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SIL/2024-25/SE **Date: 05.02.2025**

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**

Subject: Transcripts of Earnings Call of Sportking India Limited for quarter and nine month ended 31st December 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 Thursday, 30th January 2025 to discuss the Company's Financial Performance for quarter and nine month ended 31st December 2024.

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

Yours truly,

For SPORTKING INDIA LIMITED

Lovlesh Verma
Digitally signed by Lovlesh Verma
Date: 2025.02.05 15:52:36 +05'30'

LOVLESH VERMA
COMPANY SECRETARY
(ACS: 34171)

"Sportking India Limited Q3 FY'25 Earnings Conference Call"

January 30, 2025

MANAGEMENT:	**MR. MUNISH AVASTHI – CHAIRMAN & MANAGING DIRECTOR, SPORTKING INDIA LIMITED** **MR. SANDEEP SACHDEVA – CHIEF FINANCIAL OFFICER, SPORTKING INDIA LIMITED** **MR. LOVLESH SHARMA – COMPANY SECRETARY SPORTKING INDIA LIMITED**
MODERATOR:	**MR. DEVANSH DEDHIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Sportking India Limited Q3 FY'25 Earnings Conference Call hosted by Orient Capital.

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 the "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devansh Dedhia from Orient Capital. Thanks. And over to you, sir.

Devansh Dedhia: Thank you. On behalf of Sportking India Limited, I extend a very warm welcome to all the participants on the Q3 and 9M FY'25 Financial Results Discussion Call.

Today, on the call we have with us, Mr. Munish Avasthi – Chairman and Managing Director of the Company, Mr. Sandeep Sachdeva – the Chief Financial Officer and Mr. Lovlesh Verma who is the Company Secretary.

With this, I'll hand over the call to "Mr. Sandeep Sachdeva for the Opening Remarks." Over to you, sir.

Sandeep Sachdeva: Good afternoon, everyone. First of all, I would take you through the Financial Performance of the Company for the Quarter and Nine Months ended 31st December '24.

For Q3 FY'25, Sportking Limited achieved revenue from operation of INR610 crores, up 2% year-over-year.

Share of export in revenue was approximately INR341 crores for the quarter, representing a 57% contribution from export business to revenue for the quarter.

Gross profit stood at INR148 crores with an increase of 10% on YoY basis. Gross profit margin expanded by 183 basis points year-over-year. The gross margin for the quarter stood at 24.3%.

EBITDA stood at INR57 crores, increasing by 17% on YoY basis, EBITDA margin expanded by 123 basis points YoY to 9.4%.

Profit after tax wasINR16 crores, seeing an increase of 18% YoY, profit after tax margin was 2.7%, experiencing a margin expansion of 37 basis points on a yearly basis.

For nine months FY'25 Sportking India Limited achieved revenue from operation of INR1,895 crores, up 7.3% YoY.

The gross profit stood at INR441 crores with an increase of 19.1% on YoY basis. Gross profit margin expanded by 230 basis YoY.

EBITDA for nine months FY'25 was INR189 crores with the EBITDA margin of 9.9%. EBITDA increased by 36.6% YoY. EBITDA margin improved by about 213 basis points YoY.

Profit after tax was INR73 crores, seeing an increase of 54% YoY. PAT margin was 3.9%, experiencing a margin expansion of 117 basis points on a yearly basis.

The company had an exceptional quarter in export front with an overall mix of sales from export increased to 57% in Q3 FY'25 from 48% in Q3 FY'24 and 46% in Q3 FY'25. Capacity utilization remains more than 95%.

Thank you all. Now, I will hand over the call to "Mr. Munish Avasthi, CMD of the Company for his Remarks on the Results and the Outlook."

Munish Avasthi: Thank you, Sandeep ji. Good afternoon, ladies and gentlemen.

I hope you have an opportunity to go through our "Press Release and the Investor Deck."

The textiles industry continues to operate at a steady pace. The exports saw an uptick in demand since last quarter, led by an impressive growth in shipments to Bangladesh.

Domestic market saw uneven demand buoyed by the festive season, but at the same time restricted to some extent by continued import from China of synthetic fibers and yarn.

Cotton prices continue to slide lower albeit at a slower pace and continue to be higher than the normal differential to the imported cotton.

Due to MSP operations by CCI and the import increased which have been mainly since the last two years.

We expect similar conditions prevailing over the next few quarters as margins continue to stay under pressure because of the government policies on cotton.

At the same time, we see the overall demand as very satisfactory, and we continue to work on improving our efficiencies and believing all these ongoing efforts will help us in improving margins by 100 to 200 basis points going forward.

I pass on the call to 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. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Hi! Good afternoon, sir. Thank you for the opportunity. Sir, I wanted to understand we have acquired two businesses and merged in the last quarter. So, how do we plan to pay for that or how are we going to do a share swap or are you going to upfront, give them money, so if you can highlight that?

Munish Avasthi: Thank you for the question. It's still under consideration. So, we are still not ready with the proposal. As I think in a couple of months, as we are ready with the proposal, we'll share the details.

Madhur Rathi: Okay. Got it, sir. Sir, can you please give me the current cotton realization, yarn realization and spread for Q3?

Munish Avasthi: Q3 the spread for cotton and yarn were maybe about Rs.95 to Rs.100 and slightly better right now in this quarter, we see a slight improvement this quarter.

Madhur Rathi: Okay. So, the spread were around 95 to 100?

Munish Avasthi: Yes, around Rs.95 to Rs.100.

Madhur Rathi: Okay. So, in last quarter our spreads were very low around Rs.60, but still the increase in the margin were almost in the similar range. So, why is that?

Munish Avasthi: No, no. I think right now the spreads I'm giving you is between the raw material cost and the sale price that Rs.60 must have been about the clean cost. So, there's a difference between the two sets of numbers.

Madhur Rathi: Okay. Got it. Got it. Sir, I have another question. Sir, what is the steady state spread that you can expect going forward over the next maybe two to three years?

Munish Avasthi: I don't know about two to three years because first of all the government policies which are making Indian cotton expensive than what is available to other countries, is putting a pressure on. So, the government policy can change anytime. So, if it changes in our favor which we expect, then the margins can go up by 300 or 400 points. So, other than that, we expect the margins to stay where they are, maybe improve by 100 to 200 points by the ongoing effort we are making in debottlenecking and modernization. So, otherwise, till the government doesn't change the policy, I think there will be some pressure on the margin, and it will stay at these levels or maybe 100, 200 points plus/minus.

Madhur Rathi: Okay. Got it. Sir, also, few quarters back we had mentioned that there is a slight uptick in this business. We can easily achieve 15% or 16% kind of margin. It seems like one of our competitors has said that because of Indian cotton prices being higher than the international market, the yarn prices will be under pressure. Sir, what kind of cotton prices can we expect to reach these 15%, 16% margins?

Munish Avasthi: So, the demand scenario is not bad, demand scenario is pretty good right now. The only problem is the Indian cotton prices are higher than usual. Generally, Indian cotton prices are at 500 to 700 points higher than the near futures which are right now prevailing at about 1,000 to 1,100 points higher. So, there is a clear difference of 3% to 4% or 5% in the international prices and potential Indian prices where they should be. So, that continues. So, I think the demand side is very good. The only this anomaly till it goes, then of course it will keep on putting the pressure on the potential margin, which this industry deserves or which we can have.

Madhur Rathi: So, sir, 3-4% correction would initially like improve our margin to 15%, 16% or maybe 1%, 2% higher?

Munish Avasthi: See, till the anomaly goes away. I don't see any reason for margins to go up to 15%, but of course I can see the margins going up to 12%-12.5% with all the efforts we are doing on our cost rationalization and the other measures. But to really get beyond 15%, I think then this anomaly has to go.

Madhur Rathi: Sir, so we have taken the merged entity into consideration and their margins at present are margin-accretive to our current business. So, we have highlighted that due to that 12%, 13% margin from there and our like 9%, 10% margin currently what we are doing it's margin-accretive. But what we are saying is that we would like with internal efficiencies, our margin will improve to 12%, 12.5% over the next three, four quarters. Can we expect the merged entity to make even higher margin by like maybe 1% or 2% higher as we scale up this capacity?

Munish Avasthi: No, we are not scaling up any capacity. As I told you that, margins right now we are at about 10% for the whole first nine months. So, we can expect these margins to improve to 11% or 12% with the demand and the scenario which is right now which is going to stay for the next couple of quarters. Other than that, going beyond that, it all depends on the demand and the differential and how to get even better, it depends on the government policy as I reiterate.

Madhur Rathi: Okay, got it. Thank you so much and all the best.

Moderator: Thank you. Before we take the next question, we would like to remind participants that you may press "*" and "1" to ask a question. The next question is from the line of Saransh Gupta from Swan Investments. Please go ahead.

Saransh Gupta: Thank you, sir, for the opportunity.

Moderator: I am sorry to interrupt Mr. Gupta. Can you please use your handset and speak?

Saransh Gupta: Yes. Is it audible now?

Moderator: Yes, better.

Saransh Gupta: Sir, my first question is that the SPV that we are commissioning in Bhatinda for the solar power plant, how much will it be captive after this capacity is?

Munish Avasthi: I think we are still in the process of getting the approval from the government. I think right now we are at about 13% to 14% and I think it will be another 13%, 14%. So, I think the totality will be one-third of our capacity will be dependent to get from our own solar.

Saransh Gupta: Sir, post this commissioning of the power plant, what will be the cost that will be saving compared to the power cost that we are incurring currently?

Munish Avasthi: I think it will be around Rs.20 crores per year.

Saransh Gupta: Sir, one more question. Like what is the current capacity for fabrics and garments?

Munish Avasthi: We don't make any new fabric or garment in this company.

Saransh Gupta: Sir, just refilling this. Currently, we are operating at almost 95% of the utilization. So, just wanted to understand what will be the revenue growth drivers for our company two or three years down the line?

Munish Avasthi: Right now, there are no revenue drivers for next one year, but for the last couple of years, we are working at 95% and all our new capacities which have been put a few years back are onstream and they are doing well. So, we are in the process of looking at how further expansions and which way to go. So, I think we'll be able to share the details maybe in the next two to three months. We are right now working hard onto what product and what line of business in textile we want to grow in. So, we'll share it once we are confirmed with it. Those will be the drivers for next two, three years.

Saransh Gupta: Sure, sir. Appreciate that. But sir, in your presentation on the slide 20, since you mentioned the setting foundation for the forward integration that you have got an in-principle approval for the merger, so just wanted to understand, how the fabric and the garment business out there and what are the sorts of facilities that we will be merging into our business?

Munish Avasthi: So, these are two companies which we are proposing to merge with our company. One is the purely garment company which right now makes around 10,000-15,000 garments a day with the revenue of around 120 - 130 crores. And the other one is that fabric finishing company, which has a revenue of around 70-80 crores. So, once this proposal is done, so we have the very minimal investment to almost triple these capacities. So, yes, once the merger is formalized, then we can start looking at those numbers.

Saransh Gupta: So, till the time we announce the next phase of expansion, that means post the merger gets approved, there will be an incremental revenue of 200 crores with a minimum of investments, right?

Munish Avasthi: Yes, of course. So, it will take some time because I think the merger period is almost 12 to 18 months, it takes some NCLT. I think it will all come into effect from '26- '27.

Saransh Gupta: For the next 1.5 years or 2 years, because we have not yet finalized it, and even this merger will take some time, so in terms of the profitability or the cost efficiency, how do one look at in terms of the improvement in the operating efficiency or the improvement in the margin from here onward, what are the steps taken by the company to improve it?

Munish Avasthi: Yes, definitely, we have implemented some modernization plans, a lot of debottlenecking plans, where we are increasing our capacity by 4% to 5% without really increasing our capacity. So, then there are small changes we are doing like we are putting up a small solar plant right now. It will be operational by next month, 4 to 5 MW. So, incremental changes which we have made in the last couple of years which now the things are settled and the markets are settled because we grew by 40%, so we are more confident and demand for our product is more widespread. So, we will get some incremental gain in better marketing of those products. So, all these I think will help us in improving our margins going forward with the market stays as it is.

Saransh Gupta: Sure, sir. Noted. So, sir last question. So, with the current capacity, it is fair to assume that the peak revenue if we assume the current situation in terms of pricing and costing prevails, the peak revenue will be 2,500 crores for us and with a margin of 11% we can do 275, 280 crores of peak EBITDA on the current capacity?

Munish Avasthi: Yes, that's right.

Saransh Gupta: Sure, sir. That's all from my side. Thank you and all the best.

Moderator: The next question is from the line of Sahil Vora from M&S Associates. Please go ahead.

Sahil Vora: Good afternoon, sir. Am I audible?

Munish Avasthi: Yes, yes, please.

Sahil Vora: Hi, sir. My first question is regarding your export contribution which have come to the highest level at 57%. So, just wanted to know which are the key countries that led to such massive growth?

Munish Avasthi: So, our major market continues to be Bangladesh and the demand in Bangladesh has been robust in the last three-four months, every month has been a record month for Indian yarn exports to Bangladesh. So, Bangladesh, of course, has been the key driver for us for the last three, four months for this performance.

Sahil Vora: Okay. And the contribution is attributed to dealers stocking up their inventory after a slowdown phase or has the export demand market stayed good in general? And also if you could elaborate about the current situation in Bangladesh, how that market is picking up, and do we see any near-term challenges on the export front?

Munish Avasthi: No, we don't see any challenges in export front actually. In Bangladesh, there was a slight hesitancy by anybody in last July and August, but it continues to grow, and I think they are already achieving numbers which are higher than their export numbers to USA and Europe are. So, as I was saying that Bangladesh market, we don't feel that any challenges are there. It's working as it used to and we don't see any challenges there.

Sahil Vora: Okay, sir. And sir, on the financial front, while depreciation has remained relatively stable as guided, both employee costs and finance costs have jumped on both quarter-to-quarter and year-to-year basis. Can you share the reasons for both of these changes?

Munish Avasthi: On the finance cost, I would request Mr. Sandeep to elaborate on that.

Sandeep Sachdeva: The finance cost increasing was mainly due to the differences in the exchange fluctuation to the extent it pertains to the saving and interest cost of foreign currency term loan and a rupee term loan as per Ind AS regulations. This is a notional entry. This includes around Rs.5 crores.

Munish Avasthi: So, what we need to say is that our actual interest cost stays around 10.5 to 11, but because of the Ind AS regulations, we have to consider some MTM differences. So, it is higher by 5 crores because of that. And our depreciation has been pretty steady for the last 7-8 quarters, and it stays the same.

Sahil Vora: Understood. Understood. That's it for now. I'll rejoin the queue if I have further questions. Thank you.

Moderator: Thank you. Participants who wish to ask a question may press "*" and 1. The next question is from the line of Sakshi Trivedi from NV Capital. Please go ahead.

Sakshi Trivedi: Hi, sir. On the same lines as asked by Sahil previously, I would like to know how do you feel on Bangladesh plus one tailwind for the Indian textile industry given it's a substantial market for you?

Munish Avasthi: Bangladesh plus one, I think is pretty overrated concept, people just jump to the bandwagon, but we don't see people shifting from Bangladesh. I think we see all our customers reporting us pretty happy with order book going forward. Yes, we saw some orders coming to India in the last two quarters, but we don't see a huge paradigm shift to really look for Bangladesh plus one kind of a strategy. But overall, yes, the buyers keeps their search on for good vendors. So, the big vendors in India they are getting some positive orders and they are getting some positive traction here, not only because of Bangladesh plus one but I think China plus one still continues to be the main theme and China still is exporting almost $200 billion against what we do like about $15 billion and Bangladesh is $40 billion. So, I think before getting into Bangladesh, I think Chinese share is what we are getting right now. I don't see Bangladesh going down, I see Bangladesh steadily improving from here and keep on growing by 10% to 15% going forward for the next two, three years.

Sakshi Trivedi: Right, sir. Now my next question would be what is the mix of cotton yarns and synthetic yarns for the nine months FY'25 and how do you see the share of value-added yarns evolving in your portfolio?

Munish Avasthi: So, value added yarn proportion remains the same as it has been for the last couple of years. So, we are working on it to increase it by 3%, 4%, maybe next year. So, we are working on some debottlenecking and the small capacity addition. But the composition amongst the cotton and synthetic, cotton 100% is around you can say around 62% and cotton blended is about 30% and synthetic 100% is about 3% to 4%.

Sakshi Trivedi: Okay, sir. Noted. Just another last question. What are the triggers of margin improvement for you? I understand the parity of domestic and international prices is one of the factors. By when do you feel that the prices will converge? And is there any government policy and subsidies that helps with this?

Munish Avasthi: No, actually, this is the major trigger and differential what used to be pre-COVID the prices as I told you that Indian prices used to be about 500 to 600 basis points up till the [inaudible:24:26]futures which have been now consistently above 1,000 points. So, this is the major trigger, and we see some ray of hope. As you know CCI has accumulated a lot this year which are I would say right now they are sitting at about 8.5 million bales, and by the time the procurement season ends, it might go up by another 20, 30 lakhs. So, the government has to take that decision whether they want to support the industry and provide us the cotton at reasonable rates, because they will be taking a lot if they sell at a price which is lower, which they have actually sold this year also. So, we feel that the government this year will have to sell lower going forward. But ultimately, this is again till they don't address this elephant in the room of import duty and direct subsidy to the farmers, this will remain a challenge, this is a long term challenge for sure for the industry.

Sakshi Trivedi: Thank you sir for answering my questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Kailash Samarthia from Diplomacy Investments. Please go ahead.

K Samarthia: Hi, sir, good afternoon. Thank you for the opportunity. Sir, my first question is related to one scheme that is by remission of duties and taxes on exported products. Since the scheme has got over as of December, are we hoping it get extended and what will be the financial impact of the scheme currently, and also how much benefit do we receive from the same?

Munish Avasthi: So, I think the information is wrong. That scheme is not ended. It is valid up till 30th September 2025.

K Samarthia: Okay. And sir, how much benefit do we receive from the same?

Munish Avasthi: It is about 3% of FOB prices of our exports.

K Samarthia: Okay. Sir, the second question would be on demand. So, in my opinion, the third quarter is marked with high domestic demand in lieu of the festival season. What was your experience of the demand during Q3? And how has demand scene shaped up during the end of the quarter now that that January is almost over? Are we seeing any slowdown in orders from fabric or apparel manufacturers?

Munish Avasthi: No, export demand was very good last quarter and domestically also the demand was okay. But as I said in my opening remarks, that Indian domestic demand has been constrained by a lot of flooding of Chinese cheap imports because Chinese market not doing that well. So, there's a lot of clamp down which has happened recently on Chinese illegal imports. So, we see a small bit of improvement in domestic demand actually since last one month. In exports generally we did well this quarter, so we continue to see a good order book in our export orders for this quarter as well.

K Samarthia: Okay. And sir, how much cotton inventory do we typically carry? And is your fresh procurement ongoing at the moment?

Munish Avasthi: Yes. Right now, we are in the middle of harvesting season of cotton in India and we continue to buy cotton as we need. So, this year, of course, we are still working at slightly lower stocks than what we have generally at this time of the year, because of higher Indian prices as compared to international prices and a lot of stocks which are there with the government which will come into sale post-March. So, we are taking a little bit of conservative view this year and stocking a little less than normal.

K Samarthia: Okay. And sir in the previous quarter, you had mentioned that the cotton prices have started to correct from the high of Rs.58,000 to Rs.54,000-Rs.55,000. So, cotton futures also indicated that price fell in November and December. However, with this recent hike MSP on cotton, CCI giving an outlook of 7% lower production. Where do you see the cotton prices for you and what's the likely impact for you in terms of inventory you are carrying?

Munish Avasthi: So, most of the inventory we are carrying is pre-sold because we generally have a order book of two to three months also. So, there is not major impact on that. Of course, beyond that there are a couple of months of cotton we have which is always not priced. Going forward, actually Indian cotton prices have come down even further. So, from 54, we have slip down to around 52,500 now as we speak, and they continue to be under pressure in spite of the huge operation by the CCI. And about the cotton crop, we actually see the cotton crop higher than last year. We don't agree with the numbers CCI has put on. So, we see the cotton crop is slightly higher than last year. So, we think that last year the crop was around 325. So, we expect the cotton crop to be closer to 340 this year than 305 or 310. So, we see cotton prices continuing to be under pressure going forward for the next six months.

K Samarthia: Okay. Sir, with that, do we foresee any inventory gains in the future given current procurement is at a lower level?

Munish Avasthi: No, because we don't see prices going up, so there won't be any inventory gains, I don't foresee that. Only if there are some Black Swan events, but as the condition is today, we don't see cotton prices going up to the high.

K Samarthia: Okay. And sir, just lastly one more, like, since this Maharashtra election got concluded, and we have seen that Ladli Behna Yojana have created a labor shortage and due to that the production has dip in Maharashtra last year also. So, do you see currently the harvesting season is going on? So, are you seeing any impact on the sale?

Munish Avasthi: Impact on what, on harvesting of cotton?

K Samarthia: Yes.

Munish Avasthi: I think the cotton arrivals are pretty robust. There was of course Maharashtra arrival were a little late to come because of the election and everything. But since last one month, the arrivals have been very robust, and we don't see any slowdown in the arrivals right now.

K Samarthia: Okay. That is from my end. Thank you, sir.

Moderator: Ladies and gentlemen, if you wish to ask a question to the management, you may press "*" and one. The next question is from the line of Gaurav Parikh, an individual investor. Please go ahead.

Gaurav Parikh: Hi, sir. Thanks for this opportunity. Really appreciate it. My question is in the last con call, we talked about Marvel Dyers entering into the knitted fabric and we had some growth plans regarding that. If you can throw more light on how do you plan to do more about it and how are we entering into knitted garment fabric thing?

Munish Avasthi: Yes, this is I mentioned in an earlier question that the merger has still not been formalized and we have certain plans in our place. So, once it has happened we will surely share all the details with you. But right now, we are still under process to get the merger formalized.

Gaurav Parikh: Sir, just to add to that, are we looking into the domestic segment here or we are looking for exports targeting?

Munish Avasthi: We are looking at both the segments. So, we are looking at export segments, which is something which we already do, we are in touch with all the brands, all the nominated to buy and we already supply them yarn. Of course, Indian domestic market now is being more and more dominated by organized players. So, we are in touch with them also. So, it will be both for domestic as well as for exports.

Gaurav Parikh: Thank you. All the best.

Moderator: The next question is from the line of Mausam Agarwal, an individual investor. Please go ahead.

Mausam Agarwal: Hello! Am I audible?

Munish Avasthi: Yes, hi!

Mausam Agarwal: So, I would like to know we have been running on average at 94% to 95% of capacity utilization, which I'm assuming is the highest as to where utilization level can be achieved. So, with no capacity expansion announcement currently, where does the revenue growth come for the company now?

Munish Avasthi: Ma'am, because textile is a very capital-intensive business, so we had invested a lot of capital two years, three years back, which was almost 13% or 14%. So, now we are feeling settled with our increased capacity and right now all our team is on the drawing board looking at what to do next and I think very shortly we'll be sharing some future plans with all our investors.

Mausam Agarwal: Okay. And also I would like to know that this quarter the competitors have announced large CAPEX on yarn and fabric front, so which indicates that industry is getting ready for a demand uptick for both domestic and international regions. So, what is the time it takes for you from planning to production?

Munish Avasthi: So, I think the more time we take is in planning. Once we declare it, I think we'll be able to deliver within one year.

Mausam Agarwal: So, like what are your criteria for evaluating CAPEX requirements, is there any criteria?

Munish Avasthi: There are different criteria we look at right now. We are into yarn segment. So, what areas, geographically we want to expand and with the kind of yarn we don't make and our customers want that yarn from us. There are different criterias we are exploring where we can get the best return on capital. So, it's just a matter of a couple of months. So, we are evaluating because this new announcement will be a way for our next series of investments. So, we just want to be pretty sure on what we want to do.

Mausam Agarwal: Thank you, sir, but I would also like to know is there any area for Brownfield expansion in our existing facilities or will new expansion be necessary from Greenfield initiatives, so could you just throw some light over this?

Munish Avasthi: So, we have enough space for Brownfield expansion, but we might go for Greenfield. So, that is what the evaluation is happening right now because all our plants are in Punjab, so geographically we might like to diversify and get out of Punjab and go closer to the port and closer to the more abundant regions in cotton. So, all these things take some time to evaluate. If it is Brownfield, we would have started by now. So, this is a new challenge, and we want to be 100% sure where we want to go.

Mausam Agarwal: Okay, sir. Also, one more question. So, you have highlighted price difference between domestic and international prices. Can you throw some light on the current price difference between synthetic yarn and cotton yarn? I read somewhere synthetic is lower than cotton yarn. So, I just wanted to understand basically price parity between the two, given you manufacture for both?

Munish Avasthi: No, the synthetic yarn is always cheaper than cotton yarn. So, the price disparity which we were talking about was the raw cotton prices in international markets and India. But yarn, I think generally is sold at the same price as it is sold internationally, because we are in an internationally competitive market where we are competing with different countries like Vietnam, Indonesia, Turkey. So, the export prices and domestic prices are almost similar everywhere where there are no duties like in countries like Pakistan and Bangladesh, prices a little higher domestically. But synthetic fibers are slightly more expensive in India than other countries because of certain duties and BIS restrictions. But, that's a very small part of a business. But of course it is being heard a lot recently by dumping of fabric, yarn and fibers by China, which is really suffering domestically across the world.

Mausam Agarwal: Okay. Thank you, sir. Thank you for giving me this opportunity. Thank you.

Moderator: Thank you. A reminder to all participants that you may press "*" and "1" to ask a question. The next question is a follow up question. It's from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, thank you for the opportunity once again. Sir, again, the export as well as the domestic yarn would be similar or because of the US and other countries discouraging Chinese cotton that yarn would be at a better pricing?

Munish Avasthi: I think I finished answering the last question about the prices across the world being almost the same.

Madhur Rathi: Okay, sir. So, low margin differential that we can get from export versus the domestic it will be similarly only?

Munish Avasthi: Yes, it's similar level.

Madhur Rathi: Just a clarification. The cotton prices are I think to 2.5% to 3% kind of a reduction. Even after that, there is a 5%, 6% margin differential to the international prices, that was apart from whatever international prices were or the differential has reduced?

Munish Avasthi: Sir, your voice is not reachable, but I cannot really understand what you are trying to ask.

Madhur Rathi: Okay. I'll ask my question again. Sir, the cotton prices declined to 52,500, 2.5% to 3% reduction. So, when we compare it with international parity, is it still a 5-6% differential that was there or 2%, 2.5% has reduced or even international prices have reduced -

Munish Avasthi: I get. I get it. So, the international prices in the last three to four months differential has stayed the same. So, if Indian prices have come down, so have the international prices at the similar pace. So, there's not much change in the differential in the last three, four months.

Madhur Rathi: Okay. Got it. Thank you so much and all the best.

Moderator: Thank you. Participants who wish to ask a question may press "*" and 1 at this time. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Munish Avasthi: Thank you everyone for being a part of this call and we appreciate and if you have any questions or any queries you can direct it towards the company secretary or Orient Capital. See you all next quarter. Thank you.

Moderator: On behalf of Orient Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.