarters because of elevated prices, but now I think customers are again having -- have confidence to fill up their pipelines, not to the extent we would want.

I think there is still -- there is some kind of fear amongst the customers because of different wars going on, the geopolitical risks and all that, but we see and of course the interest rates and dollar shortages in different countries are also cause of concern. And it has been like that for the last six to eight quarters. But in spite of all that we see customers now believing that okay these prices are good and there's not much downside risk. So they are buying with more optimism now.

Aman Madrecha:

Okay sir. Thank you, sir. That was helpful.

Moderator:

Thank you. The next question is from the line of Mehrawan Kotwal, an Individual Investor. Please go ahead.

- Mehrawan Kotwal:** Good evening sir. Just a couple of questions from my side. Firstly, we have covered for cotton for the next 6 months as I was hearing in the commentary. Could you share what is the average buying price of this cotton and how does that stack up with respect to the current market price of cotton?
- Munish Avasthi:** We don't share this information. I'm sorry to say.
- Mehrawan Kotwal:** Okay.
- Munish Avasthi:** Yes.
- Mehrawan Kotwal:** But safe to assume it's lower than current prices?
- Munish Avasthi:** Yes it is.
- Mehrawan Kotwal:** Fair enough. Sir, the other question I just wanted to understand is that if you see on a sequential basis our other expenses have come off a bit sharply. I think we are about INR50 crores they have come down to INR42 crores. Are there any one-off items that, basically has impacted this and do we expect a further pull-off of other expenditure?
- Munish Avasthi:** Yes. CFO will answer that question.
- Sandeep Sachdeva:** Sure. Sir if you see in percentage times it is almost the same as compared to the last year.
- Mehrawan Kotwal:** No, I'm saying sequentially.
- Munish Avasthi:** Quarter-to-quarter.
- Mehrawan Kotwal:** Sequentially, I think in terms of percentage, also, there would be a big drop because from INR49.5 crores has come to INR42.5 crores.
- Sandeep Sachdeva:** It's just nothing. It's because of some provisioning in some quarters, because of some provisioning in other quarters.
- Mehrawan Kotwal:** Okay. So basically, these are the kind of numbers we can expect in the quarters ahead.
- Munish Avasthi:** Yes. It's nothing -- no exceptional item.
- Sandeep Sachdeva:** Because sir quarter numbers are really balancing figures.
- Mehrawan Kotwal:** Correct.
- Sandeep Sachdeva:** If you see we give in the notes to accounts also the quarter numbers are always balancing figures.
- Mehrawan Kotwal:** Sir, I was also wondering finally that are we seeing an equally strong pickup even in the Bangladesh market as far as yarn goes as Bangladesh is one of our biggest customers, are we seeing traction in their businesses as well? Because I think there was a bit of a lull there were

some issues there. Have these got resolved and are we seeing very good demand from Bangladesh emerging too?

Munish Avasthi: So Bangladesh has been actually the brightest spot in last 6 months. So Bangladesh continues to buy very aggressively and I think they have been the torch-bearer for all the optimism most of the industry has. Domestic market is also doing okay. But in the export market, Bangladesh has been continuously importing a lot of yarn and the growth -- their export numbers are good, their growth numbers are good. And we -- and because of dollar shortages and all that their spinning mills in that country are not doing that well. They are not working at full capacity. So, we are seeing some spillover buying growth that also. And so we continue to see we think Bangladesh continues to do well.

Mehrawan Kotwal: Perfect sir. Thank you so much sir. Those were questions from my side. All the best.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Thank you for the opportunity again sir. When we look at our cash flow, we find that the under the purchase of plant and equipment, we have spent INR363 crores for FY'23 and INR105 crores for FY'24. So how much would be the maintenance part and how much would be augmented to the new capacity that we have?

Munish Avasthi: The maintenance part is mostly looked at capital. I think it is not capitalized. So, I think most of it is related to the new investments only.

Saket Kapoor: Okay. So, in two years, we have spent around close to INR470 crores.

Munish Avasthi: Yes, because the new plant and the solar plants, they all came up during those years. So, that's how we spend that.

Saket Kapoor: Okay. And sir, what could be the asset turnover ratio?

Munish Avasthi: 1.21 as of this year.

Saket Kapoor: Okay. And sir, going downstream towards I think, sir, if it is at the first stage, the margins expand once we are ahead towards the forward integration. So, what's the thought process of the management going ahead? Or we would like to specialize only in the yarn segment and whatever the capacity addition or whatever further capex we may envisage would be directed towards only the yarn segment?

Munish Avasthi: Sir, we keep on having this question every quarter. So our answer is the same that we have different projects on our drawing board. And we being a 100% yarn company, we see a lot of potential within our business and right now for growth. So everything is on table. So we are looking at downstream also. But, right now, nothing is really concrete, but we are optimistic about the yarn business only as of now. And next expansion will be in yarn business only.

Saket Kapoor: Okay. And also in the same geographies. I think that we have consolidated in the state of Punjab.

- Munish Avasthi:** Yes, sir. Yes, sir. Right now.
- Saket Kapoor:** We will be, whatever is on the drawing board, it's particularly with the same geography only or we can look for de-risking ourselves to a different location also?
- Munish Avasthi:** So we are looking at both the options right now, maybe the next one in Punjab only. And after that, we are looking at options to moving geographically also.
- Saket Kapoor:** Okay. Sir, can you explain to the nature for this preference part of the story? And then, when we look at the notes, they have been redeemed at a price of INR90 at a premium of INR90. That means INR100 have been paid at 5% non-convertible. So if you could explain the nature and how much is due out of it or everything has been repaid, if you could just explain, sir.
- Munish Avasthi:** Sir, we were owned equity, which was infused by the promoters when the company needed it and I think in 2019 in 2006-2007, 2010-2011. So they were so I think how much of it is redeemed.
- Saket Kapoor:** INR25 premium was mentioned on.
- Munish Avasthi:** Yes. So that was according to whatever the valuation was, which was given and done by the appropriate party. And how much of so there are...
- Saket Kapoor:** Hello?
- Munish Avasthi:** Yes. So I think we have already redeemed around 30%, 35% of total preferential share. The rest, we have not redeemed as of now, and we don't have any plans of redeeming them in next two, three years.
- Saket Kapoor:** Correct. So for two, three years, we are not redeeming them. And, how are the freight costs paid, sir? I think so we have 40% of our sales as exports. So are we witnessing any acquisition on the freight costs? Or, is it on an FOB basis or who bears the freight, if you could here outline?
- Munish Avasthi:** It's the same. The spreads are the same whether in the same ballpark figures, couple of INR here and there. So, most of the shipments are CIF basis, CFR basis. There are few in FOB also. And we see in this quarter, export share might be -- we see a trend of export going up a little in the current quarter.
- Saket Kapoor:** Okay. And any particular geographies, sir, where we are concentrating where we will see this up and the increase.
- Munish Avasthi:** Our geography mix stays the same. So the several countries we have been exporting in the recent past. The mix is almost the same this quarter also.
- Saket Kapoor:** And, sir, on the client concentration mix, Sir, also the total client base, what do the top 10 contribute to our sales, both the domestic and export?

- Munish Avasthi:** It's not very significant. I think the biggest customer will not be more than maybe 2%, 3% of our sales.
- Saket Kapoor:** Which is a very well diversified.
- Munish Avasthi:** Yes.
- Saket Kapoor:** Correct, sir. Thank you for all the answers. Sir, the last concluding point was that we are currently accruing the benefit of the entire expanded capacity. And for the first half, we are looking at a top line closer to INR1,200 crores plus, minus 3% with improved spreads on the yarn, that is what the comment substance you can conclude.
- Munish Avasthi:** Yes, we hope for that. We are not giving any guidance. We think...
- Saket Kapoor:** No, no, just ballpark numbers, sir. It's a guess depending upon the market condition and our procurement and the current price trend, we are pensioning these number.
- Munish Avasthi:** Yes.
- Saket Kapoor:** Thank you, sir. Thank you, and all the best.
- Moderator:** Thank you. Ladies and gentlemen, it was the last question for the day. I would now like to hand the conference over to management for closing comments.
- Munish Avasthi:** Thank you, everyone, to be a part of this call. And we appreciate and if you have any questions or any queries, you can direct it towards our company secretary or Orient Capital. See you next quarter. Thank you.
- Moderator:** Thank you. On behalf of Sportking India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.