May 09, 2025

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विक्रम सम्वत २०८२

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 May 05, 2025

In continuation to our earlier communication dated April 29, 2025 and May 05, 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 earning conference call by Company's senior management held on May 05, 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: 2025.05.09 21:03:32 +05'30'

GHCL TEXTILES LIMITED

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

Encl: as above

"GHCL Textiles Limited

Q4 FY '25 Earnings Conference Call"

May 05, 2025

MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
MR. R. BALAKRISHNAN – CEO
MR. MARSHAL SONAVANE – CEO DESIGNATE
MR. MANU JAIN – SR GM, IR & FINANCE

MODERATOR: **MS. GARIMA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, Good day, and welcome to the GHCL Textiles Limited Q4 and FY '25 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone.

I now hand the conference over to Ms. Garima from Go India Advisors. Thank you and over to you, ma'am.

Garima: Thank you, sir. Good afternoon, everyone. A very warm welcome to everyone attending the GHCL Textiles Quarter 4 and Financial Year '25 Earnings Conference Call. We have with us on the call today the senior management of GHCL Textiles.

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 now hand over the call to Mr. R.S. Jalan for his opening remarks. Thank you, and over to you, sir.

R S Jalan: Thank you very much. Good afternoon, everyone, and a very warm welcome to GHCL Textiles Q4 and FY '25 Earnings Conference Call. I'm Ravi Jalan, and I thank all of you for joining us today to discuss our performance for this quarter and year ended 31st March 2025. We at GHCL Textiles extend our heartful prayers to the affected families from the recent tragic terror attack and wish for strength, healing and lasting peace.

Our results and investor presentation has been uploaded to the stock exchanges and company website. I am pleased to be joined by our leadership team, including Mr. Raman Chopra and Mr. Manu Jain. I would like to take a moment to introduce our new member who has recently come on board

I'm delighted to welcome Mr. Marshal Sonavane who has joined us as a CEO Designate. Marshal brings to the team a wealth of experience and strategic insight and we are confident that his leadership will be instrumental as we steer GHCL Textiles into the next phase of growth and transformation.

At this juncture, I would also like to express my heartful gratitude to Mr. Bala, our ongoing CEO, for his dedicated leadership and invaluable contribution to GHCL Textiles over the years. We thank him for his commitment and wish him all the very best in his future endeavors.

With that, I would request Mr. Marshal to take you through the key highlights of the quarter and full year, before we open the floor for questions. Mr. Marshal.

Marshal Sonavane: Thank you for the warm welcome. It's a privilege to address you today for the first time as part of GHCL's leadership team. Having spent considerable time in the textile sector, I'm excited to contribute to the GHCL's next phase of growth and value creation. I look forward to working closely with our talented teams, valued stakeholders and all of you as we continue to build a future-ready and resilient textile business.

Let me now take you through the key highlights of our Q4 and full year FY '25 performance. The textile sector continued to face sluggish demand during the quarter. Despite the challenging environment, I am pleased to share that our manufacturing facilities operated at optimum utilization levels demonstrating our strong execution capabilities and customer alignment.

Reflecting on our Q4 performance, revenue stood at INR285 crores, which came in flat compared to previous periods. EBITDA for the quarter was INR32 crores, which is an increase of 9% on a year-on-year basis and 24% on a quarter-on-quarter basis.

For the full year FY '25, our revenue came in at INR1,168 crores, marking a growth of 10% over FY '24. EBITDA for the year was INR117 crores, up 31% year-on-year, also PAT for the year was INR56 crores, up 123% year-on-year basis. I would like to highlight that our full year EBITDA and PAT performance has significantly exceeded the levels achieved in FY '24 despite the ongoing industry pressure. This resilience is a testament to our deep customer relationships, cost discipline and operational excellence.

The share of revenue from fabric increased from 6.5% in FY '24, to 7.8% in FY '25. Similarly, the share of exports has also increased from 15% noted in FY '24 to 16% of revenues in FY '25, despite the strategic reduction of exports to Bangladesh. Our strategic shift towards value-added products continues, and it continues to gain traction.

In the year, we deployed INR158 crores towards growth capex, mainly on the new spindles expansion, while working capital was released by INR54 crores on account of better inventory management and debt was reduced by INR8 crores. We maintained a robust balance sheet, closing the year with a net debt of INR58 crores despite making significant investments.

Turning to industry developments. The Indian textile industry is currently navigating a phase marked by both challenges and emerging opportunities. Cumulative cotton arrivals for the current season stood at 273 lakh bales compared to 258 lakh bales in the previous year. The Cotton Corporation of India, CCI has been an active buyer, having procured approximately 100 lakh bales as of March '25, up sharply from 33 lakh bales last season.

Domestic cotton prices are currently stable, averaging around INR55,000 per candy and international prices have also shown steady trends. We expect cotton prices to remain range bound in the near term, though there remains some degree of uncertainty stemming from evolving international trade and tariff dynamics.

On the global trade front, recent tariff adjustments by the U.S. have introduced an element of unpredictability. However, this realignment may provide India with a strategic advantage as some of our key competitors face higher duties. For India to fully capitalize on this opportunity, the private sector will need to accelerate investments in capacity and capability building.

At GHCL, we are well positioned to lead in this evolving landscape. Our committed investment plan of INR1,000 crores remain firmly on track, of which INR500 crores have been deployed. The addition of 25,000 new spindles is progressing as scheduled, and we expect operations to commence by June '25.

We also initiated a new project to install 40 knitting machines at our existing location with a total capex of INR38 crores. Work on the first phase involving 10 machines is already underway. This forward integration will enable us to produce value-added products using our own yarn, enhancing our margin profile.

As per our long-term strategic vision, we will be investing in weaving and die fabric capabilities to offer ready-to-cut fabric solutions to our customers. With a strong balance sheet, low leverage and clear strategic priorities, we are confident of sustaining our current growth momentum and delivering value to all our stakeholders.

Thank you once again for your continued support and belief in GHCL Textiles. We are now welcoming any questions you may have.

Moderator: The first question is from the line of Jatin from Svan Investments.

Jatin: So first of all, congrats on a good set of numbers with the finally EBITDA margin crossing a double digit. So going ahead, if just one want to understand in terms of the margin profile, with our fabric sales also improving 100 bps on a year-on-year basis. So how shall one look at 3 to 5 years down the line, the revenue outlook from the fabric sales versus yarn sales?

R S Jalan: Yes, Jatin, two things. First and foremost, like we have already said in our earlier call that now the future investments, we are only focusing towards the weaving and knitting side. And the journey is going to start this year. With the 40 machines, gradually, we will be building these 40 machines during this year.

And next year onwards, we'll be putting the money into the weaving side as well, along with the processing. We are just waiting for this PM MITRA Park to start is where we would like to have this processing unit installed.

And overall, we have said already that our turnover, we are looking at 2x of what is the turnover today. And out of the total overall, roughly around 30% will be coming from the value added of the knitting and fabric or the weaving product. I hope Jatin, I have been able to clarify your question.

Jatin: Yes, yes. So, 2x of turnover of today and with 30% coming from the value-added products, right?

R S Jalan: Yes.

Jatin: So if we look, we are spending near about INR1,000 crores, so that will increase our spindle capacity from 2 lakhs to 2.25 lakhs by first quarter of FY '26. Am I right?

R S Jalan: Yes.

Jatin: What will be the incremental revenue that will be coming from this 25,000 spindles?

R S Jalan: Approximately around 1:1. Approximately, it will be roughly INR250 crores kind of a number will be coming.

Jatin: INR250 crores. And sir, secondly, in month of March, we discontinued our production at our Kaveri section. So just wanted to understand what was the total expenses that we incurred for this section in FY '25?

R S Jalan: You are talking about the discontinuation, which has happened in the end of March. And basically, we were incurring losses on this division -- this unit. Broadly, we have spent around INR2 crores. The benefit of this, we could see in the month of April, the benefit has started coming in, because what we have done Jatin in the meantime, out of this closure, some of the machines we have used in the other unit.

And by that, we have increased our volume in that unit. And overall, because of that volume loss will not be that significant and we have lost approximately around INR2 crores into that unit, and that will get converted into the positive in the '25,'26.

Jatin: Started seeing since month of April, right?

R S Jalan: Yes, you can say benefits we have started seeing in the month of April.

Jatin: Sir, second thing now, if you look in terms of our return ratios, definitely, you have started seeing an improvement in the margins. But when we compare ourselves with the peers in the industry in terms of ROCE, we are at sharp at lower single digit. So what is the steps the company is taking to improve the return ratio?

R S Jalan: First and foremost, as we discussed in the first point is that this integration will help us to kind of improve our return ratio. That's number one. Second, we are also taking some of the steps on our working capital management. You have seen in this quarter or in the '24, '25 that we have released some of the working capital. So cotton inventory your earlier -- what you call your imported cotton inventory, even on your -- what you call on the finished goods inventory, so lot of work has been done on the inventory and working capital management.

Second, we have also been a little more on -- in terms of capital expenditures. If you look at this year, we are not talking about a big capital expenditure. The new capital expenditures we are not talking about. So that way we are trying to balance and try to improve upon on our return on capital employed.

Jatin: Sir, last question on my side, after which I'll come back on the queue. Sir when we integrated in the presentation, you indicated that the vertical integration and enhancement of green energy, we are seeing a long-term EBITDA margin in the range of 17% to 20%, which is almost double from the current level. So by when do we expect this EBITDA margin to reach? And secondly, just on the clarification, the Kaveri section, you indicated INR2 crores loss, which is on the quarterly basis or on a monthly basis?

R S Jalan: Annual. So first, let me clarify this INR2 crores loss, which we have said this is the last '24, '25. Second, you said about this long- term vision of 17%, 18%. Jatin, if you remember, if you look at our long-term numbers, you will find that we have been achieving this around 15%, 16% EBITDA margin on a longer-term basis. This is primarily because of the market conditions -- the margins are down.

And plus, this vertical integration will also help us to improve. We are very confident that you will start seeing these benefit maybe hopefully -- because, we right now, we can't commit on the kind of volatility we have in the market, you know because of geopolitical, because of US tariff this thing, but once things become normal, definitely, we believe that this 17%, 18%, we will be able to deliver on that.

Second, like Marshal said in his statement. I'm very optimistic that the outlook of the textile industry in the medium term, because if you look at the tariffs. The way it has been announced by the US small advantage to India will definitely have a small -- even if a small portion of the volume shifting from other countries to India will definitely have a big boost into the business of textile. So that will also bring some kind of a -- what do you call, good numbers for the textile per se overall.

Jatin: Sir, have we seen any inquiry in terms of the order inflow because you indicated the tariff and the Bangladesh disruption. So have we seen any inquiry or the order inflow during the last 1 month for the same?

R S Jalan: This has started Jatin initially, and because of this 90 days pause period by the US. Now there's a little bit of -- the people are wanting to wait that, okay, let's wait these 90 days because after

90 days what will happen because by the time they give the order now. This delivery will happen only after 90 days, okay? So therefore, they want to be a little bit being more clear on this 90-day period. But like you know that India looks to be the first mover on to the bilateral trade agreement with the US. And that will definitely bring advantage to India, particularly with the textile industry, I'm very hopeful.

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

Resham Jain: So I have 2, 3 questions. First is with respect to the current situation on the tariff. And I presume that global customers have already started inquiring about alternate source. So just wanted to hear your thoughts, what are you hearing from the market. And obviously, we have announced capex on spinning, weaving processing. But any plans to get into garmenting as well given that the largest value addition from this tariff or seems to be helping garmenters more than other segments.

R S Jalan: Resham, as you likely said, in terms of overall, what definitely we see is some kind of a positivity or some kind of inquiries are getting floated into the Indian market, because all the major suppliers be it China, Bangladesh, Vietnam, all other places, the kind of challenges are being faced by the customers. So we see that kind of inquiry that we see that kind of a curiosity of the people to place order with us. But only because of this 90-day period, a little bit conversion of the inquiry into the orders is getting a little longer time. That's number one.

Second, you said about this garmenting. See, at this point of a time, we don't have any plan to go for garmenting. First, we want to establish. You know that past experience of our home textile. So we want to be first establish ourselves as a ready-to-cut fabric to be supplied to the garment manufacturer because that's itself will be a big value creation. And once we stabilize on that, surely we will be looking at on the garmenting side.

Resham Jain: Understood. The second question, sir, is based on your opening comments, CCI has bought significant amount of cotton this year. And they are sitting with a huge amount of cotton right now. So this working capital release which you saw this year is also in line with that, given that the availability of cotton is not a problem. What are the thoughts because your cotton inventory has been a little lower than last year?

R S Jalan: Listen, you are right on that. We have taken a very conscious call that what we see the cotton outlook as per our understanding is going to be stable. And because of that, we don't see at this point of a time, the large inventory to be kept in our to godown. Second, as you rightly said, CCI has a large chunk of inventory from where we can get quality cotton also. So therefore, quality as well as the availability will not be an issue.

Second, government is actively and this is what my thinking, I don't know whether that will get translated into the reality or not, but there are a lot of discussions is going on, removing the duty on the cotton. So if that happens, first temporary, of course, it will not be for a permanent basis, for a certain period, they may remove the duty. And that will also help in terms of maintaining the cotton availability through the import also.

So therefore, our view -- we don't see any kind of a big upside into the cotton prices. And therefore we have created -- but still we have a reasonable inventory of 90 days. So it's not that we have become hand-to-mouth because then we have to maintain the consistency, we have to maintain the quality and we are hedged at least for 3 months. I hope Resham, I've been able to answer your…

Resham Jain: The last part of the question, sir, is with respect to the commissioning of a new spinning unit. So as of today, company as a whole, we have reached just about that 10% mark in terms of margins. But even this -- there's a new unit with a lot of automation and all, are you expecting any change in the margin profile versus the existing margins? Because this will be substantial, almost 20%, 25% increase to your existing revenue?

R S Jalan: See, Resham, as you rightly said this unit is getting commissioned in the month of June. And since July onwards, the production will start and definitely, logically some kind of an add-on to the overall bottom line or the margins should happen, but it all depends on the outlook of the market in terms of the yarn prices.

So therefore, yes, we are very positive that in the third quarter and probably maybe fourth quarter after the stabilization in the third quarter, things should improve. Even frankly speaking, we are also optimistic about the overall yarn market demand should improve which ultimately improves the margin as well. So we are optimistic on that number.

Moderator: The next question is from the line of Ritesh Gandhi from Diamond Advisors Private Limited.

Ritesh Gandhi: I just want to understand as compared to our historical spreads across the industry, spreads have been extremely low. Now we're hearing that because of the reduction in the cotton prices, the manufacturers have been able to keep some amount of the spread and spreads have started to move up. Is that what you guys are also seeing?

R S Jalan: Yes, Ritesh that is what I have said that we are also very hopeful maybe after this a little bit of a clarity on the what you call -what you call tariff of the US things should start looking up.

Ritesh Gandhi: Got it. And so effectively, are we already seeing increasing the spreads in the first quarter? Or are the spreads still right now as they were in Q4?

R S Jalan: I think Ritesh, the spreads are likely to be similar in nature. And because as I said, it will take some time, a lot of inquiry, a lot of activities are being seen. But conversion to the order, this 90-day issue, all is getting kind of a settle down. Once it settles down, the things should improve.

Ritesh Gandhi: Okay, sir. Sir, and with regards to the incremental capacity, which is expected to come on in June of this year, how quickly would we expect the ramp up to happen?

R S Jalan: I think I will not take much of the time in terms of the ramping up, probably the activity will start in July, I think by end of July or beginning of August, it should be full on running.

Ritesh Gandhi: Got it. And we've got adequate demand also from our customers, etcetera, to sort of fill up the capacity, is not a problem?

R S Jalan: Yes. See, Ritesh, there are 2 advantages we are going to get. One is the product which we are going to produce out of that will complement in our product basket because some of the products we are right now not offering. So this will help us to kind of complement our product basket. Second, side-by-side, we are also going for a knitting project.

So this yarn in the medium terms will get consumed in our own knitting machines, and that will help us to kind of deliver to the different customer profile, which currently are not in part of our customers in the form of fabric.

Ritesh Gandhi: Got it. And just a last question. Historically, you guys have implied that your normalized EBITDA would be in the high teens, so would we hope to sort of reach that by maybe the end of FY '26, maybe?

R S Jalan: Ritesh, very difficult to answer this or give you a prediction because you have seen yourself the way the product -- what you call volatility is being seen. But in the normal circumstances, yes, because we have moved in a very rightful way. Look at our cost structure. Our power cost has been very beautifully has been managed today, our labor cost is also 6%. Our cotton procurement is a very efficient process.

So overall, I see in terms of -- and still our work on this cost structure continues to be remains focused. In terms of the quality also, in terms of the customers', identification of the rightful customers, that also the process is continuing. And that will continue further also. So I think definitely if everything is normal, we will be definitely achieving that number.

Moderator: The next question is from the line of Raman KV from Sequent Investments.

Raman KV: Sir, I have only 3 questions. One, what is the current cotton yarn spread?

R S Jalan: Raman, if you don't mind, can you take your phone instead of the speaker phone because your voice...

Raman KV: Now can you hear me sir clearly?

R S Jalan: Yes, now much better.

Raman KV: Yes. So I was asking what is the current cotton yarn spread?

R S Jalan: Okay. The cotton spread at this point of time is around INR119.

Raman KV: INR119?

R S Jalan: 1-1-9.

Raman KV: And sir, this is with respect to Q4, right?

R S Jalan: No. This is the current -- you asked the current.

Raman KV: In Q4, how was the cotton yarn spread? And you said that there has been some kind of uptrend in terms of the spread, the spread is improving. So can we expect the margins in Q1 to be much better than what we had in Q4?

R S Jalan: Raman, if you note down my statement, which I said, I said we are definitely seeing some kind of a positive. But I've also said that the margin is not -- at this point of a time, we are not seeing in the current situation, the margin spreads are not going up. Hopefully, once the things get settled down after the 90 days of the uncertainty, things should be looking up. '25, '26, definitely, my expectation is things should be better. How much better? I think it's very difficult to predict at this point of time.

Raman KV: Okay. And sir, my second question is, sir, you said you will be adding 40 knitting machines by the end of FY '26. And I think I also heard you saying that 10 machines will be operational from Q3 FY '26, right?

R S Jalan: Yes. This will be likely -- this 10 machine will get started by September '25. So you can say that up to full third quarter and fourth quarter, we should be getting the advantage of this. And depending upon the success of these 10 machines because we are currently also doing the outsourcing model of the knitting.

So therefore, we don't see any major issue in terms of -- because 15 machines we are doing an outsourcing, we have taken the machine on outsource, and we are supplying the fabric to the customers. So that's why we will be building this from 10 machines to 40 machines.

Raman KV: So how much incremental revenue can we expect from this forward integration into knitting fabric?

R S Jalan: See, broadly, my understanding is -- exactly the number I don't have at this point of time. But broadly, in the 20% of the revenue of the yarn means because fabric has 80% or 85% of the cost of the yarn. So you can say incremental revenue on that increased amount will be around 15% to 20% on those yarn, which is getting converted into the fabric. And once knitting machines get established, then I think you will have a significant amount of increase in the volume -- in the revenue.

Raman KV: And sir, this would be like -- we can expect by -- this 15% increase in terms of volume in FY '27, right, which will be the like full year of operation for knitted fabric machine?

R S Jalan: This 15% will be in terms of the revenue, not volume, in terms of the revenue because the revenue gets increased by 15% -- 15% to 20% of the yarn, which we consumed in the knitting machine.

Raman KV: So yes, that's what I was asking. Will we see this growth in FY '27?

R S Jalan: 100%, you will see that growth.

Raman KV: And from the 10 machines, can we expect like an incremental revenue of 5%, 10% in this year?

R S Jalan: See, broadly, I don't have that number at this point of a time. But broadly, I can tell you that the revenue this year in all put together will be approximately around 15% to 20% higher than -- I'm talking about the revenue, 15% to 20% higher than that in '24-'25.

Raman KV: Okay, sir. And sir, the final one is like more or less like a follow-up question to what you said. So you have guided for 15%, 20% revenue growth in FY '26. So what is the volume growth guidance and margin guidance?

R S Jalan: See, first and foremost, let me slightly correct this number, which I said 15% to 20%. At this point of a time, the way we have projected, this could be around 14% to 15%. I'm giving you a very specific number, which we have projected. This can be more also or this can be slightly less also depending upon how the yarn prices moved. The second -- what you -- second question, what was your question, sorry?

Raman KV: Sir, volume guidance and margin guidance?

R S Jalan: In volume, definitely, this 25,000 spindle volume guidance will happen and margins are very difficult to kind of predict, the margin guidance for '25, all this volatile situation. But I said, generally, our feeling is it will be better than '24 '25.

Raman KV: Okay. And sir, in the opening remarks, you said your aim is to do 2x of FY '25 turnover with 20% revenue from value-added products. So this is for FY '27?

R S Jalan: No, no, I said in the next 3 to 4 years of time, we will have around 30% of our revenue coming from an expanded base on the current base, it will be double, and on that 30% will be coming from value-added of knitting and weaving and processed fabric.

Raman KV: It will be 3 years?

R S Jalan: Yes, 3 years' time.

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

Amit Khetan: So my first question was on -- if you could elaborate a little bit more on the tariff situation, especially from a yarn perspective. Now I can understand the bullishness on the garmenting and possibly on the fabric side from a long term, but if the tariffs lead to sort of a recessionary environment in the U.S. Could that lead to demand headwinds, especially given that yarn is a commodity, which is anyways being exported and it doesn't really matter where it's produced. So could that be a negative for us in terms of yarn prices and spreads?

R S Jalan: See, two, three views we have on that. First and foremost, in terms of this tariff situation, our personal belief and maybe we are right or wrong, we don't know, we will get settled down. We believe that way. Some way this way or that way, that will get settled down globally. But yes, that may lead to a little bit of a recessionary could happen, though still we don't believe, but it may happen.

And obviously, if that happens, automatically, that will have an impact on the final product. And ultimately, the final product will also lead to the basic raw material, which is a yarn. But the other part of this, if you look at, see this will also make an impact on the marginal players, which are not cost and strong on their operations and they will get hit hard and that will help us to kind of a company like us to have a better performance maybe on that because marginal players will have a major impact of that.

Amit Khetan: Okay. And second question was on -- you talked about the potential removal of import duties on cotton by the Indian government. What sort of incremental margins impact could be there just from this aspect, given what prices are today?

R S Jalan: I don't think at this point of time, you should look at any margin expansion because of this duty removal. This will only help in terms of creating a kind of a cotton switch because I said 100,000 bales -- 1 crores bales is with the CCI. So therefore, a lot of opportunity of the price reduction in the cotton may not happen. But this will definitely cool down the overall prices and the availability of the cotton will be better.

So I personally believe that no major expectation we should have from the margin expansion, but this will definitely improve your cost in terms of your competitiveness with the global players and that will help you in terms of the overall demand improvement may happen. Even if suppose the 10% duty remains, that will put a pressure on the prices of the garments or things like that. And some of the impacts may get impacted because of this duty removal.

Amit Khetan: Got it. Thank you and Marshal congratulations on your elevation.

Marshal Sonavane: Thank you, Amit.

Moderator: The next question is from the line of Resham Jain from DSP Asset Manager. Please go ahead.

Resham Jain: Hi, thanks for taking my question again. So on energy side, sir, wind as we know in the past in Tamil Nadu, there were evacuation-related issues and things were a little difficult. But how is the situation now on the wind side? Are you able to generate and evacuate full quantum of units?

R S Jalan: Yes, Resham, luckily, at this point of time we don't see any challenge in terms of evacuation or in terms of the power availability in Tamil Nadu. So that way it's very stable and good environment of power.

Resham Jain: Sir, is it possible to share FY '25, how many number of units you have generated through wind?

R S Jalan: Yes. Right now, I don't have a number, but I can share with you offline. If my memory is correct, if you look at overall, I think 10 crores unit approximately -- you have that data? 10 crores unit broadly, honestly, I don't have the number, I have to open some files.

Resham Jain: No problem. It's fine. Yes. And sir, one more bookkeeping question on capex. What is the cash capex amount for FY '26 you're budgeting for?

R S Jalan: See, INR114 crores we are projecting to be spent in FY '25, '26. Out of that, major will be these two retail projects the leftover volume amount and second is the knitting machine.

Resham Jain: Okay. Understood, sir. Thank you.

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

Jatin: Thank you for the opportunity again. Sir just wanted to understand now with Marshal getting elevated, so want to know his view in terms of the technical textile and manmade fiber and is GHCL moving in that direction?

R S Jalan: I think, Marshal.

Marshal Sonavane: Jatin, so see, I think it is now well established that technical textile has a lot of potential and India still is in a very nascent stage. The metric I see for that is sort of my kilograms per capita consumption for technical textile, if you compare India with U.S., China, we are sort of far, far, far below.

From a GHCL perspective, I think the vision, which has been stated is to move towards ready-to-cut fabric side, both on cotton and synthetic side. So yes, on synthetic side, there will be some movement towards that end. But apart from that, any other technical textile at least it is not in the plan as of now.

Jatin: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Amey Chheda from Banyan Capital. Please go ahead.

Amey Chheda: Thanks for the opportunity and apologies if it's already been covered, but what led to this gross margin improvement Y-on-Y and sequentially, did the spreads improve?

R S Jalan: Sorry, can you repeat, Amey, again your question?

Amey Chheda: What led to this gross margin improvement? Did the cotton yarn spreads improve sequentially?

R S Jalan: Yes. The cotton yarn spread has improved primarily because of better product and a better market.

Amey Chheda: Okay. And what was the Q3 and Q4, if you can give a number?

R S Jalan: Q3 number in terms of the spreads?

Amey Chheda: Yes.

R S Jalan: Cost of margin?

Amey Chheda: No, spread, which is INR119 currently, what was in Q3 and Q4?

R S Jalan: I think it was approximately around INR109 to INR119.

Amey Chheda: That was in Q3 INR109?

R S Jalan: INR109 was in Q3.

Amey Chheda: And in Q4, it was around this INR119?

R S Jalan: Yes, that number was, like I said, same number.

Amey Chheda: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Lakshminarayan from Tunga Investment. Please go ahead.

Lakshminarayan: Yes. A couple of questions, sir. One is, we understand that demand has actually come to a standstill globally based on the need from companies like coarse, it's actually manufacture threat. In this situation, what gives us confidence for companies like us to sound positive and also put capacity expansion confidently?

R S Jalan: Yes, Lakshmi, very valid question. Let me tell you a couple of things, which we believe because first and foremost, like I said the way we look at India as a competitive advantage vis-a-vis the -- your other countries, we see that competitive advantage. Second is whatever the change which we -- just now we have discussed about this global customer base shifting some of their priorities to the India, that will also bring an advantage to Indian players.

The third is see we are seeing a consolidation also. The marginal players or the small players, they are getting kind of out of the business. So that will also bring the organized player or the stronger players will have an advantage. So these are the three things probably I would say that is giving an advantage.

But I have also said along with that, in the near future we are looking at more investment towards the vertical integration, like I said, the knitting, weaving, processing, ready-to-cut fabric to be given, to the delivered. And obviously, the vertical integration will create a value for our shareholders.

Lakshminarayan: Sir, taking note of what you mentioned. So if the capacity is available and people are going to dwindle, why wouldn't you actually go and buy those capacity instead of actually setting up something on your own?

R S Jalan: See, very important, very valid question you have said because this kind of a unit which are on the block, they are very what you call, old technologic what you call investments. Second is they are very small in size. So you have to -- in various locations, you have to manage those small size of the spindles or the capacity and so therefore, it doesn't make sense.

The third, like I said, already we are not looking for any major investment in the spinning side. In any case, our investment is more on the knitting and weaving side, which is more of a vertical integration.

Lakshminarayan: Sir, on knitting, what is that kilograms per day you can actually get and then if I look at the EBITDA divided by the spindles you have, you still appears to be on the lower side when I compare to few other companies. So just your thoughts on what is the output you expect on knitting per day? And then how to improve the EBITDA per spindle?

R S Jalan: See, 2 things, like I said, at this point of time, we are just putting around 10 machines. Once we have these 40 machines all in place, the new spindle age of 25,000 spindles, which we are putting in, almost around 70% of the volume will go by -- 70% of the volume of that unit will go into the -- in our -- all 40 machines of the knitting.

So that way, we will be able to -- and this -- location of this both will be the same complex or same building. So that will bring a lot of advantage in terms of the movement in terms of the packaging and things like that. We have a customer base also, as I mentioned, because we are already doing an outsourcing model. So that will also bring an advantage too in terms of overall our this thing.

Lakshminarayan: Can I just squeeze in one more question, sir. Sir, what percentage of the cotton is imported? And does the current situation benefit importers in general?

R S Jalan: See, basically, we are not importing any cotton, which is a commodity in terms of like your Indian cotton, like low staple or the medium staple cotton, we are not importing except the Australian cotton. All the imported cotton, we are only using for the value- added like Australian cotton, your Pima cotton, Giza cotton, those kind of a cotton and approximately-- and overall, out of the total procurement of the cotton, I think maybe approximately around 20%, 25% of the cotton we are procuring, which are all of the value- added like Giza, Pima or Australian cotton.

Lakshminarayan: These are imported ones you're saying?

R S Jalan: Yes, imported cotton.

Lakshminarayan: And does the current situation is advantageous for importers because I think there is one remark you mentioned that maybe some import duty cut or something?

R S Jalan: See, so far as these 2 cartons are concerned, your Pima and Giza, which is in a long staple cotton, currently also, there is no duty on that. But why I've said this advantage to this will be because once the duty removes, overall cotton availability or the other people will impose some of the cotton. And therefore, the Indian cotton prices upwards will not happen. So that -- and at that time probably we may also look at the possibility of importing some of the cotton for the medium staple.

Moderator: Hello. Mr. Saket Kapoor, your line has been unmuted, please go ahead.

Saket Kapoor: Sir, firstly, our closing balance for capital work in progress is INR155 crores. So with the commissioning of this 25,000 spindle, what should be the -- what should be capitalized and then INR114 crores number which we have -- which we will be spending for the next financial year?

R S Jalan: See, like I said, out of this INR155 crores, total project cost of the reiter projects -- so total investment into the reiter project is around INR215 crores, okay? Out of that, as you said, INR115 crores, yes, or INR150 crores gets allocated from the WIP or the CPI capital work in progress, balance amount will be spent here. The balance amount we are spending on the knitting project, which I just mentioned majorly.

Saket Kapoor: And that part will get capitalized when, sir, that INR114 crores capex?

R S Jalan: Like 10 machines will get capitalized by September end. And after that, whenever we spend another this thing -- in 3 months' time, the moment we start spending the money in 3 months, they will get capitalized because that lead period of that is very small, putting the knitting machines.

Saket Kapoor: And sir, our projects -- our capex is aligned with the Tamil Nadu Government state policy. So there is any capital subsidy or any incentive? What are the incentives we are provided for this project, sir, say INR1,000 crore capex?

R S Jalan: Yes, we have some incentive under the government scheme. And that will get accrued to us even for the money, which we have already spent, the application has been filed for that. And hopefully, we will be getting those benefits. And approximately, if my memory is correct, we will be getting around INR15 crores to INR20 crores of the benefit out of that this thing.

Saket Kapoor: Out of the INR500 crores which you have invested or the total INR1,000 crores capex will yield us INR20 crores?

R S Jalan: Exactly, Saket, I don't remember that number, but I think this number will be on INR500 crores. But exact number I have to just check. Broadly, the number should be in the range of around INR15 crores to INR20 crores, should come to us.

Saket Kapoor: And sir, for the M&A part, you have already alluded to. So there are a lot of -- again, coming to the point, there are a lot of stressed assets available, I think in the southern part of the country and even GHCL Textile was one, Meenakshi Textile, which is known to investors, that was also a stressed asset buy.

So taking into account, are we also looking for any M&A activity that may or may not crystallize going ahead or we do not have the assets which are aligned to our portfolio. That is what -- and we will be expanding only on this organically only?

R S Jalan: Saket, we are looking at all those possibilities. I would not say that we are not looking at the possibilities. But we are very careful of which kind of assets like suppose we get some garmenting business, probably we may look at it. So those kind of -- but spinning, unless there is a well-managed or the large size, we would not like to go for any investment into the spinning side. A lot of possibilities we are seeing, but we'll be very careful of investment.

Saket Kapoor: And last point, sir, if I may be allowed. On the borrowing part, what should be our peak debt taking into account this INR1,000 crores capex, out of which I think INR500 crores already spent, we have a long-term borrowing of closer to INR61 crores. So at the peak debt, what are we anticipating, if any absolute number you can give or some color where we will stand?

R S Jalan: Saket, one second, we're just trying to fix the number. Would like to give you a little precise number. Approximately around INR600 crores of the overall peak debt once we complete our entire process.

Saket Kapoor: Okay. And with that peak debt, what should be the asset turnover ratio or the revenue looking like?

R S Jalan: My debt equity ratio will still be 0.35 and overall, my top line will be roughly around INR1,700 crores, approximately around, and you can calculate the asset turnover.

Saket Kapoor: Sir, my small point is currently, we exited the year with a turnover of INR1,160 crores. And what you just spoke, we will be reaching the peak debt of INR600 crores and the top line would reach to INR1,700 crores. I mean I did not get the math correctly, sir.

R S Jalan: Yes, INR1,700 crores Saket, please understand one thing. Once you make an investment, capital investment, it takes some time. See, at the end of the year, likely capitalized in the year of '29, okay? The benefit of that will be coming in the next year. Like if you look at this number, this number of INR1,700 crores will be up by around INR200 crores next year. So the cycle of this investment will always be -- get materialized in 1 or 2 years of time.

Saket Kapoor: Okay. And which year we will be hitting the peak debt, sir?

R S Jalan: Year '29, we are projecting '29. Like I said, this is very important to kind of highlight, our debt-equity ratio will remain 0.35, only 0.35.

Moderator: Mr. Hemant, please go ahead with the question.

Hemant: I just wanted to ask you one thing. Like, sir, first of all, our endeavor is to double our revenues in the next 3, 4 years, okay? So what are the drivers behind it? Because I see the capacity utilization is already at 99% and the 25,000 spindles which we will be adding in June '25 will fetch an incremental revenue of INR250 crores only? So what will be the drivers? And sir, the revenue growth of 14% to 15%, which you are talking about in FY '26, will it be skewed towards the second half of the next fiscal year?

R S Jalan: Yes. This will be second half of the fiscal year because this investment will start kind of in June onwards. I mean July onwards, we will start getting the benefit of this investment. And the second, you said what are the drivers. One is, like I said, the investment into the 3 areas, your knitting and weaving and the processing part of it. So these are the 3 driving area. And obviously, we are also -- we have looked at in the later part of the year, we are looking at some spindle also, which can happen primarily either the new unit. And this we are talking about after 2, 3 years of this new spindle age.

Hemant: So sir, just to sum it up, the knitting…….

R S Jalan: Sorry, your voice.

Hemant: Hello.

R S Jalan: Now we can hear you.

Hemant: So just wanted to sum it up, sir, the knitting unit, the fabric unit and the weaving unit, plus the addition of 25,000 spindles will -- should actually double our revenues.

R S Jalan: No, no, no. I've said that in addition to that, we will be also be -- we have a plan to add on the spindle age also. But it is not in the near future, we are looking at in '27 '28, '29, right?

Hemant: Okay.

R S Jalan: '28, '29…

Hemant: Sir, one more thing is like as you told us that the 14%, 15% kind of revenue growth will be skewed towards H2 of the next fiscal year. So shall we anticipate a subdued kind of performance in H1?

R S Jalan: I think, yes you can. This will be very difficult to predict. But I would say that overall if the things doesn't improve, like the volatility at this point of time, then you can assume that way.

Hemant: Okay. But sir, we are intact -- but we will still be intact on doubling our revenues in the next 3, 4 years?

R S Jalan: Yes. For sure.

Hemant: In spite of the subdued performance in H1, right?

R S Jalan: Yes, sir.

Hemant: Okay, okay, sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Aditya from RoboCapital. Please go ahead.

Aditya: Hi. Thank you for the opportunity Sir, in the PPT, you have mentioned of 17% to 20% EBITDA margins. So can you please let us know what are the factors that should fall into place to achieve these levels of EBITDA margin?

R S Jalan: See, I always said, Aditya, that there are 3 things which are going to be important. One is the spread. Because ultimately, any margin improvement will only -- not happen only because of operational improvements. So that's one.

And we believe that at this point of a time, the market is really subdued. And we believe that in a normal situation, I've explained to you also what is -- why we see optimistic in the spread to go up in the medium term. So that's one.

The second is the spread or the vertical integration, which we are talking about. These are the 2 factors which will definitely bring that kind of -- and in the past, we have achieved that kind of a number. So we don't see any reason of the industry not coming to a normal situation going forward.

Aditya: So from your understanding, is there a possible time line that you can share with us?

R S Jalan: I don't think we can share the time line in terms of the market volatility. This can happen maybe this year. This can happen next year. But yes, we can only, what you call, give a time line of the vertical integration, which we are doing or the volume increase, which we are doing through the various capital investments into the business. That we are definitely we can -- we have a time line.

Aditya: Okay. So that is roughly 2, 3 years, as you have mentioned previously in the call.

R S Jalan: Yes. You will see that knitting investment will be coming in this year, and that will get expanded next year. And year later, you will see that weaving project will be coming in. And again, year later that -- this will be more of a gradual increase which will happen. It will not happen in one go after 3 years, it will not happen in one go in next year. No. It will be gradual increase.

Aditya: All right, sir. Understood. Thank you.

Moderator: Thank you. The next question is from the line of Raman K.V. from Sequent Investments. Please go ahead.

Raman KV: Hello, sir. I just had a follow-up question. Sir, what is the CapEx for this year? I mean, I just want -- you said you already spent INR500 crores. So that use we -- in the PPT it was mentioned that you spent around INR500 crores. So that is spent this year? Or are you including the amount to be spent -- in this year in FY '25 itself.

R S Jalan: Yes, it's a very valid question, Raman. First and foremost, this INR500 crores, which we have given is the number which we have against the INR1,000 crores of the sign-off we have done with the Tamil Nadu government. In that, 2 years back, we have gone for a 40,000 spindle of knitting -- sorry, your synthetic spindles that is included. And this also included the investment which we made in the green power that is also included.

And the third investment, which will get capitalized now will be the -- this 25,000 spindles. So all this put together is INR500 crores. This INR500 crores is only which we have already spent, I mean, I would say, up to '23, '24. '24 '25 will still in WIP, right? And that will get capitalized next year, which will be against that balance INR500 crores, INR200 crores will get capitalized next year.

Raman KV: So can we -- so you're basically saying INR200 crores will be the capex, right?

R S Jalan: Sorry?

Raman KV: INR200 crores will be the capex for this year?

R S Jalan: No, no, INR114 crores will be in the next year, the capitalization, because there are certain capital work in progress this year, that will also get capitalized next year. Cash flow-wise, INR114 crores will get spent next year.

Raman KV: And how much will be this debt?

R S Jalan: Yes, we are not projecting too much of high debt. It will be -- approximately, we are projecting around a peak debt of this year will be INR128 crores. Against last year of '24, '25 against the INR63 crores, it will be INR128 crores. So that means you can say INR63 crores is the extra debt we are projecting.

Raman KV: So you're basically saying that debt levels will be INR128 crores and the capex which you will spend this year will be in terms of cash flow will be INR114 crores.

R S Jalan: Yes, INR114 crores, yes.

Raman KV: Okay.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Yeah. I just want to understand when you're putting the spindle age, right, what is the minimum spindle capacity you need to do? Is it like a block of 25,000? Or how does it happen? And what is the cost you actually have to incur on -- on this --- on this putting this 25,000 just for spindles alone.

R S Jalan: Yeah. So basically, there is no -- I mean, I would say, minimum number which is required to be done. Because if you are in existing business, you can -- depending upon your cash flow, you can go for a smaller size also or the higher size also. Like 2 years back, we have gone for a 40,000 spindle, and this we have gone with a 25,000 spindle.

The second, capital cost also depends on the kind of a product which you want to make it. In this unit, which is 25,000 spindles, 100% reiter project, we are investing roughly around INR215 crores for 25,000 spindles.

Lakshminarayanan: Got it, got it. Sir, does it depend on the kind of count of yarn you are trying to make?

R S Jalan: Yes. That all depends on that. If you're going for a final count, your cost per spindle will lower. If you are going for a coarser count, your cost per spindle will be higher because of the higher preparatory investments.

Lakshminarayanan: Got it. And this entire output, which you are making on yarn , how much is currently exported out?

R S Jalan: Overall, till now, whatever we are producing around 17% to 18% getting exported. Out of this new unit of 25,000 spindle, our plan is to use for the knitting projects. Once we put these 40 machines, 70% will get consumed into our own knitting fabric.

Lakshminarayanan: Got it. And what kind of cotton...

R S Jalan: Sorry. Your voice is gone

Moderator: Yes, sir, the current participant has been disconnected. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

R S Jalan: Thank you, everyone. Thank you. As I have been mentioning every time that your input definitely brings a lot of thought in our mind. And as we have been doing, our role of improving our performance on the various operational side will continue. And we are very clear our role is to create value for our stakeholders. But we will be very cautious on our investment approach, and we will be making judicious investments and utilize the assets fully to make sure that we earn the money out of the investment which we made. Thank you very much for your support.

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. Thank you.