

Q1 2013 Earnings Call – Arvind

Dt-27 Jul'12

Jayesh Shah, Director and Chief Financial Officer

[Call Started Abruptly]...number two during the period of strike we manufacture whatever we could with whatever outsource labor contractors and all that we could have as a result throughout the period of the strike we manufacture at a lower productivity levels in the sense that machines are working at half capacity. So, all the utility cost and all other cost you will incurred full while you will manufacture half.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

Number three during this period because we worked with not so experienced work men, we ended up with generating quality of products which were not up to the mark, so you had to mark them down a little bit.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

All of that would mean that you lose more -- or in absolute terms or in percentage terms as compared to what you otherwise see in EBITDA terms.

Analyst

Okay. Got it, that's helpful. Sir, next is on the ForEx loss front, if you could help us understand in the EBITDA level that we had is on what account if you could help us understand?

Jayesh Shah, Director and Chief Financial Officer

The 10 crore loss.

Analyst

Yes.

Jayesh Shah, Director and Chief Financial Officer

We from 31st March, 2012 revised Schedule VI requirement require that all the losses on account of foreign exchange are reported or profits I reported pre EBITDA. In the prior period or earlier than this revised Schedule VI when it got -before that the losses were getting reported with interest cost or the gains were getting netted off against the interest cost.

Analyst

Okay.

Jayesh Shah, Director and Chief Financial Officer

Now, it is getting reported before that. So this quarter the mark-to-market loss that we incurred on revaluing the creditors for 10 crores.

Analyst

Okay, okay.

Jayesh Shah, Director and Chief Financial Officer

compared to March the rupee was Rs.4.5 weaker.

Analyst

Okay and just to understand one more thing here, since you had a loss of production for about 4.8 million meters whatever hedging that you would have done on that would have accentuated the losses there this quarter or is it the

Jayesh Shah, Director and Chief Financial Officer

No, we didn't have full cover, so we are...

Analyst

Okay. You didn't have the full cover for this quarter. Okay. And can you update us how are you hedged now for the next year FY13 -- balance period of this year and next year?

Jayesh Shah, Director and Chief Financial Officer

We have about -- we are fairly covered as we have reported in quarter four updates that we have about 80% cover for the current year.

Analyst

Could you disclose at what rate would that be?

Jayesh Shah, Director and Chief Financial Officer

It will not be appropriate but we hope to achieve between 51 and 50 during the year.

Analyst

Alright. Thanks a lot sir. I will come back if I have more questions. Thanks.

Operator

Thanks so much Mr. Gopani. Now we have Mr. Maulik Patel from Equiris to ask question. Please go ahead sir.

Maulik Patel

Good morning, gentlemen.

Jayesh Shah, Director and Chief Financial Officer

Good morning

Maulik Patel

Sir, I have one question on this textile. Do you still the demand for the Denim strong in international compared to what you witnessed probably three months back? Is there any change in the demand?
No.

Maulik Patel

Still the same strong demand you have witnessing?

Jayesh Shah, Director and Chief Financial Officer

Yes.

Maulik Patel

And how about the domestic market?

Jayesh Shah, Director and Chief Financial Officer

Domestic demand for all textile products is weak. As it is reflected in consumer sentiments and April sales. As far as our sales in India are concerned they are fine.

Maulik Patel

Okay and we can still do around this 13%-14% on a volume growth in textile accounting for the strike?

Jayesh Shah, Director and Chief Financial Officer

That is correct, that is correct. Two is, one Denim of course the growth will be lower because we lost the production, but our woven fabrics business which is Santej which was not affected due to strike. If you recollect we added capacity last financial year, that has become operational now, so we will be able to sell more.

Maulik Patel

It is already reflected somehow in the first quarter's numbers also.

Jayesh Shah, Director and Chief Financial Officer

Partially, yes.

Maulik Patel

I have a question for Mr. Suresh on brand and retail side, now I think in opening comments Jayesh bhai told that despite the most of the companies reporting the decline in the revenue on a year-on-year basis. We ended up having a strong growth in the brand business. So, what was a particular reason for such a strong growth? If you can attribute any qualitative statements.

I think in the industry, if you really look at we are only one who has got lot of new initiatives which we have launched over the last two years.

Maulik Patel

Okay.

J.Suresh, Managing Director - Brands & Retail

That is one of the reason in fact why we have been experiencing growth upwards of 15% in last two years in fact quarter-on-quarter if

you look at last eight quarters our growth has never dipped below 60% mainly because of new brand launchers like U.S. Polo which has grown from 0 two years back to 180 crore brand in two years then expansion of distribution for Megamart and Arrow and also now we have launched another new brand -- which has contributing little bit. So mainly on account of new initiatives which we have done with many of the other players in the industry.

Maulik Patel

Okay. So, I think we have not done any channel stuffing right, we have not pushed our franchises to bring about more of inventory. That has not happen in this quarter.

J.Suresh, Managing Director - Brands & Retail

No, we are completely retail driven business. So we are not a wholesale push driven business.

Maulik Patel

And I think going forward if let's say Q2 should be a seasonally strong quarter but less say Diwali doesn't pan out as a expectation then what is the slow down can extent for another six nine months? What's your outlook and that scenario?

J.Suresh, Managing Director - Brands & Retail

See currently the sentiments are really weak. If you really look at as I was telling you that we have been experiencing growth rates of 60 plus over the last eight quarters. So we are projecting a growth rate of around 20% over the next three quarters which we seen that we should be able to achieve given the initiatives which we have. So it's a definite slow down in growth. But we should achieve our growth inspite of the market conditions.

Jayesh Shah, Director and Chief Financial Officer

Suresh and we fighting that question not only relating to our company but in general.

J.Suresh, Managing Director - Brands & Retail

In general market sentiments are pretty weak. So I mean the entire industry is hoping for a good Diwali but if the good Diwali doesn't happen it's not going to be a good for the industry.

Okay. And do we have any plan to have any incremental like new launches or new products like last year we did, anything in pipeline?

J.Suresh, Managing Director - Brands & Retail

We have launched EI which shown good signs of growth and quarter one it has contributed for the branch business around 3% of the branch business sales. So for the year I think it will contribute around 20 crores to 25 crores which will be around 5% of branch sales.

Maulik Patel

Okay, okay. I think that's pretty helpful. I have a last question for Jayesh Bhai, this quarter your interest expenses increased like significantly. Is there any foreign exchange loss part of your interest cost?

Jayesh Shah, Director and Chief Financial Officer

No now foreign exchange loss doesn't get reported as a part of interest cost.

Maulik Patel

Okay.

Jayesh Shah, Director and Chief Financial Officer

You are comparing sequential quarter.

Maulik Patel

Right.

Jayesh Shah, Director and Chief Financial Officer

The reason why our interest cost has gone up in quarter one compared to four is because we have very high cotton inventory.

Maulik Patel

Okay.

Jayesh Shah, Director and Chief Financial Officer

Which is now running down over the next four months and this cotton was bought some time February, March, April. So, that's a reason why the full impact has come in quarter one.

Okay. So, your working capital loan has increased because of the end of the cotton season in the month of March and that has probably resulted in higher interest cost?

Jayesh Shah, Director and Chief Financial Officer

Correct. So, generally because of this season if you see the interest if you compare it with quarter one of the last year you will find it, it is quite okay.

Maulik Patel

Okay. But I think when going forward we expect some moderation in the interest cost.

Jayesh Shah, Director and Chief Financial Officer

Yes.

Maulik Patel

Yeah. I think that's all. And thanks for taking my questions.

Jayesh Shah, Director and Chief Financial Officer

Thank you.

Operator

Thanks so much sir. Now we have Mr. Jignesh Kamani from Nirmal Bang. Please go ahead sir.

Jignesh Kamani

Sir in last con call you mentioned that we are also exploring opportunity in Bangladesh to outsource some of the textile dining facility and we do more about processing in value added sense here. So any progress on that front sir?

Jayesh Shah, Director and Chief Financial Officer

Yes that activities begun in a small way.

Jignesh Kamani

So what kind of value additional volume you can say we can achieve from that? What kind of capacity we can get?

Jayesh Shah, Director and Chief Financial Officer Jignesh Kamani

Okay understood. And sir if you -- possible to share like what is the quantum of wage hike which will be now passed on?

Jayesh Shah, Director and Chief Financial Officer

Our negotiations are likely to be completed in next about 8 to 10 days and we think that it will have for the current year the impact will be about between 15 crores to 17 crores.

Jignesh Kamani

Between 15 to 17 cr. Okay, and sir right now what kind of area addition you are planning in brand and retails since now you are we can say slow down is much more than estimated. So what kind of area addition you are planning?

Jayesh Shah, Director and Chief Financial Officer

What we are planning, I didn't get you.

Jignesh Kamani

What kind of new area addition or the outlet you are planning in brand and retail now?

Jayesh Shah, Director and Chief Financial Officer

Suresh, you want to take this question?

J.Suresh, Managing Director - Brands & Retail

Yeah, we are looking at last year we had almost 2 lakh square feet in the current year we are as of now looking at adding 100,000 square feet.

Jignesh Kamani

Okay. Can you break it because brand and retail?

J.Suresh, Managing Director - Brands & Retail

It will be around 55,000 will be branch business around 45,000 will be Megamart business.

Jignesh Kamani Operator

Thank you so much Mr. Kamani. Now we have in line Ms. Perna Jhunjhunwala from HSBC InvestDirect. Please go ahead.

Perna Jhunjhunwala

Good morning, sir. Wanted to know the export performance for you in quantitative term? What was the exports for the quarter?

Jayesh Shah, Director and Chief Financial Officer

One second, in dollar term or in total exports?

Prerna Jhunjunwala

Yeah.

Jayesh Shah, Director and Chief Financial Officer

One second. You go ahead with another question.

Prerna Jhunjunwala

And what was the impact of rupee depreciation in the numbers for the quarter?

Jayesh Shah, Director and Chief Financial Officer

I think we are realizing about 3% or 4% more than what we realized last year on dollar-rupee rate.

Prerna Jhunjunwala

Okay, sir in between there were news that international customers are now looking at rupee based quote because of rupee depreciation, have you seen anything on that front in Arvind?

Jayesh Shah, Director and Chief Financial Officer

No.

Prerna Jhunjunwala

You are still quoting on dollar basis?

Actually we -- our customers honestly we don't really compete with any of the Indian mills as far as international customers are concerned. Our competition comes from China, Turkey, Mexico and some other countries. So, basically all of us put in dollars. So, we don't see this kind of an issue at all.

Prerna Jhunjunwala

Okay. And sir this consumer sentiments have been weak in April month and June month as said by the Managing Director on the TV Today, but that we bad in May. I mean what would have change in the two months in one month for your business that would -- I could not understand?

Jayesh Shah, Director and Chief Financial Officer

So your question is that why was May bad and April was good?

Prerna Jhunjunwala

And April was good yeah?

Jayesh Shah, Director and Chief Financial Officer

Okay. So Suresh.

J.Suresh, Managing Director - Brands & Retail

See, overall the consumer sentiments were bad in fact in terms of the sentiments they turned bad I would say from early of last year.

As far as our sale is concerned we continued our good like to like growth even in January February, April as well as in the month of June. But in the month of May, there was a sudden dip which happened across the market and frankly speaking no one was able to -- while the dip was so severe in the month of May, because of the April and June.

Prerna Jhunjhunwala

Okay. And sir what is the kind of the end of season sale traction you are seeing on your stores like one month would have passed and we started may be in end of June only going early on deal.

J.Suresh, Managing Director - Brands & Retail

Sale has been, but it's inline with similar to last year. It has not shown any great increase.

Prerna Jhunjhunwala

Okay. And we had also pointed out in the commentary that the margins in the brands and retail business are likely to go up to around 5% and 5.5% apart from inventory, high cost inventory is there any other thing that may impact the margins that is going into the revision of margins going forward?

J.Suresh, Managing Director - Brands & Retail

I think the most important...

Jayesh Shah, Director and Chief Financial Officer

-- said why would our margin improve?

Prerna Jhunjhunwala

Yeah.

Jayesh Shah, Director and Chief Financial Officer

Okay. Suresh?

J.Suresh, Managing Director - Brands & Retail

Yeah, sure. See, as far as the brands business is concerned I think our margin has been steadily going up. There was a dip which happened during excise, in processing of excise and I think now we will recur back that margin, most important is Megamart business where for the last four months we had negative margin in Megamart business which we have now completely changed the model as you would have seen in the marketplace that most of the discount players actually have folded up because in a discount model what happens is your price hike, so you pay excise with the higher price where actually the consumers are paying a lower price after the discount.

So, there was a huge excise outflow which was happening in the model. We have now changed the model from a discount model to a value price model in fact that has started showing results if you take last couple of months that is the month of June and the current month, we have been able to turnaround business to a profitable side from the negative side. So that is going to be the main contributor to the improvement in margins.

Prerna Jhunjhunwala

Okay, sir. Sir, thank you for the answers. I will get back if I have any further queries.

Operator

Thank you so much ma'am. Now we have Ms. Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah

Good morning, sir.

Jayesh Shah, Director and Chief Financial Officer

Good morning.

Just wanted to know I mean if I look at your comparisons that you have given us, -- on slide eight which would adjust for the strike and you have said that quarter one PAT would have been 6 crores instead of 32 that you have reported which would still be flattish kind of a growth on year-on-year basis.

Jayesh Shah, Director and Chief Financial Officer

Correct.

Grishma Shah

to see. So what would one attribute this to. Even in terms of PAT?

Jayesh Shah, Director and Chief Financial Officer

Actually if you look at these two quarters, which is quarter one last year and quarter one this year where you will find that the quarter-on-quarter or the comparison our results would have been flattish. If you recollect last year this time cotton prices were shooting up on a daily basis.

Grishma Shah

Sure.

J.Suresh, Managing Director - Brands & Retail

So, there was a sort of inventory effect that was taking place on a regular basis as our sales prices were going up and our cost were lagging behind. So, our margins were at a very high levels. If you see subsequent quarters last year as the sales prices started correcting and cotton prices started correcting, the reverse started happening that the sales prices started falling fast at a pace higher than the -- so the margin started dipping. So, if you look at last two quarters our EBITDA numbers were much, much lower than quarter one last year.

Grishma Shah

Sure.

Jayesh Shah, Director and Chief Financial Officer

These as we were discussing in quarter four call and that this situation of we coming out of the high cost cotton inventory and our margins becoming normal has happened.

Grishma Shah

Okay.

So, it would be to that extend because it was a in a sense galloping inflation as far as cotton prices are concern in the quarter one last year as they are not very similar quarters.

Grishma Shah

Okay. And the other question I have is for Mr. Suresh.

J.Suresh, Managing Director - Brands & Retail

Yeah.

Grishma Shah

Sir I just wanted to know what gives you this confidence of a 20% kind of a year-on-year growth or a sequential growth? If you could clarify for your retail business put together and within that end of season sale, season has been also been flat for you. Why would the 20% kind of growth happened?

J.Suresh, Managing Director - Brands & Retail

No, end of season sale in terms of growth it's not flat. I am quite confident of the growth in the brands part of the business mainly because we have the new initiatives which are still growing at a faster step compared to the market growth and the fact that we have delivered 20% growth even in quarter one which was a very, very weak quarter even indicator that we can sustain a growth of 20% rest of the year.

As far as Megamart business is concerned, we are actually changing the model, so the priority is not the growth, priority is to restore the margin profile of the business. So, while we are aiming for a 20% growth the focus will be on to get the margin right. The current indication it appears that we are getting our margin right because of two reasons, one is that margin, I mean modern is changing as a result we are getting close to 1.5% improvement in gross margin. Since we are saving on excise duty which is now paid at a lower consumer price. And number two is the stock which we bought at prices when cotton prices were very high that stock is now coming down as the sales are happening from those stocks. Those stocks are coming down.

So that is also expected to improve the gross margin by another 1.5 percentage.

So the gross margin is expected to move by 3 percentage point.

Jayesh Shah, Director and Chief Financial Officer

So to answer your question as far as brands and retail business combine in concern. I would last put a growth target of 20%. But I would put margin improvement target as what Suresh mentioned. But brands business is concerned we think that we'll maintain 20% growth.

Grishma Shah

Okay. And the other thing is that is the judgment correct that year-on-year your Denim prize realizations have taken a hit in line with what cotton prizes correction would have been?

Actually our margins have improved. Again you should not look at quarter one where the cotton prizes or the selling prices were on a rise.

Grishma Shah

Okay.

Jayesh Shah, Director and Chief Financial Officer

But if you look at quarter two, three, four and quarter one this year

Grishma Shah

Yeah.

Jayesh Shah, Director and Chief Financial Officer

We find that our margins have improved actually.

Grishma Shah

But the realization could have been softer compared to same period last year because that was the highest you could have ever achieved.

Jayesh Shah, Director and Chief Financial Officer

That is correct.

Grishma Shah

For quarter. Okay. Fine, thank you and good luck.

Jayesh Shah, Director and Chief Financial Officer

Thank you.

Operator

Thank you so much ma'an. Now we have Mr. Riken Gopani from Infina Finance. Please, go ahead sir.

Riken Gopani

Hello?

Hello.

Riken Gopani

Sir, just a follow up. Wanted to check with Mr. Suresh as to would we have liquidated most of our high cost inventory in the branded business or how are we placed right now?

J.Suresh, Managing Director - Brands & Retail

We have liquidated most of the inventory in apparels business, what happens there are some stock at various channel I'd say 20% stock will still be with higher prices.

Riken Gopani

And you would say what time frame would it be required for you to liquidate it entirely?

J.Suresh, Managing Director - Brands & Retail

See another six months down the line I think will be completely rid off high price stocks.

Riken Gopani

Post which the margin expansion should be even more, is that right to look at?

J.Suresh, Managing Director - Brands & Retail

Actually gradually the margin will go up because the liquidation happen over a period of time.

Riken Gopani

Okay.

J.Suresh, Managing Director - Brands & Retail

So, it won't be a sudden jump. So, it will keep going up as we keep liquidating the old stocks.

Riken Gopani

Okay, okay. And sir on overall brands business, if you could highlight that between U.S. Polo and Arrow and EL and the other brands that you have is there a trend as certain going faster and any specific brands which you are seeing weakness is there any trend that you could highlight?

J.Suresh, Managing Director - Brands & Retail

So, these are our three I would say strong brands which are 100 crore plus. As far as the new brands are concerned, EL we have just launched three months back which is showing good signs of growth and then we have -- and energy which are having good growth but they are on a smaller base. So, our idea is now we have three brands which are 100 crore plus to develop another two brands which will become 100 crore plus by next year.

Riken Gopani

And within this, the three large brands which you said, most of them you're saying is growing at the company average or you would say there is a stock differential in that.

J.Suresh, Managing Director - Brands & Retail

U.S. Polo is a stock differential because it grown, it doubled, it trippled actually last year. Arrow is growing between 45% to 40%, and Flying Machine is growing at around 25%.

Riken Gopani

Okay, okay. And Tommy Hilfiger what would be the kind of growth that you're witnessing there?

J.Suresh, Managing Director - Brands & Retail

40%.

Riken Gopani

40%?

J.Suresh, Managing Director - Brands & Retail

Yeah.

Riken Gopani

Okay, okay. And sir what is the arrangement we have here on royalty is it all in rupee terms or is it in dollar terms. When you get impacted.

Jayesh Shah, Director and Chief Financial Officer

Rupee terms.

Riken Gopani Jayesh Shah, Director and Chief Financial Officer

We have I would not give the number. But I -- we have currently we are holding inventory which will still last still end of October.

Riken Gopani

Till end of October. About three months or four months kind of inventory that you witness.

Jayesh Shah, Director and Chief Financial Officer

Yes.

Riken Gopani

As compared to that in March you were at what inventory level?

Jayesh Shah, Director and Chief Financial Officer

We had inventory levels which was we were holding in the month of March, we were at -- till end of July.

Riken Gopani

Okay. So again about three months. I'm just trying to figure out that given that you had a raw material price decline that happened over the last one year we are seeing our interest cost increase because we had a higher inventory. I'm just trying to figure out where exactly in case if it is just three months inventory that you are still holding why would there be a increase in interest cost.

Jayesh Shah, Director and Chief Financial Officer

Reason is that in the month of March we had three, in the month of April had four month, in the month of May we had five in June it fell. So what I am trying to say is that we bought in March, February and April.

Riken Gopani

Okay.

Jayesh Shah, Director and Chief Financial Officer

Up to October. So if you were to take end of every month the averages would not be three months.

Riken Gopani

Alright, alright. Got it. Sir last one thing to Mr. Suresh again is there we keep saying that H2 is generally a stronger period given that you have the festive seasons there but are you seeing over the last one or two years any trend which saying that it is getting more and more normalized throughout the year in terms of purchases by consumers because they're buying mostly during end of season sale is there anything, I mean are you is that festive seasons still so significant for you?

J.Suresh, Managing Director - Brands & Retail

I think it is significant on the retail business. It's not all that significant as far as brands business is concerned but still it's very significant. The queue we get is much more in retail business.

Riken Gopani

Okay. In branded still this queue would be -- and has that trend got reduced over the last one or two years?

J.Suresh, Managing Director - Brands & Retail

See, quarter one is always lowest quarter and then quarter two it picks up, quarter two, quarter three depending on when in Diwali quarter two will be stronger or quarter three will be stronger, like this year it's a late Diwali which means quarter three is going to be much stronger. But it's very significant as far as the retail business is concerned.

Riken Gopani

But the buying pattern of the consumer hasn't changed much as per your understanding. Okay, sir one last thing, what's the update on the technical textiles project that we were planning to do?

Jayesh Shah, Director and Chief Financial Officer

That projects are under implementation right now.

Riken Gopani

When did you expect any contribution from that?

Jayesh Shah, Director and Chief Financial Officer

We should we starting to manufacture in the third quarter.

Riken Gopani

Third quarter?

Jayesh Shah, Director and Chief Financial Officer

Yeah.
Any targets for this year in total what revenue would that have?

Jayesh Shah, Director and Chief Financial Officer

Will not be so significant for the current year.

Riken Gopani

And for next year?

Jayesh Shah, Director and Chief Financial Officer

We are targeting over 150 crore turnover next year.

Riken Gopani

Alright. Thank you. Fine. That's it.

Operator

Thank you so much. Now we have Mr. Maulik Patel from Equiris to ask question. Please go ahead, sir.

Maulik Patel

Yeah, couple of questions. One is on the balance sheet, what is the PAT on the books currently?

Jayesh Shah, Director and Chief Financial Officer

2,100.

Maulik Patel

And in that how much would be the working capital?

Jayesh Shah, Director and Chief Financial Officer

900 crores is long-term debt.

Maulik Patel

900 to long-term debt, okay. Fine. And I think we maintained our CapEx, right? The CapEx will be close to around Rs.150 crore to Rs.200 crore?

Correct.

Maulik Patel

So there is no change in that? Okay, and this question in Tommy in JV, I think currently we are selling only the apparels and earlier we were I think there were some talk that the accessories part will also come under this JV, is that happening?

Jayesh Shah, Director and Chief Financial Officer

It has happened.

Maulik Patel

So right now we are selling accessories also under this s the same JV.

Jayesh Shah, Director and Chief Financial Officer

We have a license for all the products under the brand name Tommy for India.

Maulik Patel

Okay.

Jayesh Shah, Director and Chief Financial Officer

Several of the accessories we have supplied.

Maulik Patel

Okay.

Jayesh Shah, Director and Chief Financial Officer

And we earned the royalty.

Maulik Patel

Okay. So you have give on the -- someone else is selling and take you because there is royalty.

Jayesh Shah, Director and Chief Financial Officer

Example largest category in Tommy Hilfiger accessory is watches.
Okay.

Jayesh Shah, Director and Chief Financial Officer

And the watch license we have given it to Titan.

Maulik Patel

Okay. Okay.

Jayesh Shah, Director and Chief Financial Officer

But the shoes, for example the accessory that we are doing it --.

Maulik Patel

Okay, fine. That's all. Thank you.

Operator

Thank you so much, sir. [Operator Instructions]. Alright, I'm getting one question from Abhilasha Satale from Techno Shares. Please go ahead.

Abhilasha Satale

Yeah. Sir, could you throw some light on your Real Estate business like how going forward for the current year you are going to go? And how much would be additional to top line as well as bottom line?

Jayesh Shah, Director and Chief Financial Officer

This financial year we expect about 70 crores to 80 crores of top line.

Abhilasha Satale

Okay. And that is like which projects you are referring to?

Jayesh Shah, Director and Chief Financial Officer

These are we have two joint ventures. And we have two -- one Bangalore Project which is commencing in next month on our factory land which we had in Bangalore.

Abhilasha Satale Jayesh Shah, Director and Chief Financial Officer

We are currently very difficult to say because everyday monsoon is getting further delay. But it looks like that cotton production may be down 10% to 12% compared to last year. The last year cotton production was 34 million based in India.

Abhilasha Satale

Okay. So that again that should again risen cotton prices.

Jayesh Shah, Director and Chief Financial Officer

That should strengthen cotton prices but the international scenario is different right now this is third consecutive year where cotton inventory have grown. So there is so much of inventory of cotton globally which is available that and the demand for cotton is certainly lower than the overall production of cotton globally. So that is going to keep some kind of pressure on the prices.

Abhilasha Satale

Okay. Fine sir. Sir what is the difference between domestic realization in Denim and international realization?

Jayesh Shah, Director and Chief Financial Officer

Domestic -- see the price contribution difference is nothing, because we don't sell at a price contribution lower in any market. But price because of the product categories could be different by about 10%.

Abhilasha Satale

Okay, fine sir. Thank you.

Jayesh Shah, Director and Chief Financial Officer

So, thank you very much all of you for joining the call and I'll talk to all of you after the second quarter results. Bye, bye.

Operator

Thank you so much all of you. With this we conclude the conference for today. You may all disconnect now. Thank you and have a great day.