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 ended 30th June 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, 25th July, 2024 to discuss the Company's Financial Performance for quarter ended 30th June, 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: 2024.07.31 17:26:58 +05'30'

LOVLESH VERMA
COMPANY SECRETARY
(ACS: 34171)

"Sportking India Limited
Q1 FY '25 Earnings Conference Call"
July 25, 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 Q1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 Dedhia from Orient Capital. Thank you and over to you, sir.

Devansh Dedhia: Thank you. On behalf of Sportking India Limited, I extend a very warm welcome to all participants on the Q1 FY25 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, who is the Company Secretary.

With this, I will now hand over the call to Mr. Sandeep Sachdeva for his opening remarks. Over to you, sir.

Sandeep Sachdeva Good afternoon, everyone. First, I'll take you through the financial performance of the company for the quarter ended for 30 June 2024. For Q1 FY25, Sportking India Limited achieved revenue from operations of INR634 crores, up 17.7% Y-o-Y and 3.7% Q-to-Q basis. Shared export of revenue was 47% as compared to 41% in the previous quarter. Exports have grown by 16% Y-o-Y from INR250 crores to INR290 crores. The gross profit stood at INR150 crores* with an increase of 30.1% on Y-o-Y basis and 5.1% quarterly basis.

** The management erroneously mentioned gross profit for Q1 FY25 as INR 150 crores, it is INR 154 crores*

Gross profit margin expanded by 232 basis Y-o-Y and 31 bps Q-to-Q. The company benefited from the lower input cost as well as power cost being relatively unchanged even as production has increased. EBITDA for the quarter was INR73.8 crores with an EBITDA margin of 11.6%. EBITDA increased by 48.15%* Y-o-Y and 10% Q-to-Q.

** EBITDA Growth year on year for Q1 FY25 is 48.30% and not 48.15%*

EBITDA margin improved by about 240 bps Y-o-Y and 66 bps Q-to-Q due to higher gross profits being further aided by moderate increase in employee costs and controlled rise in other expenses. Profit after tax was INR31.8 crores seeing an increase of 75.1% Y-o-Y and 39.2% Q-to-Q. PAT margins were thus 5%, experiencing a margin expansion of 165 bps on a yearly basis and 128 bps sequentially.

We are working on reducing the interest outlay going forward as short-term borrowings reduced by approximately INR300 crores as of date as compared to last quarter. The Board has also considered and approved a sub-division/split of 1 Equity Share having face value of INR10 each into 10 equity shares having face value of INR1 each by alteration of capital clause in the Memorandum of Association of the company, subject to approval of the members of the company in the ensuing General Meeting.

Thank you all. Now I will hand over the call to Mr. Munish Avasthi, CMD of the company who will take you through the operational performance as well as the outlook.

Munish Avasthi: Thank you, Sandeep ji. Good afternoon, ladies and gentlemen. As you can see, I hope you have all had an opportunity to go through the investor deck and the press release that we have uploaded on the exchanges. There is a marked improvement in the results vis-à-vis last quarter and last year.

We had a pretty stable environment of cotton prices in the last three months and a slight improvement in the yarn demand both in exports and domestic market which led to some improvement in the margins, as we could increase price slightly. As all of our expanded capacities have been integrated, there was some improvement in the operational efficiencies leading to the improvement in margins.

Going ahead, there are uncertainties and opportunities which are presenting us going forward. Let me take care of the uncertainties first. The biggest uncertainty right now is the increased MSP which is a big challenge going forward as world prices being lower can make Indian cotton less competitive.

Another big uncertainty right now which actually hurt us in this last quarter also was volatile freights which have been a cause of concern. Looking at these uncertainties, I think the opportunities are more than uncertainties. The tailwinds we are anticipating is, first, the import is less positive with the RoDTEP being extended to advanced authorizations. So now we can plan our raw material and inventory management can be much better.

We see a sustained demand recovery going forward as sales to inventory with index of most of the western countries is at a three-year low. So, we expect the orders to sustain and the upcoming festive season and then orders to get more traction.

Exports are doing well and we expect one of the key markets to do even better with incentives to use local yarn in Bangladesh coming down sharply. We see a lot of consolidation happening in the spinning sector across the world with inefficient capacities getting permanently shut. The unofficial number itself is close to 4-5 million spindles in the last two years which will benefit the strong players once the demand comes at full throttle.

Another macro thing is that easing of interest rates in the western countries is also anticipated to happen and it has already started happening in Europe which can lead to a better demand going forward. Outlook on the spinning sector remains cautiously optimistic with buyers rewarding suppliers who ensure consistent and quality supply. So 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. The first question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Thank you for this opportunity. Sir, can you please give me the trend of raw cotton prices in the last quarter and currently and as compared to last year?

Munish Avasthi: Last quarter, the prices in India started at around I think 65,000 last year around September, October and slowly and steadily they came down and bottomed out in January to March quarter at around 55,000. So in last quarter, the prices were range bound, they were between I think 55,000 to 58,000 only and right now they are at the same price.

So, we have seen them highly stabilized in last 8 to 9 months. There was a brief uptick in February, March. But other than that, they have been in a price range of 55,000 to 60,000. And right now, the cotton prices are around 57,000. And going ahead, we think these prices will come down, as the international prices have started coming down and in last 10-15 days, they have come down very sharply. So, we expect the Indian prices to also correct once the new crop starts coming in and we see a good crop. So yes, the outlook is for stable to lower prices.

Gunit Singh: Alright, sir. Can you also share a similar trend for average realizations for our yarn?

Munish Avasthi: Let me talk about the spreads. The spreads of the yarn for us, for all the total basket has increased. So last year, this quarter, it was around INR98 and last quarter was around INR105 and this quarter, it has gone up to INR110. This is a consistent uptick in the spreads in the last 4 quarters.

Gunit Singh: Alright, sir. So will we be able to maintain these prices considering that international cotton prices are going down?

Munish Avasthi: So international prices are going down definitely which is actually a good thing because lower prices are always good and Indian prices I think will always also follow suit. But the international prices which have gone down are for the cotton which can be consumed only after December, November because we are getting shipments for only October shipments or November shipments. So, for next 4 to 5 months, we don't expect Indian prices and even the prices, the cotton with our competitors across the world to be much lesser than what it is right now.

Gunit Singh: Alright, so sir, will we be able to maintain the spreads or do you think that with lower prices of cotton, will we be able to improve the spreads going forward?

Munish Avasthi: So we expect the demand, the spreads right now, what they are, we expect them to be stabilized right here or to be around here for the quarter we are in. But we expect definitely if the demand improves, which we really expect it to improve, then margins, the spreads will improve further from next 2nd half. It all depends on the demand.

Gunit Singh: Right. Thank you, sir.

Moderator: Thank you. The next question is from the line of Jatin Damania from Svan Investments. Please go ahead.

Jatin Damania: Good afternoon, sir. Thank you for the opportunity. Sir, just to understand the revenue growth that was reported, how much is it attributed to the volume growth?

Munish Avasthi: So almost nothing. So the volume growth was from year to year it – yeah, I think we have stated it, it's about 20%. So it's about – the sales volume has gone up by almost 15%. Yeah, 15% is attributed to the volume growth.

Jatin Damania: 15% Y-o-Y, right?

Munish Avasthi: Yes.

Jatin Damania: Yes. So, sir, just wanted to continue in the previous participant question. Now, with the international prices almost 10% discount to the domestic prices, do we think that the spreads going ahead will come under pressure?

Munish Avasthi: See right now we have an option to import as well. So, you know, when it comes to India, the competition from other countries is almost minimal when it comes to exports. So, and domestic market anyways is, dependent on local players. So, we feel that as the prices go lower and now import not as big a deterrent as it used to be. So, I personally believe that spreads can be maintained or even improved with the demand as we expect it to get better from the second half. Then there is a possibility they can even get better because these are four, five year low prices.

And there's a lot of demand which is waiting on the sidelines, which is slow. So it's mainly the function of demand. The spreads will be maintained or improved or deteriorate only because of the demand. I think cotton prices will play a very small part in that.

Jatin Damania: So, sir, if the spreads improve from the current level in the second half, and in the opening remarks, you indicated that near about 400 or 5000 spindles are almost shut in the industry. So, is it temporarily out of system or with the improvement in the spreads, we can see that capacity coming back into the industry?

Munish Avasthi: So, there are some which can, of course, come back. But we see, this time around, there are many spindles which are being shut permanently. So, this is a phenomenon which is new and there are many spindles which will not come back.

Jatin Damania: Can you approximately quantify in terms of the numbers of spindles or in terms of the tonnage, how many spindles has gone out of the system for good?

Munish Avasthi: These are all unofficial numbers, the news we get from our, machinery manufacturers and all. So, it cannot be authenticated. So, I wouldn't like to elaborate on that.

Jatin Damania: Oh, sure, sir. That's all from my side. Thank you and all the best.

Moderator: Thank you. Ladies and gentlemen, you may press star and one to ask a question. The next question is from the line of, Sahil Vohra from M&S Associates. Please go ahead.

Sahil Vora: Thank you for the opportunity. Sir, as you mentioned in the previous call, the finance cost was highest and is expected to come down, as and when you reduce the short-term debt. So, in the quarter, the finance cost has reduced to INR15 crores from INR17 crores, correct? So, how is the amount of debt company has paid off in the current quarter and what are the expected repayments scheduled in the financial year? Also, if you can tell us the cost of debt for both short-term and long-term, that would be great.

Munish Avasthi: Okay. So, the short-term debt has come down from a level of almost 400 crores, 450 crores as on 31st March 2024 to around 100 crores as of today. So, we have repaid almost 350 crores of short-term debt and long-term debt we have paid around 40 crores, 20 crores during the quarter and we have a quarterly schedule payment of around 17 crores, 15 to 16 crores which we are paying. So, that's the outlook for our debt.

The cost of debt, our long-term debt is around 8% and short-term debt is about 6.5%.

Sahil Vora: Sir, my next question was regarding the power cost. It has stayed the same even when our production has increased. So, what were the reasons for the same? And lastly, are there any changes in the Punjab government policy regarding electricity assets?

Munish Avasthi: So, electricity cost Y-o-Y has come down because we have implemented a new a rooftop solar plant. So, we are generating almost 15% of our power in-house. So, that has basically helped us in maintaining the power cost. About Punjab, Punjab has increased the prices very marginally by 1% or 2%, in this year.

Sahil Vora: Okay. Thank you, sir. That is from my side.

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

Hitanshi Agarwal: Hi, thank you for the opportunity. So, my question is, what is the current cotton inventory the company is holding and what is the average price of the cotton inventory that they are holding? Like, is it lower than the market price or higher? And what policy do we adapt for deciding the inventory level?

Munish Avasthi: Ma'am, right now, I cannot tell you the exact quantity we are holding, but whatever quantity we are holding is below the market price as of today. And about the holding period, it all depends on year, every year, how the crop is, what the outlook is. And it is based on quality and economic, quality and economically, how prudent it is. So, it keeps on changing. So, we don't have a fixed policy. But in general, in normal years, our policy is to stock for the season till March and then start buying as the new harvest comes.

Hitanshi Agarwal: Sir, I have a second question. That is, can you just give a mix between cotton yarn and blended yarn in our total revenue?

Munish Avasthi: So, in volume wise, almost 65% is cotton yarn and about 30%-32% is polyester cotton yarn and rest is synthetic yarn, 2%-3%. Other than the waste, which are not included in this.

Hitanshi Agarwal: Just a follow-up. How do you see the market to value-added yarn, especially acrylic yarn?

Munish Avasthi: Acrylic yarn, you see, all synthetic yarns are suffering right now because of huge dumping by China in the last 6-8 quarters. So, our own portfolio of synthetic yarn has been under pressure for last 6-8 quarters. So, I don't see a very rosy future right now for next 2-3 quarters, until China's total demand gets better.

Hitanshi Agarwal: Oh, okay, okay. Fair enough. Thank you.

Moderator: Ladies and gentlemen, you may press star and 1 to ask a question. The next question is from the line of Rahul Vashistha from Aksa Capital Advisors LLP. Please go ahead.

Rahul Vashistha: Thanks for the opportunity. So, our channel checks suggest that the industry has been going through extremely tough times. You alluded earlier in your call, suggesting that there has been some form of stress on the several spindles across the industry that is lying idle. However, at the same point in time, you are suggesting that there is demand that is coming back.

In your assessment, given the kind of utilization which would have been at an all-time low, how would you suggest when the demand comes back, will there not be a scramble for the demand, given that people would like to take it at any price, given that they're going through a very tough time?

We have been through some of these industries in the South which suggest that work is only happening at about 10 days in a month, and the rest of the time they're lying idle. It seems like whenever the demand comes back, taking the pricing back will be an extremely tough task. What is your thought on this?

Munish Avasthi: We see consolidation happening across the sector, and if you see, our margins have expanded to 12%, and in peak other than 2022, 15%-17% is supposed to be a good margin for our industry. What we are seeing is, the inefficiency is playing out, there are players who are old, the power cost is high, and demand, we expanded by 40% in the last one year, and we have been able to absorb it and sell it.

So, it's, I think that's what consolidation is. I think the people who are efficient and who are keeping their costs lower, the operational efficiencies are better. So, if they have an extra margin of 5%, 6%, 7%, then, that is making those units which are not efficient, close down. So, this is a natural process in any industry, which is playing out in our industry right now, because of very bad 6 to 8 quarters. And yes, if the demand comes in and the margin expands to maybe 20 plus percent, maybe they come back, but we see a majority of them, not coming back.

Rahul Vashistha: So, in light of that, what is the kind of sales growth that you are anticipating for FY25 and FY26?

Munish Avasthi: We do not anticipate any sales growth this year, a little bit, we are doing some de-bottlenecking and volume from next quarter will increase vis-à-vis this quarter, by 4% to 5%, 5% to 6%. But other than that, because we are already running at 95%, which is, 95% to 97%

is the highest you can run at. And so, that's the only thing we are looking at from the volume point of view.

Yes, if the prices go up, then, of course, the turnover can go up. But otherwise, for next 6 to 8 months, we don't see anything major, spurting our volumes, because it can only come in if we undertake new expansions and new projects.

Rahul Vashistha: Thanks so much and all the best.

Moderator: Thank you. The next question is from Bhuvan Mg from Tiger Assets. Please go ahead.

Bhuvan Mg: Thanks for the opportunity. My first question is, in 2021-22, we were making an EBITDA of 25% on an average and it has reduced drastically because of a rise in 40%-50% of the material cost. So, is the company not able to pass on the cost to your clients?

Munish Avasthi: So, 21-22 was an aberration. If you see the textile mills before 21-22 and after 21-22, our average EBITDA was never more than, stand-alone spinning when 15%-16% was supposed to be the best year. So, that was an aberration, and I would request you not to take that as a benchmark.

So, that was an exceptional year when the demand and different reasons which all took place, the COVID, the shutdown, the supply chain issues, excessive demand because people were staying at home. So, now things have levelled out and we had a couple of bad quarters, bad years because of all that euphoria there was in 21-22. People bought too much. And now we are inching back to normalcy, which is, 15%-16% of margins in good times.

Bhuvan Mg: Okay. So, is it safe to assume that by this end of the financial year, you are targeting for 15%-16% margin and that is sustainable?

Munish Avasthi: Yeah, we surely hope so. As we see the trajectory of demand and demand getting better and efficient Indian spinning mills, in particular, doing much better than overseas. There are challenges which our competitors abroad are facing. So, a little bit of uptick in demand can definitely get us there.

Bhuvan Mg: And another question on power. You have installed 10 megawatt of rooftop solar. By what percent or to what extent it has reduced your power cost?

Munish Avasthi: So, we have total 25 megawatt operational right now, which generates around 15% of our total power needs in the year. So, yes, this has helped us in improving our bill by 15%.

Bhuvan Mg: Thank you very much and all the best.

Thank you.

Moderator: Thank you. The next question is from the line. Varun Gajaria from The Boring AMC. Please go ahead.

Varun Gajaria: Thank you for your opportunity. So, just wanted to check. What is going on in Bangladesh at this point? There has been some social unrest, right?

Munish Avasthi: So, yes, there was some problem in Bangladesh. There was a complete shutdown from last Thursday till yesterday. So, there was no contact. But the business has resumed since yesterday morning. And we see, the operations have been resumed by most of our buyers and we are able to contact them, and the business has started as usual.

Varun Gajaria: So, in terms of impact, it will be minimal, right? Even for you and for other players based out of Bangladesh?

Munish Avasthi: We don't see any impact because they were shut down for four to five days. And with the garment industry, they can always make it up. They can work on Fridays and all that stuff. So, we see a very limited, if at all, any impact.

Varun Gajaria: Okay. You just alluded that the demand revival looks good versus your volume may not increase that significantly in '25. So, it's difficult for me to probably bridge the gap between the volume and the demand at this point.

Munish Avasthi: I just couldn't hear it at all. You are not very audible. The line is breaking. You can ask the question again and I will try – if I can…

Moderator: As the current participant is not answering, we will move on to the next question, which is from Chirag Shah from White Pine Investment Management. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir, I have a very basic question. If I have to look at your margins, first of all, are you focused on margins or per kg profitability? How do you look at it internally?

Munish Avasthi: So, we look at per spindle per shift. That is the metrics we use in the spinning industry, which is very technical. Because kilos, if I make fine counts, the profit per kg can be higher. If I make coarse count, the profit per kg will be lower. So, it's a very complex thing. So, we generally go by how much profit we make per spindle.

Chirag Shah: Okay. So, my question is, how should we look at this profitability per spindle? Because if I look at your last 12 years numbers, there are three years where you had better profitability as compared to what you are doing right now. And I've actually left FY22, okay, apart from that, you are almost at peak profitability at least as an outsider, I see that or closer to peak profitability on per spindle basis or per EBITDA margin basis, however you may look at it, it will be similar. So, from here, if you want to take up your margins or per spindle profitability significantly by 20%, 25%, 30%, what will be the drivers?

Munish Avasthi: So, you know, what it used to be is not very relevant right now because there are many things which we have done over so many years. In 12 years, we have changed as a company. We have 15% of solar as our capability, which was never there. Then, operational efficiencies because we have huge spindle at one plant, which decreases our cost per spindle. So, yeah, I think, if you compare it to those years, we still have, room up to run to get to the optimum profitability at a reasonable demand.

Chirag Shah: So, what will drive it? Is it more demand and pricing or is it more volumes and operating leverage that will drive it? How should one look at it? What will be the driver of you taking it up significantly from the current moment?

Munish Avasthi: There are multiple things. The volume can only come if you go for a new expansion. So, within what we have right now, the drivers are, the debottlenecking that we are doing which will increase our production by 6%. Then, continuous work on how to reduce our cost. And of course, the biggest driver is the demand. So, right now, what we see is not a robust demand. It is okay, and we know that there is a lot left in the tank. The European and American retailers are dry now because even in today's market, the prices are sustaining. This is because the demand is okay.

So, we are all set up. We just need it to go to another level, the demand, the festive season and all that because most of the retailers in Europe and the U.S. have shifted to countries other than China. And most of the countries are shifting to India, Bangladesh, Sri Lanka. They are our natural partners. So, we see a lot of scope there. Just this demand to go up to a little bit can impact the profitability and margins immensely.

Chirag Shah: So, it means for you, the relevant metrics would be pricing driven by demand because you are already at 95%-96% utilization. Unless you can raise your utilization much higher than 100%. So, is this the right way to look at it?

Munish Avasthi: No, in spinning it is impossible, 100% doesn't happen. 110% doesn't happen. So, yes, there is 5%-6% which, of course we are working on which will be operational by October-November, some debottlenecking. And the rest is definitely better demand and of course, better inventory management, lower interest. That is, again, something we are working on. So, all these will, in the short term, aid to our margin recovery. And the major expansion in volumes and profitability will only come when our new expansions roll in.

Chirag Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Dipak Saha from DRChoksey FinServ Private Limited. Please go ahead.

Dipak Saha: So, my first question is, in one of the recent conference calls by your peer, they alluded to the fact that there is a certain increase on the freight charges due to the Red Sea issue and that some Indian textile players had their inventory built up due to lack of available ships. So, what are your experiences there, if you can share some colour on the freight charge and the Red Sea issue?

Munish Avasthi: Yes, there has been a continuous increase for the last five, six months, and it has been happening because of the Red Sea issue and many other issues, there is logjam at Singapore and Colombo port. So, of course we had to pay because generally we keep a book of 60 to 70 days of sales. So, we had to bear most of the increased cost ourselves.

So, that is something which has been happening. We need to get better going forward. From the execution point of view, we could manage to ship out most of our orders on time, and we did not face much inventory accumulation because of this issue.

Dipak Saha: We are glad to know, despite these challenging conditions, you are able to manage your inventory so effectively. But what I was trying to understand, as per your understanding, do you think this is more of a transitional problem at the current situation or given the current geopolitical dynamics, this is going to be more of a structural challenge going ahead? Do you see any long-term risk on the freight side?

Munish Avasthi: No, I really don't think so. There are many issues related to this. Shipping lines have reacted with increased freight. They have employed more ships. What it was three years back, the situation is totally different right now. The shipping industry has expanded hugely. The problem was, there was some logjam at many ports, which is now sorting out, things are getting better.

We already see some freight cooling down sharply. Freight from China to India which had reached 4,600 is down to 2,400. We are seeing some routes which are already showing fatigue. I think in a couple of months, our intelligence says that maybe by August end or September first week, we should start seeing it back to normal and a gradual decrease in freight price.

Dipak Saha: Excellent. Cheers to the years. My next question is this and the last one as well. Recently, your company announced a stock split. If you can share your rationale behind it. Thank you for the rest of the year. All the best.

Munish Avasthi: The rationale was just to make it more affordable to retail investors and to have a broad coverage where more people can participate in our company.

Dipak Saha: Thank you, sir. All the best for the rest of the year.

Moderator: Thank you. The next question is from the line of Rishabh Garg from Counter Cyclical PMS. Please go ahead.

Rishabh Garg I believe that the management used to mention around 12% margin as a steady state margin. So now we have reached that kind of level. So, of course, those 28% margins were an aberration. So, this is our normalized margin, and this is what investors should expect going forward or there is still room for improvement barring any kind of inventory gains, etc.?

Munish Avasthi: As I said in a previous question, for us 15%-17% is what we expect as a reasonable margin and a good margin for a standalone spinning company. So, we still think there is room for improvement. But in these times when demand is not that robust as expected, I think 12% is pretty good, we thought we did pretty well. But we expect once the demand comes back, which we really anticipate to come back in not a very distant future, for these to inch up.

Rishabh Garg Sir, also I understand that cotton prices in the international markets are at a 4-year low. And on 31st March we had an all-time high inventory of around 650 crores. So, what is this number today? And basically, where I'm coming from is that, is there any chance of we getting hit on the inventory side due to fall in cotton prices? And sir, also please tell us whether the domestic cotton prices, are they also falling in sync with the international prices or they are holding steady and you don't foresee any inventory loss?

Munish Avasthi: Now we are in July, there are two months left for this season. So whatever our inventory is, is below the market price right now. So, we don't anticipate any inventory loss for the next 2-3 months. I think this is the perfect time for actually the prices to be coming down because we are looking at the new season. And so, we don't expect that to happen. We expect the prices to start moderating when the new crop comes in and that will be in mid-October onwards. So, we expect almost a marginal if any impact, in this cotton year.

Rishabh Garg And lastly sir, how are the domestic cotton prices vis-à-vis the international cotton prices? And sir, are we free to import cotton from abroad in case we find better quality cotton at a cheaper price than the domestic cotton, under first advance authorization for our yarn exports? And what is the import duty on cotton imports if we need to sell the yarn in the domestic market?

Munish Avasthi: So if we have to sell the yarn in the domestic market, the duty is 11%. And under advance authorization of course, you can import without paying any duty. So, you have all the freedom to do whatever you want to do. There is a slight disadvantage when we are exporting that yarn because the incentives are down by 2%-3%. But that's a very small margin. So I think it's not that big a factor right now. We expect Indian prices also to converge with world prices when the time comes. Right now, international prices are about 1300-1400 on, then about 81-82 cents. And Indian prices are around 85-86 cents.

So right now, it is very difficult to compare because there is no Indian crop right now. Arrivals have finished and most of the cotton which is left is with the Cotton Corporation of India. So it is up to them what they want to do with it. But when the new crop comes in, there will be pressure to sell, and I think we feel that both prices will have to converge.

Rishabh Garg: Great, sir. Thank you very much and best of luck.

Moderator: Thank you. The next follow-up question is from the line of Chirag Shah from White Pine Investment Management. Please go ahead.

Chirag Shah: Do you have any view or any update with respect to the acreage for cotton in the current season? Because there are mixed reports indicating, somewhere it is being seen as a drop and somewhere it is being seen as an increase. If we have an aggregate view, it would be helpful.

Munish Avasthi: So, we feel there will be a drop this year. We feel the acreage will drop by 4%-5% across the country. But we don't anticipate crop to be much lower because last year the yields in North India and Gujarat especially were very, very bad. And as the weather has been good across the cotton-growing Central and South India, the crop is progressing well.

And if the weather behaves in harvest time, then we might get a similar crop or maybe better crop because yields are more important than the number of acreages we are seeing. So, we are already at one of the worst yields across the world. So even a small increase of 10%-15% in yields, which are very low, can give us a better crop than last year.

Chirag Shah: This is helpful. Thank you.

Moderator: Thank you. A reminder to all the participants, you may press star and one. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Munish Avasthi: Thank you everyone for being a part of this call and we appreciate and if you have any question or any queries, you can direct it towards the 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.