February 06, 2025

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विक्रम संवत, २०८१

National Stock Exchange of India Limited
"Exchange Plaza"
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Code: GHCLTEXTIL

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring, Rotunda Building, P.J. Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Code: 543918

Dear Sir/Madam,

Subject: Filing of Transcript regarding Investors' conference held on February 04, 2025

In continuation to our earlier communication dated February 03, 2025 and February 04, 2025 regarding Investors' conference and pursuant to requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of the transcript regarding said Investors' conference held with the management on February 04, 2025 for your reference and record.

Please note that copy of this intimation is also available on the website of BSE Limited (*www.bseindia.com/corporates*), National Stock Exchange of India Limited (*www.nseindia.com/corporates*) *and website of the Company* (*www.ghcltextiles.co.in*).

You are requested to kindly note the same.

Thanking you

Yours faithfully

For GHCL Textiles Limited

LALIT NARAYAN DWIVEDI
Digitally signed by LALIT NARAYAN DWIVEDI
Date: 2025.02.06 17:01:20 +05'30'

GHCL TEXTILES LIMITED

Lalit Narayan Dwivedi
Company Secretary and Compliance officer
Membership No.: FCS10487

Encl: transcript of investor conference on February 04, 2025

"GHCL Textiles Limited
Q3 FY '25 Earnings Conference Call"
February 04, 2025

MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
MR. R. BALAKRISHNAN – CHIEF EXECUTIVE OFFICER
MR. GAURAV V. – CHIEF FINANCIAL OFFICER
MR. MANU JAIN – GENERAL MANAGER, INVESTOR RELATIONS AND FINANCE

MODERATOR: **MS. SHEETAL KHANDUJA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the GHCL Textiles Limited Q3 FY '25 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sheetal Khanduja from Go India Advisors. Thank you, and over to you.

Sheetal Khanduja: Thank you, Ryan. Good afternoon, everyone. A warm welcome to all of you who are attending the GHCL Textiles Limited Q3 and 9 Months FY '25 Earnings Conference Call. We have with us on the call today Mr. R.S. Jalan, Non-Executive Director; Mr. Raman Chopra, Non-Executive Director; Mr. R. Balakrishnan, Chief Executive Officer; Mr. Gaurav V., Chief Financial Officer; and Mr. Manu Jain, General Manager, Investor Relations and Finance.

Please note that the discussion on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risks that the company faces. I shall now hand over the call to Mr. Raman for his opening remarks. Thank you, and over to you, sir.

Raman Chopra: Thank you, Sheetal. Good afternoon, everyone. I, Raman Chopra, welcome you all to our earnings call for the quarter and 9 months ended December 31, 2024. Our results and investor presentation have been uploaded to the stock exchanges and company website. In today's call, our team is joined by Mr. R.S. Jalan; Mr. R. Balakrishnan, CEO; Mr. Gaurav, CFO; and Mr. Manu Jain from the Investor Relations team.

The sector continues to operate under demand headwinds. Despite this, our plant operated at optimal utilization level. Reflecting on our Q3 performance, revenue increased by 16.9% year-on-year, reaching INR288 crores. EBITDA came in at INR26 crores, up from INR20 crores in the same quarter of the last year.

For the 9-month period, our revenue came in at INR883 crores, that is an increase of 14% over the same period of last year. EBITDA came in at INR84 crores, up by 42% year-on-year. Despite the continued headwinds faced by the industry, our 9-month performance in terms of EBITDA and PAT is higher than FY '24 full year's EBITDA and PAT levels. Our share of the revenue from fabric increased from 6.5% in FY '24 to now 7.8%.

Similarly, our share of exports increased from 15% in FY '24 to 18% now. This resilience speaks of our operational excellence and strong customer relationships. Our balance sheet remains robust with a net cash surplus of INR25 crores. During 9-month period, we generated INR80 crores of cash inflows, which was utilized towards INR75 crores as growth capex, INR61 crores as debt repayment and INR5 crores as a dividend payment. There was a release of working capital to the tune of INR84 crores.

With the arrival of new cotton crop, domestic cotton prices have been supported by aggressive purchase from CCI. Yarn prices have mostly remained range bound, and it is expected that the cotton prices will remain stable, which shall support the domestic textile industry.

The 2025-'26 union budget shall have long-term positive impact on the Indian textile industry. There are several measures aimed at enhancing competitiveness, boosting exports and modernizing the industry through various schemes and initiatives. Our expansion plans remain firmly on track.

We are committed to investment of over INR1,000 crores, of which INR350 crores have already been deployed. The addition of 25,000 new spindles is progressing as per schedule with operations expected to commence by June 2025. We have undertaken a new project to set up 40 knitting machines in our existing location at a capex of INR38 crores.

This shall forward integrate into value-added products using our own yarn. We are undertaking reorganization of some of our capacities, which will enhance the operational performance and overall margins. As per our vision, we will invest in weaving and dyed fabric to offer ready-to-cut fabric for our end-use customers.

Our balance sheet remains strong with low leverage, allowing ample room for future growth. Thank you for your continued support and confidence in GHCL Textiles Limited. We now welcome any questions that you may have. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question comes from the line of Jatin Damania from SVAN Investment.

Jatin Damania: Sir, first, I have a couple of questions. So first one is that with the revised import duty on the knitted fabrics, what can be the margin impact on this? Like how can we see the margin upcoming?

Raman Chopra: See, this is a very positive move, because there was some kind of dumping which was happening on the knitted fabric in India. So with this duty increase, we see that there will be an improvement in the offtake because the demand should increase. And it will give impetus to the domestic fabric industry, Indian knitted fabric industry, which indirectly will benefit the spinning industry as well.

So in terms of the margin improvement, that probably we'll see once the demand offtake happens and overall market improves, the margins will improve. But this is a very positive step. And as you know that we are also setting up, we got the approval yesterday only for our knitted fabric expansion.

So this will -- knitted fabric new facility. So this would also help us -- this initiative will also help us in having a -- this has come at the right time, and this will also help GHCL to establish its value addition journey.

Jatin Damania: We hear that yesterday only we got the permission to set up a new knitting in terms of the expansion. So by when do we...

Raman Chopra: Jatin, your voice is very low. Can you come a little closer to the mic, please?

Jatin Damania: So sir, just wanted to understand by when do -- when did our knitting capacity will come on stream? And what will be the incremental volume that one can get -- revenue one can get from a knitting and how much yarn then will be consumed captively?

Raman Chopra: Yes. Very valid question, Jatin. See, the plan is to put this knitting facility in 2 phases. The first phase, there are 40 machines that we are putting up. First phase will come by June '25, 24 machines, and the second phase will be completed by December 2025. So this -- both the things -- both the phases will be -- the whole facility will be operational during the current year. As you know that we are already into the fabric business. We are already outsourcing the knitted fabric as well as the woven fabric, and almost 7.5% of our revenue comes from the fabric. So this will be in addition to our existing fabric operations that we are currently outsourcing.

And you see our new spinning facility of 25,000 spindles project is getting completed in June 2025. So the first phase of this knitting facility will be implemented along with that phase. So whatever we'll be producing, our existing yarn, 80% of our own yarn, which we are going to be producing in our new spinning facility will be utilized towards this knitted fabric. So once both the phases are up and operational, 80% of our own yarn from the new 25,000 facility will be used for the knitted fabric manufacturing.

Jatin Damania: Okay, so the entire existing facility yarn...

Moderator: Jatin, I do apologize to interrupt you…

Jatin Damania: Yes. The entire existing facility of the yarn we will be selling it outside, right?

Raman Chopra: Yes. The existing facility yarn will definitely be sold outside. From the new facility, the yarn will be used for this knitted. Yes.

Jatin Damania: Sir, next question, now as you indicate the yarn prices have stabled and now cotton prices are also likely to remain subdued or probably at the current level. So as an industry, how do we see the industry playing out in terms of the spinning? And where do we stand in terms of yarn spreads and improvement in the margin that GHCL can get it 1 or 2 years down the line?

Raman Chopra: Jatin, as you know that probably in the last few years, probably in the last 2 decades, we have not seen -- see, the demand still remains sluggish. So -- and this is probably the longest period of sluggishness in yarn market that we are seeing, almost now 2 years. And even now, the market remains a little subdued, as I have mentioned in my opening remarks, then this is the longest period.

So as and when the market improves, probably we'll see the improvement in margins. But at the same time, as you know, we are very clearly focused on our strengths and the steps which we took -- started taking almost 5 years ago towards some of the strategic initiatives have really helped us in navigating this tougher period of last 2 years.

And that is precisely the reason that despite such headwinds, we have been able to operate at closer to full capacity utilization. And as you know, that some of the steps which we took like our customer serviceability, our customer focus, our journey from a commodity yarn to a value-added yarn, utilization of 99% and our focus on renewable energy.

These are some of the things which has really helped GHCL, a very tight focus on the cost has helped GHCL navigate this tough part. So we believe that we have started seeing some inquiries from the export market. We are closely looking at that. As and when it gets converted into business only, that is what -- when we can say that, yes, it has started turning around. As of now, we believe that we'll operate more or less at the same levels where we are -- we have closed this current 9 months.

Jatin Damania: Sure, sir. Last question on my end. Sir, you indicated on the renewable power thing. But if you look on a sequential basis, definitely, our power cost has gone up from INR15 crores to INR21 crores, which is almost 7.3% to our net sales. So I mean, just wanted to understand how -- what is our focus on the renewables? How are the things moving away or probably benefit us 1 or 2 years down the line?

Raman Chopra: See, if you look at -- this is purely an accounting thing because, as you know, the season of wind power generation is May to September. So as per accounting, whatever gets generated during the first 2 quarters, the benefit of that is accounted for in those first 2 quarters. And in this quarter, the generation is significantly lower. And that is why you are seeing this differential.

And otherwise, the performance in terms of this quarter is at par with the previous quarter or slightly better than the previous quarter. And to come -- to answer your question, this -- our journey or our focus on the renewable power has really helped us in the last many years. And even today also, we are -- there is a complete protection on cost increase.

So almost 70% of our energy comes from the renewable base. And there is -- because of this, our power cost has remained very, very competitive, and that has really helped GHCL maintain its margins.

Moderator: The next question comes from the line of Aditya Sen from Robo Capital.

Aditya Sen: Sir, can you please throw some light on the remaining capex that is roughly INR650 crores plan that we have? What are we planning to do? When are the plants going to commission and all?

Raman Chopra: Yes. Aditya, very valid question. As we mentioned earlier that we are going -- we have signed an agreement with Tamil Nadu Government for putting up more than INR1,000 crores investment. INR350 crores, we have already spent in the previous year, 40,000 spindles and solar energy investments we had made in the previous year and the benefits of those are being seen in this year.

Another project of 25,000 spindles is on schedule and it will be operational by this year, by June. So INR215 crores. And knitting INR38 crores, we'll be spending by the end of December. Post that, we'll be going into other value-added journey of weaving as well as processing, and that probably will take in the next -- I would say, 3 years' time, 3 to 4 years' time where this balance amount will be spent. So the idea is by 2029, '30, we have almost 30% to 35% of our revenues coming from the value-added segment.

Aditya Sen: Okay. All right. And I'm touching this -- like I haven't touched this company significantly. So, I just wanted to know the source of this INR1,000 crore funding. Is it from the government? Or how have we sourced it?

Raman Chopra: See, as of now, if you look at our balance sheet, we are a debt-free balance sheet. So all this INR350 crores, which we have spent earlier as well as -- that has come from our own internal accruals. Going forward, our plan is to have -- to use both internal accruals as well as bank financing.

And we'll maintain and we are confident because we are virtually a zero debt company as of now, rather there is a cash surplus on the balance sheet. So both from the internal accruals plus bank finance, we'll be able to finance this capex.

But we'll remain very much within those declared boundaries of debt equity of not more than 1:1, rather we'll maintain within 0.5:1 kind of numbers. So yes, internal accruals as well as bank finance will be used to finance this expansion.

Aditya Sen: Okay. Just the last question. We have some significant amount of land bank also. So we have any plans there?

Raman Chopra: See, this land bank we'll be using for our own expansion purposes. So -- and that will help us grow this business on a year-to-year basis.

Moderator: The next question comes from the line of Resham Jain from DSP Asset Managers.

Resham Jain: So one is the capex which you have highlighted, INR350-odd crores, where you mentioned spinning is INR215 crores and INR38-odd crores is for knitting. Where is the balance capex being utilized?

Raman Chopra: Basically, I mentioned INR350 crores, we have already spent in our previous expansion previous year towards 40,000 spindles, which we added and the solar energy, which we have spent. So that INR350 crores is separate. In addition to that, INR215 crores, we are spending on this 25,000 spindles Rieter project in this year, June 2025, it will be over. And another INR38 crores will be towards the knitting project, which will be completed by December '25.

Resham Jain: Okay. Understood. And after your overall INR1,000 crores capex, let's say, by FY '28, '29, how will the mix look like between spinning, fabric, processing?

Raman Chopra: See, as I said earlier, overall, still, I would say, 70% of the revenue will come from spinning and around 30% of the revenue will come from the fabric and the value-added segment. But that will be excluding our own yarn because we'll be using our yarn for the internal and the fabric for the internal consumption. So excluding that. So that will be the kind of mix of the product.

Resham Jain: Okay. Understood, sir. And sir, generally, on the spinning side, you mentioned that the overall demand is sluggish. But overall, I think what we heard is that there has been some improvement, especially in the Southern belt in Tiruppur market and all. So are you seeing -- because the order booking for the new export booking and all seems to be on a positive trajectory? You are -- are you seeing anything on those lines?

Raman Chopra: Yes, Resham, we -- as I mentioned earlier also, we are seeing -- we are receiving inquiries, which were earlier like in the month of December, which was not at all there. We have started getting those inquiries, and we are waiting for it to get converted into orders. Yes, we are seeing those kind of -- you rightly mentioned those kind of inquiries coming in at our end.

How much it will result into business, let's wait for a little more time. And we believe that the sector has remained underweight for a very, very long time, almost 2 years. So probably some trigger should come. And this budget has been positive.

As you know, that government has given this relaxation of tax rebate, which we believe will put more money into the hands of the people going forward. So some kind of demand growth, both from export as well as from domestic side should come.

Resham Jain: Understood. Sir, the last one, I think the previous participant asked about land. But I think a few calls back, we understood that there has been some noncore assets which are there in the company post demerger. Are there any plans to monetize that and use it for the business?

Raman Chopra: Resham Ji, as of now, there is -- we have not come to that because we have not required that kind of capital. Our own internal accruals are good enough to take care of all our growth needs. As and when if we feel there is any need, we'll look at that. But as of now, there are no plans to monetize as of now.

Resham Jain: Okay. Because this noncore asset has been there from quite some time, which is not yielding anything from the business perspective. So I think this is -- what explains keeping these noncore assets in the company, while it is not generating any revenue, so if you can help understanding that?

Raman Chopra: See, Resham Ji, as of now, we don't need that capital. You see that has really increased in value. So it's not that it's not growing in value, it has grown in value. And as and when -- as I said, as and when we feel that, yes, for our future growth or if some kind of strategic opportunity comes to us and we require that monetization, we'll surely do that.

Moderator: The next question comes from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: So my first question is on the revenues, right? We've seen a marginal decline. And if I look at our utilization, it's been similar as last quarter. So it seems that yarn prices -- realized yarn prices have gone down. What explains this? Because most of our peers who have reported have sort of commented that yarn prices have been stable. So has there been any kind of adverse product mix change which explains this decline?

Raman Chopra: See, Amit Ji, a very valid question. It's you see quarter-to-quarter, some deviation will happen in terms of what orders you are supplying at what level. Small blip in the prices, but overall, not much dip. If you look at our gross margins, they have only gone up from 31% to almost 32.5% compared to the previous quarter, if you are comparing with that.

So it's not -- it's basically the supplies, the sales which you -- the orders which you execute. So there is not much differential rather there has been slight improvement only in the gross margins. And more or less the margin at a gross level remained at the last quarter's level, INR95 crores and INR94 crores. So not much differential.

Amit Khetan: Got it. And what is the difference in the margin profile between the native fabric segment and the yarn segment?

Raman Chopra: They are broadly more or less the same. It's not very significant differential, but more or less the same.

Amit Khetan: Okay. So there has to be some benefit for undertaking capex to do this, right? Otherwise, what is the point if you're getting the same margins as you have...?

Raman Chopra: No, because see, we are -- that will be additional product basket. And when we use our own yarn and -- on the market, you will be getting an additional incremental value addition in the value addition journey. So what we are visualizing and this is the business that we are doing on the fabric side, we believe that it can be a value add and it can get an additional margin to us. So basis our estimates, probably the incremental capital will give us almost 13% to 14% ROCEs on going into the knitted fabric. Anything would you like to speak?

Ravi Jalan: See, Amit Ji, let me clarify this point. I think your question is more of it that what is the value addition we are getting out of the knitting fabric, right? At this point of time, we are doing an outsourcing model. And in that outsourcing model, around 2%, around 1.5% to 2% is the additional margin we are generating out of the knitting business, knitting and weaving business. Okay!

Going forward, this number will be slightly better, as Raman said. Our ROCE on the new investment, which we have just got approval will be around 13.5%. And our margins should be in the range of around 3% to 4% extra margin will get generated out of this number of these new investments. I hope I'm being able to answer.

Amit Khetan: Yes. And when you talk about ROC, I'm assuming you're talking about on pre-tax basis, right?

Ravi Jalan: Yes.

Amit Khetan: Okay. And lastly, a couple of the participants had talked about the noncore assets. Just wanted to understand what is the size of this -- what is the size of the book value of these assets?

Ravi Jalan: See, let me take this question. You see, basically, noncore assets when we say that is we are talking about the vacant land. And that vacant land, we have strategically kept for ourselves that in the future because the journey is long for the company. We would like to use these assets for our own constructions of the new infrastructure, which we've built in, be it your weaving, be it your knitting or be it kind of a spinning.

So for strategic purpose, we have kept those land. And see, I would not say that these lands are not generating any -- currently, they are not generating any, what you call, the value in the business. But ultimately, the appreciation of the lands also do happens. So therefore, I think this remains -- this needs to be remain with the company for the future growth of the company.

Amit Khetan: No, that's fine. I'm just trying to understand what is the book value, so that when we calculate the return ratios, we can exclude that. So just wanted to get a sense of what is the -- what is it -- what is the amount that is on the books right now?

Ravi Jalan: At this point of time, I don't have the number right now, Amit Ji. Probably we'll try -- find out and let you know.

Moderator: The next question comes from the line of Aditya Sen from Robo Capital.

Aditya Sen: I was looking for some more clarity. When you said that 80% of the yarns produced from the new spindles will be used for knitted fabric manufacturing. So in terms of revenue, how much additional revenue will it fetch from the knitted fabric segment?

Raman Chopra: See, when we say that the knitted fabric, we'll have to look at the incremental value addition. As Mr. Jalan has explained, the incremental return or the ROC from this business will be around 13.5%. So we go with a value addition concept. So it will be approximately in terms of the value, almost INR14 crores will be the incremental value addition that we'll get. On an EBIT level, approximately INR7 crores will be the value that we get on the incremental basis on this INR38 crores investment.

Ravi Jalan: And that gives you around 5% of the return on that.

Raman Chopra: Right.

Aditya Sen: Okay. And so this is only for the INR38 crores investment. And we -- the spindle that will be -- yarn that will be produced from the 25,000 spindle facility, that will be sold directly to the market?

Raman Chopra: No, that will be transferred here. So the overall value from that unit will be approximately INR200 crores -- INR215 crores kind of number that will be there.

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

Ravi Jalan: Thank you very much for this very pertinent questions to us. As I always say that your support and your questions do give us a lot of thoughts. Just wanted to kind of give you a summary of our understanding about the business. We personally believe that the budget has been really a path breaking budget, and this will definitely support many other industry, including the textile. And I would like to highlight a couple of things. Some are short term and some are long term.

One, which is Raman, rightly said about the INR1 lakh crores has been put into the pockets of the general public, and that will get kind of consumed in the various area and textile is going to be one of them. And surely, that will help. The second is the cotton up-gradation where INR500 crores has been allocated.

The amount of INR500 crores is not important, but the understanding of the government that the crop needs to -- productivity of the crop needs to be looked into. That will definitely -- because gradually, the productivity per acre had gone down substantially in India. So this change -- this will also bring the change in the cotton seed, which the government is planning to kind of consider. This will definitely help both ways.

One, the competitiveness of the cotton into the Indian sector will improve. Farmers' income will also improve, and that will also help to the economy. That I think that's the second thing which is very important. In addition to that, many other initiatives like your quality product drive, making India as a manufacturing hub, all those things are definitely going to help and this will definitely have a big help to the textile industry as well.

Somebody asked that question about the overall way we are looking at. Surely, we are seeing a sign of revival at this point of a time. And like in Tiruppur, the activity has been -- has improved. Even I would say that Bangladesh also some normalcy is being seen in some of the parts of the Bangladesh. So probably this will all help the spinning industry going forward.

We are very hopeful that things will be looking at better, because it's too long a period, at least in our experience of such a long headwind has not been seen. So probably, we will be seeing the good days going forward.

And definitely, based on our work which we have done on the cost competitiveness, on the product basket expansion, including the customer centricity approach and looking at the kind of a specialized focus on the customers' requirements, we will be immensely getting benefit going forward.

So, this is what is our understanding. We are very positive on this industry. Of course, it may take some time, but hopefully, things will be looking at better soon. Thank you all of you.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this Conference. Thank you for joining us, and you may now disconnect your lines.