Sportking India

Operator: Ladies and gentlemen, good day and welcome to Sportking India Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prathamesh Parab from MSG. Thank you, and over to you, sir.

Prathamesh Parab – MSG: Thank you. Good afternoon, everyone. Welcome to Sportking India Ltd. Q2 and H1 FY27 earnings conference call. Today on the call, we have Mr. Munish Awasthi, Chairman and Director; Mr. Sandeep Sachdeva, Chief Financial Officer; and Mr. Lovlesh Verma, Company Secretary. I hope you have gone through our press release and investor deck. As a short disclaimer, before we start this call, the call will contain some forward-looking statements that may be based upon our beliefs, opinions, and expectations of the company as of today. These statements are not a guarantee of future performance and will involve unforeseen risks and uncertainties. With that, I would now like to hand over the call to the management for their remarks. Thank you, and over to you, sir.

Munish Awasthi – Chairman and Director: Thank you, sir. Good afternoon, ladies and gentlemen. I hope all of you had the opportunity to go through our investor presentation and press release. We are pleased to report a strong performance for both the second quarter and first half of FY27. Our performance during the period was supported by healthy demand across key markets, improved realisations, and continued operational efficiencies. We also benefited from a more stable raw material environment, which enabled us to manage costs effectively while continuing to focus on profitability and customer commitments.

Market conditions remained encouraging during the quarter. Demand from our export markets continued to be healthy, supported by ongoing deglobalisation across the global textile value chain. On the domestic front as well, consumption trends remained supportive, providing us with good visibility across our key markets.

From an industry standpoint, a number of long-term trends continue to strengthen India's position within the global textile value chain. Global brands and retailers are continuing to diversify their sourcing strategies and are placing greater emphasis on supply chain resilience, reliability, and sustainability. India is well-positioned to benefit from both of these evolving sourcing preferences, given its integrated textile ecosystem, strong manufacturing capabilities, and growing focus on responsible production practices. Your company has benefited most from that.

In addition, India's cost competitiveness has strengthened over time, supported by ongoing investments in operational efficiency and renewable energy adoption across the textile value chain. Further, the India-UK Free Trade Agreement and the ongoing momentum towards a broader India-EU trade agreement have the potential to further strengthen India's competitiveness in important export markets. Over time, these developments could create incremental opportunities for Indian exporters, increase market access, and support the long-term growth prospects of the textile sector.

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Sustainability is also becoming an increasingly important consideration in global sourcing decisions. Over the years, we have continued to strengthen our sustainability initiatives by actively investing in efficient, environment-friendly [hesitates] operations. The successful commissioning of our solar power project is an important step in this direction. Beyond supporting our environmental goals, the project is expected to reduce annual power costs by approximately 15%, thereby enhancing our overall cost competitiveness. We believe such initiatives strengthen our positioning with customers who increasingly value sustainability, reliability, and long-term partnerships as part of their sourcing decisions.

On the strategic front, our 150,000-spindle greenfield expansion project in Odisha continues to progress on schedule. Having secured all the necessary regulatory approvals, the building construction is now almost complete, and the entire machinery packages have been ordered and have started arriving at the site in a staggered manner. Erection of the initial machinery shipments is currently underway, and we expect commissioning in the coming months. This expansion is strategically positioned to support our long-term growth and to drive a customer base. As your company is already running at 98%-99% capacity this quarter, Odisha provides compelling structural advantages, including close proximity to the eastern cotton-growing belt, robust industrial infrastructure, and a highly competitive operating ecosystem. With our existing facilities operating at near-full capacity and market demand remaining strong, this new capacity will provide the necessary headroom to scale our operations, secure the company's next phase of growth, and better serve our global customer base.

Looking ahead, we remain optimistic about the medium- to long-term outlook for both the industry and Sportking. A more supportive cotton environment, improving global demand, evolving sourcing patterns, increasing emphasis on sustainability, favorable trade developments, and our ongoing capacity expansion initiatives together create a strong foundation for future growth. We believe Sportking is well-positioned to capitalize on the next phase of growth in the textile industry. Our continued investments in capacity, sourcing capabilities, and operational efficiencies have strengthened our ability to serve customers effectively and pursue emerging opportunities across all markets. With a scalable manufacturing platform, strengthened cost competitiveness, robust sourcing capacities, and the resources to invest in long-term opportunities, we will remain focused on creating sustainable value for all stakeholders. Thank you very much. With this, we would be happy to take your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. 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 Santosh Shetty from MC Capital. Please proceed.

Santosh Shetty - MC Capital: Hello.

Munish Awasthi - Chairman and Director: Hello.

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Santosh Shetty – MC Capital: Yes, sir. I have a couple of questions. The company reported a significant improvement in EBITDA margin to 19.8% in Q2 FY27 compared to 10.4% in Q2 FY26. What were the key factors driving this improvement, and how sustainable are these margins going forward?

Munish Awasthi – Chairman and Director: The key factors, of course, vis-à-vis last year, are the improved demand. The demand for cotton and blended yarn has been going up for the last 2 to 3 quarters. Another factor that has contributed to this is our operational efficiency. The work we have been doing on our costs is now paying dividends, and all the effort we put in over the last 2-3 years to become more cost-efficient is now visible. Thirdly, stable cotton prices, which have been stable for the last 1 year and continue to be so, have also helped. Going forward, we see a similar kind of environment in the current quarter and going ahead. We are pretty bullish on the future.

Santosh Shetty – MC Capital: Sir, the company has announced a 1,000 crore greenfield expansion in Odisha involving 1.5 lakh spindles. Could you share the current progress of the project and whether it remains on track for the planned commencement in Q2 or Q3 FY27?

Munish Awasthi – Chairman and Director: Yes. As I stated in my opening remarks, the erection of the machinery is going on, and we have completed the construction in record time. A greenfield project being completed in 8 months is a significant achievement for us. We intend to start commercial production within the next 30-40 days.

Santosh Shetty – MC Capital: Sir, just one last question. The company has a presence across 30-odd countries. Are you looking to enter new export markets and deepen your presence in other markets as well?

Munish Awasthi – Chairman and Director: Sorry, I could not get your question.

Santosh Shetty – MC Capital: I am asking, sir, the company has a presence across 30-odd countries. Are you looking to enter new export markets or deepen your presence in the existing markets?

Munish Awasthi – Chairman and Director: Yes, of course. We keep adding new customers and new markets every day and every quarter. That effort is ongoing, and with the new capacity, we have identified new markets that we will be targeting. So, yes, that will happen.

Santosh Shetty – MC Capital: Okay, sir. Thank you so much for answering my questions. All the best for the future.

Munish Awasthi – Chairman and Director: Thank you.

Operator: Thank you. The next question is from the line of Harsh Shah from Seven Rivers Holding. Please proceed.

Harsh Shah – Seven Rivers Holding: Hi, sir. Good evening. My first question is on the demand side. Can you break down the Q2 FY27 sales in terms of domestic and export sales? Also, how is demand developing from China and Bangladesh?

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Munish Awasthi – Chairman and Director: I could get the first part of your question, which is about the percentage of exports. Exports accounted for about 52% of our total revenue in the last quarter. I could not get your second question.

Harsh Shah – Seven Rivers Holding: My second question is, how is demand in the region—how is demand from China and Bangladesh? I believe that in the last couple of quarters, demand has been steadily driven by exports to China and Bangladesh. What is the outlook there?

Munish Awasthi – Chairman and Director: Demand from China and Bangladesh continues to be robust. The Indian market was a little slow in the last 2-3 months, but with the festive season approaching and spring production commencing after Diwali, which is typically the peak season for the domestic market, we expect the Indian market to also join in with good demand.

Harsh Shah – Seven Rivers Holding: Compared to Q2 FY27, as we stand today, what would be the spread for us at prevailing prices?

Munish Awasthi – Chairman and Director: The spreads in the first half were whatever we achieved in the first half of this year, and the spreads right now are quite similar. Right now, we have rates that are fairly similar to what we achieved in the last 6 months.

Harsh Shah – Seven Rivers Holding: Okay. And sir, what would be the cost per kg for cotton [cut off]

Harsh Shah – Seven Rivers Holding: Can you [crosstalk]

Management: I just—your line is not very clear, actually.

Harsh Shah – Seven Rivers Holding: Sir, what would be the average cost of our cotton per kg or per candy, whatever measure you can provide?

Management: Sir, that is something we do not disclose, so I would skip that question.

Harsh Shah – Seven Rivers Holding: Sure, no worries. Thank you so much, sir.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone. The next question is from the line of Mahesh Atal from Dheirya Investments. Please proceed.

Mahesh Atal – Dheirya Investments: Yes, hi, sir. Am I audible?

Management: Yes.

Operator: Yes, sir.

Mahesh Atal – Dheirya Investments: My question is more about the previous quarter. You had told us that there would be demand and that most yarn manufacturers must have sold for the next 6 months. How is the market for the next 6 months from the current date looking? Are we selling in the spot market, or are we also entering into future contracts? How exactly is the market currently?

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Management: The market looks good. I think what we said in the last quarter was that we had visibility for another quarter. Right now, we have visibility until February-March, and it is quite good. Demand is the same as, or even better than, what it was. The demand outlook continues to be strong.

Mahesh Atal – Dheirya Investments: We see that the new crop must have arrived on the cotton side. Do you see Indian and international prices now matching at the same level, meaning that the cost benefit we had earlier would not be available during the next part of the year? How do you see this? Would imported cotton being cheaper now and domestic cotton becoming more expensive be the expected situation?

Management: This is a very dynamic situation right now because we are in October, and generally peak arrivals in India start after Diwali. Prices have moderated from their peak. Of course, they have come down from Rs.70,000 per candy to around Rs.65,500 per candy right now. We expect the Indian arrivals to increase over the next 3 months, and the spread between Indian cotton and international cotton has also been narrowing in the last quarter. However, it has been very volatile. Sometimes it has gone too low and sometimes too high. Right now, we expect Indian arrivals to increase over the next 3 months, and we expect the gap between Indian and international prices to narrow further.

Mahesh Atal – Dheirya Investments: So, do you feel that the strategy would be to buy more Indian cotton going forward?

Management: We do not take that decision in advance. We buy cotton every day and take the decision on that particular day. Whenever we can get a better deal for our company, we do that. It is a very dynamic situation, and we act accordingly.

Mahesh Atal – Dheirya Investments: Is this the scenario across yarn manufacturers, or is it only the case with us? How do you view this? Is the industry as a whole seeing demand from China?

Management: I do not know how other people plan their cotton, but demand is common and consistent throughout the industry, yes.

Mahesh Atal – Dheirya Investments: Irrespective of cotton prices, do you feel that these margins are sustainable for the rest of this year?

Management: Yes, I definitely think that the margins we achieved in the first half are sustainable, and I am talking about our existing capacities. Whatever we are doing with our existing capacities, we expect to be at or around the same level in the second half as well. With the addition of our new capacity, the revenue and profitability from that capacity will come incrementally.

Mahesh Atal – Dheirya Investments: At what capacity do you expect to end this year for the new capacity that you are adding?

Management: We expect that by the end of this year—because commissioning is a large project and takes time—we will finish and start the whole project by the end of the financial year. We expect a contribution of around Rs.150 to Rs.200 crores from the new capacity in the next financial year.

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Mahesh Atal – Dheirya Investments: At what capacity does this kind of project generally become EBITDA-positive?

Management: It will be EBITDA-positive from day one. Once we scale it up, it will be EBITDA-positive from day one.

Mahesh Atal – Dheirya Investments: All right, sir. That is it from my side. Thank you for answering my questions.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one. The next question is from the line of Abhishek {? Sankhol ?} from ICICI Direct. Please proceed.

Abhishek {? Sankhol ?} – ICICI Direct: Thank you for taking my question, and congratulations on the good set of results. My question is again on cotton prices, inventory, and yarn spreads. First, I will ask about cotton prices. We see that cotton prices have risen somewhat over the last 1 or 2 months. You mentioned that prices have come off their highs. I wanted to know your inventory levels, whether you still have low-cost inventory in your books, and until when it will remain there. Considering that the monsoon has been disappointing this year, and I read in news reports that production is going to decline, do we expect a substantial rise in cotton prices? My concern is that if cotton prices rise faster than yarn realisations, would we see some tapering in yarn spreads sequentially? Year-on-year, I agree that spreads might be up, but sequentially, will we see some tapering in yarn spreads?

Management: Thank you very much for the question. Right now, it is something that happens every year: the Indian crop is declared to be poor well before it starts arriving. We still hold cotton. We think that the cotton crop is not going to be as bad as people are portraying it to be. The current spreads we have, and even what we are buying right now, give us a fairly decent spread compared with what we achieved last year. It is extremely close to that in the last half. It is not significantly different. We have a good blend of imports as well as local cotton purchases.

We expect margins to remain almost where they were in the first half, at least for the next 6 months for which we have visibility. Regarding cotton prices and whether Indian cotton prices will rise going forward, I do not think so. I think they are going to come down. The Government of India has extended the import duty waiver until October 31, and we expect a notification for an extension until December to come very soon. We have been extensively lobbying with the government to remove it altogether.

Looking at the future state of the Indian textile industry, with significant demand expected to come forward, we feel that demand is going to outstrip supply by a significant margin. Yarn demand is currently quite solid, and we feel that any incremental increase in cotton prices is also going to increase yarn prices. We believe that these spreads will not be very different from where they have been in the last 6 months. There can be a deviation of 2% plus or 2% minus going forward, but I do not see spreads slumping significantly.

As I said, the Indian market and Indian demand in the future, particularly over the next 6 months, are expected to be in peak season. With the tailwind of all the FTAs, we believe that these spreads can

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strengthen rather than decline from here.

Abhishek {? Sankhol ?} – ICICI Direct: Thank you, sir. Just one more question, more of a bookkeeping question. I wanted to understand the depreciation. If I am right, has there been any change in the depreciation method? It seems a bit lower.

Management: There was a small change in the depreciation method, and there was a difference of about Rs.7-8 crores because of that. From next quarter, the depreciation for the old plant will change. There was some machinery that was fully depreciated, and there was no change related to that. There was also a change because we increased the number of years. From next quarter, we expect the run-rate to be around Rs.17 crores vis-à-vis Rs.24 crores in the last quarter and Rs.14 crores in this quarter.

Abhishek {? Sankhol ?} – ICICI Direct: Okay, sir. Thank you so much. I will get back into the queue.

Management: Yes.

Operator: Thank you. A reminder to all participants: anyone who wishes to ask a question may press star and one on their touchtone telephone. The next question is from the line of Mahesh Atal from Dheirya Investments. Please proceed.

Mahesh Atal – Dheirya Investments: Thank you for the follow-up, sir. When you say that prices in the Indian market have come down from Rs.70,000 to Rs.65,500 per candy, what would be the landing price for imported cotton?

Management: Imported cotton right now should be [pause] wait, just give me 1 second. [long pause] It should be around Rs.67,000.

Mahesh Atal – Dheirya Investments: Okay. So there is almost a gap of 10%?

Management: No, not 10%. Indian cotton is at Rs.65,000 and imported cotton is at Rs.67,000-Rs.67,500. The difference is 2-3%.

Mahesh Atal – Dheirya Investments: Okay. Do you see this gap closing over the next 6 months or so?

Management: We expect this gap to actually widen. We expect Indian prices to become lower going forward. As for international prices, it is a very dynamic situation, and we do not make up our minds in advance. We buy every day according to future market conditions and the new information we receive every day.

Mahesh Atal – Dheirya Investments: Do you still feel that the demand you are seeing from China and Bangladesh is sustainable, and that you have forward contracts or visibility from those countries for the rest of the year?

Management: Yes, of course. We generally work on a window of 80 to 90 days, so we are sold until the end of January. We have visibility because that is already in the books. We also see continuous demand from these countries.

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Bangladesh has been our partner for so many years, and India is the only destination that terms and functions like an extended part of our market. Demand there has been consistently sustained at about 45,000 to 50,000 tonnes, even during the difficult times they experienced because of the energy crisis.

China has also been buying about 35,000 tonnes per month for the last few months because their parity price is higher—the local price is much higher than our price. Their import duty is 40% on any cotton they import, while there is a 3% duty on any cotton yarn they import. Therefore, they have been importing quite a bit, not only from India but also from Vietnam and Pakistan.

We see this trend continuing. Another thing we have observed is a small shift—not a very large shift, but a small shift—from polyester to more cotton-friendly blends and cotton. That is also contributing to better demand.

Mahesh Atal – Dheirya Investments: Sir, what is the spread in dollar terms today?

Mahesh Atal – Dheirya Investments: Sorry, I mean in dollar terms, in cents. How many cents could be the spread between the yarn and the cotton?

Management: Raw cotton is around—right now, our blended cost is—I can tell you in rupees, so you can calculate it. It is about Rs.150-Rs.155.

Mahesh Atal – Dheirya Investments: Okay, all right. It has gone up considerably, because I think last quarter it was somewhere around Rs.130, if I am correct.

Management: Last quarter it was Rs.150, and this quarter it was around Rs.160. It has increased somewhat. I am talking only about cotton, because we have other inputs. Our overall spread last year was Rs.130.

Mahesh Atal – Dheirya Investments: All right, sir. That is it from my side. Thank you so much.

Operator: Thank you. The next question is from the line of Saransh Gupta from Swarn Investments. Please proceed.

Saransh Gupta – Swarn Investments: Thank you for the opportunity, and congratulations, sir, on a very good set of numbers. I just had one question; the others have been answered. I wanted to understand what kind of benefits we are receiving from the Odisha government for the capex being undertaken there.

Management: With the Odisha project, we have many incentives. The first is a capital subsidy. We are going to receive a 30% capital subsidy, which will be paid to us in 5 equal instalments. On a 1,000 crore investment, we are looking at approximately 200 to 220 crores coming back to us over 5 years.

Then we have a power subsidy. While the blended cost is around Rs.6 in Punjab right now, we are going to get power at Rs.4 for 10 years in Odisha. There is also an Employment Guarantee Scheme, which provides us with around Rs.7,000 to Rs.8,000 per worker per month for 5 years.

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There are other small benefits, such as PF contributions and stamp duty. We will also receive some reimbursement of our land cost once we achieve employment of 1,000 people. These are the main incentives, apart from the geographical advantage we get from setting up a plant there.

Saransh Gupta – Swarn Investments: Understood. One last thing, if I may. I understand that the cotton season will begin after Diwali, as you said, and currently cotton prices are moving around Rs.65,000 to Rs.68,000. Would it be fair to assume that after the season and the arrival of the crop, prices might decline, which could impact the spread?

Management: It might what? Sorry, I did not get your question.

Saransh Gupta – Swarn Investments: I wanted to understand what the spreads are in the current month. Have they improved, or are they at the same level as earlier?

Management: As I shared earlier, spreads are quite similar to what we achieved in the last 6 months. Regarding spreads going forward, we see a lot of traction in yarn demand. We expect Indian cotton prices to decline after Diwali. However, even if that does not happen, we expect strong yarn demand to absorb any increase, if at all. We are of the view that these prices have a greater chance of declining than increasing.

Saransh Gupta – Swarn Investments: Understood, sir. Regarding incremental demand, are we seeing it from the export market, or is there still some room left in the domestic market? As you said in your opening remarks, domestic market demand was not very strong.

Management: We have seen a lot of demand from exports, while domestic demand has been somewhat moderate compared with export demand. However, that is very seasonal in nature. Our peak season is from Diwali to Holi, so we expect demand to catch up after Diwali. We have seen some green shoots, and we are seeing some demand coming in, but it generally picks up in earnest after Diwali. We expect demand to improve from the end of October and in the coming period.

Saransh Gupta – Swarn Investments: That was all. I will get back in the queue. Thank you so much, and all the best for the future.

Operator: Thank you. The next question is from the line of Harsh Shah from Seven Rivers Holding. Please proceed.

Management: Yes, please.

Operator: As there is no response from Harsh, I am taking the next question from the line of Abhishek Shankar from ICICI Direct. Please proceed.

Abhishek Shankar – ICICI Direct: Thank you again for the opportunity. Sorry if I missed the spreads you mentioned. Just for clarification, as per my calculations, our spread during Q2 should have been roughly Rs.130 to Rs.132 per kg, and that was also the level in Q1 FY27, correct?

Management: No. Q1 was around Rs.133, and Q2 was around Rs.141.

Abhishek Shankar – ICICI Direct: Rs.140. Okay. You see a similar trend going forward, correct?

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Management: Yes. We see the spreads between Rs.130 and Rs.145 going forward. We see them somewhere in this range, at least for the next few months.

Abhishek Shankar – ICICI Direct: Okay, sir. Thank you so much.

Operator: Thank you. The next question is from the line of Nimesh Verma from {? Vexora ?}. Please proceed.

Nimesh Verma – {? Vexora ?}: Good afternoon, sir. Am I audible?

Management: Yes, please go ahead.

Nimesh Verma – {? Vexora ?}: I had a few questions. The first one is: given the textile industry's exposure to cotton and polyester price volatility, how is the company managing raw material procurement and inventory to protect margins?

Management: We have a very robust and capable team doing this for us. It is a very dynamic process that we manage every day. It is not easy for me to explain exactly how we do it, because it is quite complex. I am not sure what exactly you want to know. We monitor it every day, and we source our raw material from 10 countries. We look for the best deals available across the continent, and that is how we work.

To mitigate the risk related to cotton, we maintain a heavy order book for our yarn sales. We are always covered for 5 to 6 months. We have an order book for 3 months.

Nimesh Verma – {? Vexora ?}: Okay, understood. The second question is about the company's announced 1,000 crore greenfield expansion in Odisha involving 1.5 lakh spindles. Could you share the current progress of the project and whether it remains on track to commence in Q3 FY27?

Management: I have shared this a couple of times earlier in this conference, but I will do it again for anyone who was not present. The construction of the first phase is complete, the erection of the machinery is going on, and we expect to start commercial production in the next 30 to 40 days. We intend to complete the project by March 30, 2027. We expect revenue of around 1,200 to 1,300 crores in the next financial year and about 150 to 200 crores in this financial year.

Nimesh Verma – {? Vexora ?}: My last question is about trade receivables. They increased from Rs.396.2 crores in March 2026 to Rs.473.5 crores in September. What is driving the increase?

Management: Sorry, what item are you talking about?

Nimesh Verma – {? Vexora ?}: Trade receivables.

Management: Sorry?

Nimesh Verma – {? Vexora ?}: Trade receivables.

Management: Oh, receivables. Okay.

Receivables have gone up from—what amount?

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Nimesh Verma – {? Vexora ?}: Rs.396.2 crores in March 2026 to Rs.473 crores in September.

Management: Yes, because if you look at our turnover in March 2026, it was lower. With the increase in total billing and total sales, that has gone up. You are talking about total debtors, correct?

Nimesh Verma – {? Vexora ?}: Correct.

Management: Total debtors have gone up from Rs.396 crores in March to Rs.473 crores right now, correct?

Nimesh Verma – {? Vexora ?}: Correct.

Management: I think that if you look at the number of days, there will not be much difference. It is mainly because our total turnover has gone up. Most of our sales are on 120 days' credit, covered by letters of credit, with 120-day LCs. This is because of that. These are all secured by LCs, and if we look at the number of days, it is actually the same. It is 58 days now, and it was 58 days as of March 31, 2026.

Nimesh Verma – {? Vexora ?}: Okay, understood, sir. Thank you for answering the questions.

Management: You are welcome.

Operator: Thank you. The next question is from the line of Kunal Shah from Enam Holdings. Please proceed.

Kunal Shah – Enam Holdings: Hi, this is Kunal from Enam Investments. My question is regarding the two companies—the fabric company and the garment company—that you are supposed to merge. Could you help me understand the financial performance for the half year of these businesses?

Management: We have not yet merged those companies. We are still working to make them compliant so that they can be merged with us. I think this will happen within the next couple of months. Are you asking about the financials of those companies for the past 6 months?

Kunal Shah – Enam Holdings: Yes.

Management: I can give you a ballpark figure because I do not have the exact figure with me right now. For both companies together, it should be around 70-80 crores at an EBITDA margin of approximately 15% to 18%, and one company should have a higher margin, I think around 20% EBITDA.

Kunal Shah – Enam Holdings: Okay, so is it 70-80 crores each or 70-80 crores combined, sir?

Management: Combined, 70-80 crores. The combined entity should be about 80 crores.

Some of this is because we have undertaken significant restructuring and are improving these units. They have not been operating at full capacity because, before the merger, we wanted to make them compliant and suitable for supplying customers. We have a lot of nominations and there are many compliance issues. Before the merger, there were many stoppages and related issues. I think

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from a potential of more than 100 crores, it has come down by about 20 crores because of these companies.

Kunal Shah – Enam Holdings: Understood. Also, in terms of competitive intensity, we have seen that spindle additions in the industry were very low earlier, and many spindles were shut down. With spreads rising, are you seeing competitors enter expansion plans or thinking about adding more spindles in the Indian market?

Management: There is a lot of consolidation happening. If you look across the market right now, margins are very different for different companies. Larger companies that work closely with brands and are compliant, particularly on ESG and social matters, face less competition because compliance is not easy and is a very expensive process.

We see a lot of divergence between different spinners in different parts of the country and between companies of different sizes. We also see many spindles being shut down in other countries. There is a lot of modernisation happening, but we have not seen many people announcing new spindle additions or putting up new spindles so far. I am sure this will come because India and the world need more spindles going forward.

Kunal Shah – Enam Holdings: Understood. Regarding our expansion, our capacity of 152,000 spindles will be ready by the end of this financial year and will probably be utilised at 100% next year. What about FY29 and FY30? What is the Phase 2 plan for this Odisha capacity?

Management: We have many plans. First of all, in Odisha itself, we have land to scale that by another {? few lakh spindles ?} up to 750. Looking at our balance sheet and leverage, we are ready to take on these projects, and we will be undertaking them very soon. Our future growth plans in the garment sector are also at the forefront for us. Perhaps not in the next 6 months, but in the second half of next year, we would hopefully announce something on that front as well.

Kunal Shah – Enam Holdings: Okay, understood. One last question. Did you mention that the import duty exemption has been extended until December? I did not hear it properly and wanted to clarify.

Management: There have been many discussions, and we do not know the exact position right now. It is valid until tomorrow. However, there have been extensive discussions with the government, and they have assured us that it will be extended. We have also been assured that it might be extended further after that because the need for cotton for Indian companies and the Indian market is real, given the FTAs and India's current positioning due to its cost structure in the global spinning scenario.

We expect it to be extended for 2 to 3 months immediately, and we expect that in the not-too-distant future, it might be exempted altogether. We have always been pushing the government to remove the duty completely. There should be no duty, period. However, I think the government is still taking some time.

Kunal Shah – Enam Holdings: Okay, perfect. Thank you, sir. Thanks a lot.

Operator: Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investment. Please proceed.

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Madhur Rathi – Counter Cyclical Investment: Sir, I missed your margin guidance. Previously, we used to guide for a 15% EBITDA margin. Can we sustain the 20% margin achieved in Q2?

Management: I will reiterate what I said earlier. We expect the margins achieved in the first half to be sustained, and we expect to perform on similar lines in the second half. It will be in that range. I cannot tell you whether it will be 19%, 18%, or 21%, but it should be close to where we were in the first 6 months.

Madhur Rathi – Counter Cyclical Investment: Also, promoter holding is already 75%. For the merger of the garment and fabric entities, will preference shares be issued to the promoters? The holding cannot go above 75%. Is there any other alternative, or are the promoters considering issuing shares for no consideration as a gesture of goodwill? Or will they—

Management: Let me answer this question. It has been stated on record that the mode of payment will be a preferential share allotment that will be non-convertible. There will be some preferential shares and a very minor cash transaction, not exceeding 25 to 30 crores. Since our holding is already at 75%, we cannot issue shares, and we do not intend to dilute our holding even by a small amount in the market. Therefore, the only option for us was to use preferential shares, and that is exactly what we are doing.

Madhur Rathi – Counter Cyclical Investment: Understood. Just one final question. The 1,000 crore capex in Odisha is coming live, so the revenue of 1,200 to 1,300 crores should come at 4-5% incremental margins over what we are doing right now. Is that understanding correct?

Management: The margins in the Odisha unit will be at least 4% to 5%, or perhaps 6%, higher than whatever we achieve once it is fully operational. We stand by that guidance.

Madhur Rathi – Counter Cyclical Investment: Perfect, sir. Thank you so much, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Chirag Shah from ICICI. Please proceed.

Chirag Shah – ICICI: Hi, good evening, sir, and congratulations on a great set of numbers. Most of my questions have been answered. I just wanted a clarification. After commissioning the new capex, what would be our peak debt on the balance sheet by March 2027?

Management: By March 2027, we expect our peak long-term debt to be around Rs.750 crores, or perhaps more or less around Rs.700 crores. We do not expect working capital to be more than Rs.200 crores, so total debt should be below Rs.1,000 crores.

Chirag Shah – ICICI: I know it is too early to ask, but you might have considered this: once the new capex reaches a reasonable level of capacity utilisation, when will you start thinking about the second phase of capex? Could it be by March, or will it take more time?

Management: Chirag, we are already thinking about it. We have all the projects on the drawing board that we want to undertake. The only thing is that we need to stabilise this plant. Hopefully, over the next 6 to 8 months, if we get the cash liberation that is taking place, we will see whether

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we can pull the trigger whenever we feel comfortable about our debt levels. We do not want our debt levels to exceed the current level for a very long time.

Chirag Shah – ICICI: Whenever you plan to undertake the second phase, I believe the execution timeline for that capex would be shorter than the time required for the first phase. Is that assumption correct?

Management: Yes. I think we can reduce the required time by almost 2 to 3 months for a greenfield project because many approvals will already be in place, and we will already have a team and established operations there. I believe it should take at least 2 to 3 months less than what it took previously.

However, we completed this project in a very short time. Doing it in that timeframe was very challenging, but we expect to complete the next phase in a similar amount of time. We started this project in January or February—February 15 was when we started construction—and I think we will finish and execute this project in almost 1 year, which we are quite proud of. We expect the brownfield next phase to be completed in a relatively shorter period of time.

Chirag Shah – ICICI: A final question on your FY28 numbers. In the last call, you mentioned that revenue would be somewhere around the 4,000 crore mark and margins would be around 15% to 16%. Given the commentary about sustaining margins and the 400-basis-point higher margins on the new phase, could you achieve 18%-19%, or perhaps 17%-18%, margins in FY28 as well with the new capex coming in?

Management: It looks like that could happen because we came out of our deep slump from 2022 to 2025. We cannot be too aggressive in giving guidance, but things look good and there are several tailwinds. The only direction for margins is upward. If someone asks for guidance, the indications are that it should be better than that. However, we would like to restrict ourselves to that guidance. We can assure 15%, but anything more than that is likely, though not guaranteed.

Chirag Shah – ICICI: Sure, sir. That is all from my side. All the best for the future.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Pahal Sharma from DB Capital. Please proceed.

As there is no response, I am taking the next question from the line of—there are no questions as of now. A reminder to all participants: anyone who wishes to ask a question may press star and one.

The next question is from the line of Mahesh Atal from Dheirya Investments. Please proceed.

Mahesh Atal – Dheirya Investments: Sir, I wanted to understand, from your perspective, the availability and pricing of cotton in the imported market. Could you provide some insight into how you see this for the rest of this year and until the next crop arrives? Do you still feel that Rs.55,000-Rs.56,000 per candy is sustainable in the international market?

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Management: This is currently harvest time, when Brazilian, US, Indian, and Pakistani crops are all arriving. We expect this pressure to continue for the next 2 to 3 months. Usually, what happens is that cotton is cornered by some traders, and then prices start moving. This happens every year.

We expect prices to start strengthening in the later part of the year. Farmers have been seeing good prices this year because prices have increased by 15% to 20% from last year. Therefore, there is a lot of interest in growing more cotton next year. This year's crop was also affected by droughts in India, the US, and Pakistan. Fortunately, Brazil had a good crop, which helped stabilise prices and prevented them from rising too much.

We expect Brazil to continue expanding production because it is very profitable for them to grow more cotton. We also expect the US to grow more cotton next year. We expect prices to remain at these levels, perhaps decline somewhat over the next 3 to 4 months, then tighten slightly, and then start declining again as we enter the next crop season.

Mahesh Atal – Dheirya Investments: My question was more about this: if I want 70% of my procurement to be done from the international market, will I be able to do that? Will the availability be there?

Management: Of course. I can procure 100% of my cotton if I want to. That is not a problem because India imports about 70 lakh bales a year, and a lot of cotton is traded on the cotton exchange. Brazil alone exports around 150 lakh bales, and the US exports more than 150 lakh bales. There are many bales to be sourced, whether from West Africa or Turkey. There is no shortage of the best cotton if you want to source it from the international market.

Mahesh Atal – Dheirya Investments: Great. Thanks a lot, sir. All the best.

Management: Thank you. Thank you.

Operator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Management: Thank you so much. Thank you, everyone, for participating in this conference call. I wish all of you a very Happy Diwali, and I will see you next year.

Operator: Thank you. On behalf of Sportking India Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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