

# Sportking INDIA LTD.

(Govt. Recognised Three Star Export House)

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

**Subject: Transcript of Earnings Call of Sportking India Limited for FY 2023**

**Dear Sir,**

Pursuant to Regulation 30 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed herewith transcript of the earnings call of the Company held on Thursday, 04th May 2023 to discuss the Company's Financial Performance for FY 2023.

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 '23 Earnings Conference Call”  
May 04, 2023



**MANAGEMENT:** **MR. MUNISH AVASTHI – CHAIRMAN AND MANAGING  
DIRECTOR – SPORTKING INDIA LIMITED**  
**MR. SANDEEP SACHDEVA – CHIEF FINANCIAL  
OFFICER – SPORTKING INDIA LIMITED**  
**MR. RASHIM JINDAL – MARKETING AND RAW  
MATERIAL HEAD – SPORTKING INDIA LIMITED**

**MODERATOR:** **MR. IRFAN RAEEN – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY '23 Earnings Conference Call of Sportking India Limited. As a reminder, all participant clients will be in 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. Irfan Raeen from Orient Capital, Investor Relations partner to Sportking. Thank you, and over to you sir.

**Irfan Raeen:** Thank you, Aman. Good morning, everyone. Myself, Irfan Raeen from Orient Capital. We are an Investor Relations Advisor to the company. I hope that all of you and your families are safe and healthy. On behalf of Sportking India Limited, I extend a very warm welcome to all participants on Q4 and FY23 financial results discussion calls. Today on our call, we have Mr. Munish Avasthi, Chairman and Managing Director, Mr. Sandeep Sachdeva, CFO, and Rashim Jindal, Marketing and Raw Material Head.

I would like to give a short disclaimer before we start the call. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I hand over the call to MD sir. Over to you, sir. Thank you.

**Munish Avasthi:** Thank you, Irfan. Thank you so much. Good morning, everyone. This being the maiden call of Sportking, I welcome everybody to the earnings calls. I would like to extend my gratitude to everybody who have taken time to attend our first-ever earnings call and have constantly been part of the journey of Sportking. Also, I'm pleased to welcome everyone who's looking at our company for the first time.

This being our first call, I would like to speak a little bit about our company. It was established in 1989. Sportking has emerged as one of India's leading textile conglomerates in more than three decades of its existence. Sportking today owns three state-of-the-art manufacturing facilities in India, spread across the state of Punjab, which are equipped with the latest machinery, producing different variety of yarns, cotton yarns, polyester cotton yarns, blended yarns, and so on.

We have a certain benchmark in quality, range, and innovation in the domestic as well as international markets. On the eve of our first earnings call, let me evoke the memory of Mr. Raj Avasthi, our Chairman, without his vision and benevolent guidance, we would not have been where we are today. He had done a lot of important work in Punjab for the growth of textile and yarn sector. He always focused on making the youth self-reliant. For this, he tied up with several institutes to encourage the youth in the retail sector and provided training to the youth by giving them better pay and stipend. Along with this, he was always involved in the state and national level textile committees. All of us at Sportking do fondly miss him.

Now, on to the business front, I'm pleased to announce that, despite facing headwinds in the last few quarters, the company has achieved its highest ever quarterly revenue of INR2,205 crores. The company has successfully commissioned two additional capacity projects in the last one year. The first phase of 40,800 spindles of manufacturing of polyester cotton yarn in quarter two, and the second phase of 63,072 spindles in the end of quarter four. This has taken overall production capacity of the company to 3,78,576 spindles. So in last one year, we added almost 35% to our capacity.

In our endeavour to contribute to the environment and to save cost, we have successfully commissioned a 10 megawatt rooftop solar power project for in-house consumption in quarter two, financial year '23, which will lead to a substantial cost savings. On these lines, the board has also approved the installation of additional rooftop solar power project of about 15-megawatt capacity at the existing units, which is likely to be commissioned in next month and a half.

I would like to inform everybody that the projects, all these projects have been before time and within the prescribed budget. On the industry side, we are witnessing some green shoots in export demand and decline in input cost inflation. There is some better demand from China after long, and the loading of premium of domestic cotton over international cotton prices, and also some positive indicators that will support our sector in competing internationally. We are yet to see sufficient rationalization in raw material input costs, and are monitoring it closely.

Despite some weakness in global demand, India's textile sector is going to benefit and see a lot of -- and see a transformation with the factors like government push to sign FTAs with EU, UK, Canada, and other countries. The textile parts team, which is, albeit for long term, it's more positive in long term, but I'm sure it's going to gain some traction. The PLI schemes, government is set to come out with second PLI scheme in consultation with industry to focus on segments which are not covered in the earlier schemes like home textile, etc .

The US plan on material coming from Xinjiang region of China which has been benefiting our sector for last couple of years is going to continue. The economic crisis in Pakistan has also helped stimulate some demand in the last few quarters. The shift of global supply chains, amid China plus one strategy is another factor which is live and still going on. All these factors lead to improvement in -- would lead to improvement in subsequent quarters for the company and industry as a whole. We as a company are ready to act fast and grab the huge opportunity opening up due to a change in global textile trade patterns to achieve our growth plans.

Now I'm pleased to welcome Mr. Sandeep Sachdeva as CFO of the company in quarter four. His appointment is in line with company strategy to achieve accelerated growth in the years to come. I will now 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 for handing over the call to me and good morning to everyone. I am pleased to announce the financial highlights of the financial performance for Sportking India Limited for the FY 23 and versus quarter to quarter. Revenue for the FY 23 is INR 2,205

crores, a growth of 2% year to year, as Mr. Avasthi said based on the highest revenue in the history of the company.

EBITDA for the FY 23 is INR279 crores with a margin of 13%. For quarter four of FY 23, revenue increased by 4% on a quarter-to-quarter basis to INR532 crores. EBITDA for quarter four, increased by 39% on a quarter-to-quarter basis to INR56 crores. Margin for quarter four increased to 100 basis point to 10%.

Profit after taxes for the quarter four, increased by 71% on quarter-to-quarter basis to INR31 crores. Net cash from operating activities for FY 23 is INR 520 crores, up from INR96 crores for the last financial year 21-22. Also there is substantial reduction of short term borrowings by INR265 crores as on 31st March 23 as compared to the last year 31st March 22. Thank you all. This is it all from my side and we can now close for the question and answer

**Moderator:** The first question is in the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

**Manish Ostwal:** Yes sir, thank you for the opportunity and good to hear the industry is doing -- seeing some recovery in terms of demand and that's good for the industry and your company in particular. My question on the -- a few questions on the performance of the company. So first question for the full year sir, what is the volume growth in our business and the average realization for the quarter four and the FY23 basis?

**Munish Avasthi:** Hello Mr. Manish. So, volume -- so the production quantity as a whole as a company for last year FY21-22 was 59,855 metric tons which increased to 61,769 metric tons in last one year. And the quarter four volume was about 17,390 metric tons vis-a-vis quarter three of this year at 15,761 metric tons. And you also asked about the spreads.

**Manish Ostwal:** Yeah, average realization.

**Munish Avasthi:** Average realization for last year -- so the price per kg last year what we got was INR 312.62 paisa for all the yarns we made put together.

**Manish Ostwal:** Okay, and what's this quarter four sir? Quarter four of the current exit quarter?

**Munish Avasthi:** The quarter four is INR260.86 paisa.

**Manish Ostwal:** Okay, so we are hearing from the industry that the Euro market has recovered meaningfully. So can you comment some of your key export market where you see the green suits in terms of demand? And how do you see the overall volume growth because our capacity also is common so you talk about in press release that will benefit to the sales in the coming quarters. So, how do you see the overall growth of the business the next financial year FY24?

**Munish Avasthi:** No, overall the demand is definitely not back to the levels we had one year back. We are still yet to see the European and American demand to come back to the levels which were there before one year. I think there's been a lot of de-stocking which has been happening and it's still

going on. But again, there have been some benefits which have happened specifically to the Indian cotton industry. Our competing nations are having some problems.

So I would say, an Indian market doing substantially better than what it was during the last couple of years. So, but we see this de-stocking period coming, it's at its end and we expect when we talk to all our buyers who are suppliers to USA and the Western countries that the recovery, the de-stocking period which has been painful for the last one year is at its fag end and we should see the demand really picking up in the next three to four months.

**Manish Ostwal:** Third, on the raw material cost basket, so one is we have seen some decline in the raw material cotton prices and so how do you see the raw material scenario playing out and the operating margin trajectory for FY24?

**Munish Avasthi:** Yeah, raw material has become -- actually has been the most painful part of the textile companies because of two stark reasons. One is, of course, that in the last cotton year we ended up with very, very small closing stock of cotton because of crop failure in last year and second has been an imposition of import duty which has been imposed of 10% which has made our cotton relatively more expensive than what it used to be in the last three, four years or some premium of Indian cotton has gone up than what it used to be.

So these two factors are still playing out so relatively our Indian cotton prices are still higher than what they should be. So, but I think one factor which is the closing stock is going take care of itself because we see the crop this year is pretty good and slow, it's coming slow because of the farmer's resistance because we got much higher prices last year, but we expect the raw material prices to be weak or lower -- stable or lower than where they are today and I think this will start positively impacting our margins in next four to five months.

**Manish Ostwal:** Any number of specific guidance for that, sir or you don't have any guidance on operating margins?

**Munish Avasthi:** Operating margins, sir, we think it's very difficult to give me an exact figure but we think that we have hit the bottom in the last couple of quarters and there'll be some improvement going forward albeit I don't expect it to be very fast for the next couple of quarters. But I think we have hit the bottom.

**Manish Ostwal:** Sure, sir, appreciate the answer. And the last data point on the capex for the FY '24, what is our capex spending will be for the '24?

**Munish Avasthi:** I think our capex planning will be not much. There's some money which is going for the solar plant which is I think 50% of it has already been spent. So I think around INR25 crores and rest which is whatever is needed for observation of plants and everything. So not, I think below INR50 crores.

**Manis Ostwal:** Okay, and average cost of debt, sir?

**Munish Avasthi:** Average cost of debt right now is about 5% to 7%.

**Manish Ostwal:** I have one basic question on your recent buyback program. So why we have done the buyback when we have a debt on the balance sheet because reducing debt is a more prudent strategy for the company in the long run than doing the buyback. Any thought on that? It will be grateful. Thank you for answering all the questions.

**Munish Avasthi:** So we think we have substantial inflows coming in in the subsequent quarters and subsequent years. And I think the shareholders have been pretty patient with us for last so many years. We haven't given any dividend. So we thought this is the right time to reward the shareholders with the buyback program. And our debt and debt equity ratios are pretty comfortable and below 0.5 for us to afford it. Thank you.

**Moderator:** Thank you. The next question is from the line of Kirthi Jain from Canara HSBC life. Please go ahead.

**Kirthi Jain:** Thanks a lot for the opportunity, sir. So first of all, congratulations for this buyback. And also we have seen a very good OCF. We have done an OCF of more than 500. Good to see that. And also congratulations that you have almost increased our capacity by 50 percentage. So my congratulations to that also. So my first question is on the volume, sir. Like you had highlighted, we had done this quarter 17,400 tons roughly. So at peak, what can be the volume with the expanded capacity? Now we have installed 60,000 spindles additionally also. So all put together on a quarterly run rate basis, what could be our run rate, sir?

**Munish Avasthi:** Thank you, Kirthiji. Thank you for all the compliments. So as we, the last expansion is we take a couple of months to totally ramp up to the peak capacity. So we expect our run rate from 17,390 tons to increase to around 21,000 metric tons. 21,500 or 21,000, something somewhere. That's the ballpark figure.

**Kirthi Jain:** Okay. So, sir, in this quarter, sir, our utilization excluding the new plant is full, sir. This quarter?

**Munish Avasthi:** Yes, sir. It is full. We have, last quarter, our capacity utilization was about 96%, 97, sorry, 97.3%.

**Kirthi Jain:** Okay. Sir, out of the total power consumed, how much is our captive generation, sir, currently?

**Munish Avasthi:** So currently, the captive generation is around, I think, 67%, sir, which is going to go up to around, after this new plant, which has also come in, should be around 11% to 12% of our total consumption.

**Kirthi Jain:** Okay. Sir, how much does state policy allow, sir? State policy, captively, how much we can take up captively as a proportion to our requirement?

**Munish Avasthi:** We can take up 100%. There is no cap, because this being solar, the efficiency is only 17%, 16%, 17%, because we only generate it in the mornings.

**Kirthi Jain:** Correct, correct. Okay, so maximum we can take up to 18% of our requirement, we can take up, correct, sir? Then?

- Munish Avasthi:** No, there is no bar from the state, but that's the capacity of roofs we have. So we have only put up whatever roofs we have.
- Kirthi Jain:** Okay. But we can't put in a private site, sir, these plants?
- Munish Avasthi:** No, we can, sir, but we don't -- we can put up in the land, joining the, within the same campus, we can put it on the land, but we don't see a big advantage of it, because we have to buy land separately for that, and it won't be that cost effective.
- Kirthi Jain:** Okay. Sir, apart from this rooftop capex, any capex planned in the coming years, sir?
- Munish Avasthi:** No, sir, nothing for additional capacity expansion, just small modernization and upgradation, which we generally do, will be happening.
- Kirthi Jain:** Okay. Okay. So next capex, when will we be planning, sir?
- Munish Avasthi:** Sir, we have just finished off with, 40% additional capacity expansion in last one year, so we are just taking a breath and evaluating, the market conditions, and so I think it'll be premature for me to comment on that, we have not yet decided. It is time to consolidate the last expansions.
- Moderator:** Thank you. Mr. Kirthi Jain, request you to join the queue for any follow-up.. Our next question is from the line of Maulik Chaudhari from Omkara Capital. Please go ahead.
- Maulik Chaudhari:** Okay, sir, thank you for giving me the opportunity. Sir, I have a couple of questions. The first one will be the new capacity expansion that has been commissioned. Will the capacity utilization be more than 90% from the get-go, or will it be in the phases?
- Munish Avasthi:** So, sir, typically in a spinning company, it takes about three months to reach the peak levels, which is around 98%, and I think that will be the case in this. So right now, we have just started, so I think by June end, we expect to reach 98%.
- Maulik Chaudhari:** Okay, sir, thank you. The second question will be, we are seeing a lot of initiatives from the government to uplift and to provide the textile sector with opportunities to make it competitive worldwide. How does Sportking plan on seizing this opportunity?
- Munish Avasthi:** Sir we are very excited and bullish on the textile sector and we think the government is also doing a lot and that's why we have put up this capacity in the last one year, almost doubling our capacity in the last one year and we are ready to seize the opportunity, and we are looking at any more opportunities we get going forward after consolidating this part.
- Moderator:** Thank you. The next question is on the line of Pritesh Chheda from Lucky Investments Manager. Please go ahead.
- Pritesh Chheda:** So did you mention that you will fully utilize the capacity of that, and to record 21,000 ton volume by quarter two? That's what you mentioned?
- Munish Avasthi:** Yeah, I think that's what we will do.



- Pritesh Chheda:** Okay. My second question is, sir, if you could help us and give, what was the per mil cotton cost for FY '23, and what was the exit of quarter four? And what was the spread? You have given the realization, but what was the spreads for FY '23, and what was the exit for quarter four FY '23?
- Munish Avasthi:** Okay, so the raw material prices for the whole year, this is the one? So for the cotton specifically was INR202 for the whole year, last year and INR185.20 paisa for the blend, for everything put together. And quarter four, the cotton prices had moderated to INR179, and overall, INR163.51 paisa.
- Pritesh Chheda:** 179 and 163.
- Munish Avasthi:** Yeah. Quarter four.
- Pritesh Chheda:** Okay. So I'll get the spreads in this. So INR260 minus INR160, INR100 spread for exit quarter. And full year is INR140 spread, right?
- Munish Avasthi:** No, the full year is around INR127.43 paisa. And last quarter is INR97.34 paisa.
- Pritesh Chheda:** All right, I'll send INR100, okay. And if you could give us the bale price, or the candy price, candy price for cotton exit.
- Munish Avasthi:** Cotton prices, candy prices as of today, or for the last quarter?
- Pritesh Chheda:** No, for your exit, exit. Is it 63,000, 64,000?
- Munish Avasthi:** Yes, yes, it goes up to -- so it's around 63,600.
- Pritesh Chheda:** Okay. And this will remain until the next cotton season, right? Because you would have procured your cotton.
- Munish Avasthi:** No, we haven't procured all our cotton as yet, but yeah, it will be a bit lower than this.
- Pritesh Chheda:** Okay. And my last question is sir, for this capacity that you expanded, the 60,000 spindle and the 40,000 spindle. What was the capex cost per spindle? And was this all brownfield?
- Munish Avasthi:** Yeah, it was all brownfield. The capex cost per spindle -- so for first 40,000, it was around INR46,000 per spindle. And for the last one, it was -- yeah, the second one is around INR48,000.
- Pritesh Chheda:** Okay. And if you had to do a greenfield, then what is the cost that comes in?
- Munish Avasthi:** You see, I think it will be about 10% to 15% higher, maybe 10% higher.
- Pritesh Chheda:** 10% higher. So basically about INR50,000. INR50,000, INR55,000.
- Munish Avasthi:** Yeah, I think so.

- Moderator:** Thank you. The next question is in the line of Suryanarayan Nayak from Sunidhi Securities. Please go ahead. Surya Narayanan, your line is unmuted. Please proceed with the question.
- Suryanarayan Nayak:** Yeah. So what's up, Munishji? Just thank you for giving me opportunity. Just to understand from your scheme of things, that are you interested to be only staying in the off-stream and not into midstream or downstream? That is number one question. Number two is that out of the total land, in terms of fiber, what is the cotton and what is the man-made fiber? I'll then ask other questions. Yeah.
- Munish Avasthi:** So, if you see, the proportion of only 100% cotton yarn is almost 50% as of today. The proportion of cotton yarn in our sales is almost 50%. More than 50% -- 52%. Okay. And the cotton blended yarn is another 40%. And the synthetics is about 10%. That is for the quarter four. And from next year, I think the cotton proportion will increase a little bit more with the new capacity kicking in the second quarter. And your second question -- your first question was about the downstream. So we are very excited about the spinning sector. And we think that a lot potential in spinning sectors right now. And there are many things which we don't do what we want to do. So right now, we don't have any plans to go downstream, but we keep on looking at all the scenarios and all the opportunities. And as and when something excites us more than spinning we'll definitely go into that.
- Suryanarayan Nayak:** Okay. And you make a lot of value-added yarns like slob yarns and even the dyed yarns, melange yarns. But your realization is very low at around, you said around 60 or so. So, I mean, can you explain why it is so?
- Munish Avasthi:** This includes actually some low grade yarns also, so the average comes lower. But so, I think we are mainly into coarse counts. We make from around 8s to 40s. So, that also might put our total realization at a lower level. So, that might be the reason.
- Suryanarayan Nayak:** Okay. So, one thing actually, can we expect a change from the company from presentation viewpoint quarter-and-quarter? Because you are totally off-stream focused. So, is it possible to give data points with regard to the cotton and man-made and others also related to different fancy yarns and blended yarns? So, is it possible to give so that now we can be able to understand the trajectory of the realization quarter-on-quarter and what is happening globally or in your case? So, that is my viewpoint.
- Munish Avasthi:** Well, thank you for the suggestion. We'll look into it. It looks so, whichever are our substantial areas we would look at the reporting separately in the presentation.
- Moderator:** Thank you. Mr. Nayak, requesting you to join the queue for any follow-up as we have set participants waiting for their turn. We have the next question from the line of Tushar Gupta from Mittal Portfolios. Please go ahead.
- Tushar Gupta:** Hello. Thank you, sir, for having me. I think majority of my questions have been asked by my peers from the industry. Just a couple from my side. I understand there's the electricity subsidy that we get on our Bhatinda plant, I just want to understand till when are we getting that subsidy? And once that goes off, how will the profit get impacted?

- Munish Avasthi:** Okay. That subsidy is going to be with us for next 13 years. I think till 2032.
- Tushar Gupta:** Okay. My next question is on the dividend policy. Do we have any plans on establishing a uniform dividend policy in the future? I understand there's none as of now, but what are the plans for the future?
- Munish Avasthi:** So, right now, we have a dividend policy which is there in our Annual Report. So, right now, we haven't given any dividend. The only thing which we did this year was a share buyback and we are looking at if we don't have any growth plans. Being a growing company, we never had funds to give our dividend because we were just concentrating on the growth. But in next year, whenever we see an opportunity that we give the dividend or another buyback, we will definitely do it if our growth plans are not there.
- Tushar Gupta:** Okay. Understood, sir. And we understand that there are some headwinds from the export market that because of the Ukraine and Russia war. In the meanwhile, do we plan any exploring any other markets for exports? Any other country or any other region that we have in our pipeline of exploring?
- Munish Avasthi:** So, we don't directly export to Russia or Ukraine. So, and we almost export to 100 countries and we keep on, this is our ongoing exercise that we keep on finding new buyers and new markets almost every day and every month. This is our endeavor. So, that's a never-stopping exercise. Keeps on going on.
- Tushar Gupta:** Okay. Understood. Last thing I want to ask is, and what is the vision for next two years, three years that you have? What markets do you think that we may enter any specific products? What could be the revenue on the bottom line which you can predict for next two years, three years? And to be able to achieve that or not, just I want to understand the target that you have in your mind.
- Munish Avasthi:** So, right now, it's very difficult for me to give such a volatile sector, but our endeavor is to grow, to keep on growing and whenever we see an opportunity and maintaining our debt levels, not exceeding the debt levels we are comfortable with. So, we keep on exploring opportunities. We have many projects in mind. So, once we stabilize this new addition capacity which we have done in the last six months to eight months, we'll definitely go ahead with executing those plans.
- Moderator:** Thank you. The next question is from the line of Pranay from JNJ Holdings. Please go ahead.
- Pranay:** Good morning, sir. Thank you for this opportunity and many thanks for this call, maiden call. Thank you so much. So, my first question is your quarter inventory which as on March seems to be in the range of about two month, two and a half months which historically is lower than normally what our companies hold. Any view on that?
- Munish Avasthi:** Yes, actually, this year, the cotton arrival pattern has been totally different than, historically it has never happened. But the farmers are still, because last year was the historic year in terms of prices. So this year, since the beginning, the farmers have been resisting to get the cotton in the same manner and bigger they used to get in last year. So, the most important reason for us

to always be having more cotton stock on 31, March was to have to secure the quality cotton which we need to serve our customers. But this year, I think that pattern has changed. The still, I think around 40% of the cotton arrivals, if you talk about 31, March, I think 50% of the crop was still yet to come. So we had to change our buying cycle according to the arrivals.

**Pranay:** So basically, you're anticipating lower cotton prices?

**Munish Avasthi:** Yes, we, lower or maybe, stable to lower.

**Pranay:** Okay. So my next question is, seeing your cash flows and no large major capex in FY '24, what will your debt look like at the end of '24?

**Munish Avasthi:** Short-term debt should be, I think even with this expanded capacity, it should be in the same range or even lower. And I think our long-term debt should go down by around INR70 crores or maybe INR100 crores.

**Moderator:** Thank you. The next question is in the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

**Pranav Tendulkar:** Hi, sir. Sorry, I missed this data. What was the volume for whole year and the quarter? And what is the expected volume because of the increased capacity for next year? That is first question. And what is the realization? Average realization I understand is 312 and 260 for the last year and current quarter. If I'm right, then please also let me know what is the average realization expected for the next year? Like your expectation. Thanks a lot. Also volume expected for the next year. Thank you.

**Munish Avasthi:** Volume for last year is 61,769 metric tons. And for quarter 4 is about 17,390 metric tons. This we expect to go up to 21,000-plus from quarter 2 of this financial year. And so we should see, I think around -- so 90, 91, 90, 80, 80,000 metric tons plus minus 5% for the whole financial year '23-'24. And the average realization was INR97.34 paisa. The spread was INR97.34 paisa for last quarter. And we expect the margins and the spreads to remain where they are for the next couple of quarters. Maybe improve a little. And it's too early for me to give the full picture of what's going to happen after that. I hope this answers your question.

**Pranav Tendulkar:** Right, sir. Just a last question from my side. You alluded that the inventory de-stocking cycle is over. So will it stabilize at a lower base as compared to say last two years, three years? Because last two years, three years was an abnormal year.

**Munish Avasthi:** Yes, I think the stocking period is at the fair game. I think the de-stocking period. I think from next spring, generally people start getting orders from August and September. The things should be better. Let's say last two years, three years were very abnormal because of many reasons. Much higher demand, a lot of supply chain issues. So I think definitely the stocking period, the stocking inventory is going to be less than what it was in last two years because the supply chains are in a much better situation right now. And the transit period to the same country is not what it used to be in last two years. I think we'll come back to what used to be pre-COVID in the next six months to eight months.

**Pranav Tendulkar:** Perfect. So just a last question from my side. In the products that you procure, who are your toughest competitors and how is competitive scenario unfolding? Thanks a lot. That's my last question. And congratulations on a improving set of numbers. Thank you.

**Munish Avasthi:** I couldn't get the raw material procurement you're talking about.

**Pranav Tendulkar:** No. In the end product that we produce, who are our toughest competitors and how is the competition evolving? So that is first question. And also you could, yes.

**Munish Avasthi:** I think all premiums, spinning rolls are there. I think it's not about competition. See, the whole world is a competition. India is the biggest exporter. So I think it's just demand and supply which is the biggest problem or which is hurting for last six to eight months. Competition is not that big a problem. So there's no, nothing tough or not tough about that.

**Pranav Tendulkar:** Correct. Perfect, sir. Thanks a lot for the opportunity.

**Moderator:** Thank you. Next question is from the line of Sanskruti Bole from Voyager Capital. Please go ahead.

**Sanskruti Bole:** Yes, hello. You talked about how the companies are anticipating a reduction in cotton prices, right? So I wanted to ask how will like the forecast that are talking about less rainfall this year and the delayed summer as well, like how do you think that will affect margins and is there anything in place that we have done to like mitigate that?

**Munish Avasthi:** So we are expecting, low prices or stable prices from where they are. And we do not expect, we expect, good sowing numbers for next year and we expect we will have another crop year next. So we don't need to do anything. I think it's a natural fiber and the time will tell how the weather is. And cotton, historically, is one of the most resistant fiber to the degrees of, weather. So we are hoping and we are pretty confident that, the sowing numbers are going to be good for next year and we're going to have another good crop next year.

**Sanskruti Bole:** Okay, all right. And I had one more question about like raw materials, like sourcing, like where do we procure it from? Like from what I remember reading, like the raw material for polyester is mostly imported and everything. So like, do we just buy polyester and cotton or do we have anything along the lines?

**Munish Avasthi:** Yeah, okay, ma'am. We don't buy any polyester from international markets. We procure 100% polyester from domestic suppliers. Cotton is sourced from, from within India and from international markets also for specific yarn requirements. So, yeah.

**Sanskruti Bole:** Okay, that's all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Namit Mehta from KC Capital. Please go ahead.

**Namit Mehta:** Hi, a couple of questions from my side. First, where do we stand from an operating efficiency perspective versus competition? And to me, is that possible if you can talk about the large cost

items and where we stand on those cost items versus industry? You know, where do we do better? Where is there room for improvement? I think that would be helpful.

**Munish Avasthi:** Yeah, the operating efficiency last year was around 96%, which I think is, would be amongst the top in the industry. Then, a lot of industry had gone for 50% to 60% capacity cuts. We could still maintain a 96% operating rate and efficiency last year. This is a testament to, our efficiencies. Last quarter, we did 97.4, and we are striving for more. Our target is industry-based. You know, the best practice is about 98%. So, we are striving for that. So, yeah, I think we are almost there at the top end of, the efficient storage in the country.

**Namit Mehta:** Sorry, if I can just sort of elaborate on what I meant. I meant more at the lines of cost items, so in terms of labor, in terms of power, in terms of other costs, where do we lie on a, I don't know, on a per kg basis, or, however you typically benchmark these three peers, where do we lie with these three competitions?

**Munish Avasthi:** I think we, we are pretty competitive. I think we are amongst the top, all these aspects we're talking about, like the power cost and the salary wages cost and the interest cost, everything. I think that is one of our USP's, like, we are one of the most cost-efficient companies in the country for what's spinning. You know, one help which comes to us is because 90% of our capacity is at one location. So that helps us in controlling our costs. And, we have a power cost, like in Punjab, our power is relatively cheaper than, other states, and because of our own capital, that makes us, pretty cost-efficient in our power costs. So, we can send you, a comparison with other listed companies offline.

**Moderator:** Thank you. The next question is from the line of Karthi from Suyash Advisors. Please go ahead.

**Karthi:** Yeah, hi. Good morning. Thanks for the opportunity. Wanted to understand your current exposure to Bangladesh and the kind of challenges you're seeing over there.

**Munish Avasthi:** So, sorry, I didn't get your question. Exposure to Bangladesh and?

**Karthi:** The challenges you are facing there. I heard of some issues related to MCs and so on for some customers, at least. I wanted to understand your current understanding?

**Munish Avasthi:** So Bangladesh continues to be our number one destination for our exports and we are not facing any challenges as such. You know, we have been dealing with Bangladesh for many years and we are not facing any MC challenges. I think this is some other sectors, other than, Yarn are facing those challenges, but Yarn is backed by a master LC in Bangladesh. So there in Yarn specifically, I don't think so any company will be facing issues.

**Karthi:** Sure. And what percentage would you be exporting to Bangladesh, sir, of your total volumes?

**Munish Avasthi:** It varies from year to year. So it's almost 50%.

**Karthi:** I'm sorry, the voice was not clear.

- Munish Avasthi:** It's almost 50% of our exports. You know, it varies, keeps on varying by 10%, plus, minus. It varies from 40% to 60%.
- Karthi:** 40% to 60%, okay, sure, sure. Thanks for the clarification and best wishes.
- Moderator:** Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.
- Prateek Chaudhary:** So how much additional savings are you foreseeing for the additional 15 megawatt rooftop plant?
- Munish Avasthi:** So we already see the total project cost of this rooftop is around 50%. So out of this, you know.
- Prateek Chaudhary:** With how much, sir, could not hear you.
- Munish Avasthi:** INR55 crores.
- Prateek Chaudhary:** Okay. Yeah.
- Moderator:** Thank you. Next question is from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.
- Ayush Agarwal:** So thanks for the opportunity and good to see the improving results. So I have two questions. The first one is on our blended realization. So like you mentioned that, you don't want to go into downstream products. You want to make the current operations more efficient and get into maybe better products. So what are we doing to, go into more value-added products or basically talk about some initiatives on that perspective, because that will ultimately help us to increase our per-kg realization?
- Munish Avasthi:** So, see, right now, we, the profile we have is, there is a limitation for us to add value than what we are right now. And, but we have some plans in mind that, which might take shape in the next one year where we will add substantially to our portion of value that is yard in our kitty. So right now, yeah.
- Ayush Agarwal:** So what is your value-added proportion right now?
- Munish Avasthi:** Right now it is, it's around, 10 to 15%, not much.
- Ayush Agarwal:** So there is scope then, if this is what you are saying.
- Munish Avasthi:** That's right, that's right. So we are looking at all work that can be done. And so hopefully in the, after the next financial year, there'll be, a constant increase in the value-added share in our kitty.
- Ayush Agarwal:** Got it. My second question is on, as I mentioned, so how much is our depreciation supposed to go up like one, since we have commercialized this expansion? So from next quarter, how much will be expensive for depreciation?

- Munish Avasthi:** And depreciation in this quarter was around?
- Ayush Agarwal:** INR14 crores.
- Munish Avasthi:** So I think it will be around INR15 crores from next quarter.
- Ayush Agarwal:** Sorry, I could not catch you.
- Munish Avasthi:** About INR15 crores from next quarter.
- Ayush Agarwal:** INR15 crores, okay. Also, my final question is on power and other costs, which was roughly about 12% of our top line in last quarter. So is there any, cost component which is still elevated or can it go down? So going ahead with, higher capacity utilization, do you see other costs as a proportion coming down to our sales figures?
- Munish Avasthi:** See, yes, it's, it's very difficult to go by, percentages because, the price of yarn keeps on going up and down. You know, last, if you look at last year, the same quarter, our turnover was, much higher and our volumes were lower. And our power cost was, as a percentage was lower. But what I would say is that, our power cost, will stay the same or go a little lower in absolute terms, other than the new project because of the addition of the solar power from, second quarter of this year. We don't see anything, because power costs are also increasing every year. They increase, we buy from SEBs and they increase every year. And this year also, there'll be some increase. So what we see is that, by putting up the solar, we will be mitigating those impacts and we'll be able to keep this steady at where we are.
- Moderator:** Thank you. Ladies and gentlemen, due to paucity of time, that would be our last question for today. I now hand the conference over to the management for the closing remarks. Thank you and over to you.
- Munish Avasthi:** Thank you, thank you so much. Thank you to all. I think I would like to thank the participants for taking out the time to join us first call. We look forward to having continuous engagement with all the market participants. For any other queries, be free to connect with Dorian Capital, our advisors, and you can write to us directly also. Thank you so much.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Sportking India Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.