"GHCL Textiles Limited Q1 FY27 Earnings Conference Call"

July 30, 2026

MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
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MR. M. PARASURAMAN – CHIEF FINANCIAL OFFICER

MODERATOR: **MS. MEHAL GOGIA – GO INDIA ADVISORS**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the GHCL Textiles Limited Q1 FY27 Earnings Conference Call hosted by Go India Advisors LLP.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Mehal Gogia: Thank you. Good evening, one and all. It is my pleasure to welcome you on behalf of GHCL Textiles Limited. Thank you for joining us today for the Q1 FY27 earnings call.

Today, on the call, we are joined by Mr. R S Jalan – Non-Executive Director; Mr. Raman Chopra – Non-Executive Director; Mr. Marshal Sonavane – CEO; and Mr. M. Parasuraman – CFO.

Please note that today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces. I now, invite Mr. Marshal to Present his Opening Remarks after which we will open the floor for "Q&A." Over to you, sir.

Marshal Sonavane: Welcome to the GHCL Textiles Limited Earning Conference Call for the First Quarter-ended June 30, 2026. Our Results and Investor Presentations are available on the Stock Exchange.

Let me begin with the operating environment before turning to our performance and the road ahead:

The global backdrop continues to present a case of cautious optimism, and the US-Iran conflict remains a source of uncertainty. During the quarter, the conflict drove raw material volatility across both cotton and synthetic fibers, pushing prices higher and causing some delays in order execution at elevated price levels. Markets remain volatile and we are monitoring these developments closely. Despite this external turbulence, the demand environment has been encouraging.

The yarn market remains on an upward trend as demand is steady and higher prices are being accepted, albeit with some lag.

Domestically, cotton prices witnessed an upward trend during the quarter, rising from Rs.62,000 per candy in April '26 to Rs.67,000 per candy in May '26 and then dropping to Rs.64,000 per candy in June '26, prices have since risen again to Rs.68,000 per candy.

On the global front, cotton markets, particularly in New York futures, have also increased, driven by the ongoing international trade situation, reaching to 80 cents per pound at the end of June '26.

On trade policy, the execution of the India-UK free trade agreement and the upcoming execution of the India-Europe agreement represent meaningful structural tailwinds for the Indian textile value chain. The new duties imposed by the US on Indian exports replaces the erstwhile tariffs of similar magnitude. Clauses on treating a tariff data quota for the competing nations and for the potential conclusion on USTR Section 301 overcapacity probe needs to be evaluated further to assess overall impact.

Turning to our own operations: We continue to maintain optimum utilisation and advance our operational excellence agenda. Of our total yarn production, 89% was sold directly to customers and the balance 11% was consumed in fabric production. Our share of fabric sales to total sales has increased to 16% in this quarter compared to 9% in the same quarter of last year.

Our positioning as a preferred supplier has allowed us to strengthen relationship with global and domestic brands, optimise our product and customer basket, and sharpen our focus on value-added products.

Our business has delivered robust performance and same is reflected in reported financials. In Q1 FY27, revenue came in at Rs.410 crores, up 52% on a year-on-year basis. EBITDA was Rs.70 crores and PAT was Rs.39 crores.

On our project pipeline: The first 50 knitting machines were installed, with commercial production stabilised and quality acceptance from customers is good. We are going ahead with the remaining 25 knitting machines in phases, with part deliveries received by us and remaining to be completed during this year.

Additional project pipeline includes additional 11 MW solar energy and land allotment under PM MITRA Park. These are under progress and we will share more details on these as they develop.

Looking ahead, demand tailwinds appear to be strengthening on the back of FTA pipeline and domestic demand, which has been growing consistently.

The evolving US-Iran situation remains a key headwind trigger, along with the US tariff policies and related investigations.

Our strategic priorities are clear -- Expanding our value-added product portfolio, deepening engagement with key customers, driving operational excellence, and enhancing vertical integration to support sustainable growth. This will enable us to navigate the volatility and maintain our desired performance. GHCL Textiles is well-placed to capture these opportunities.

We remain committed to creating long-term value for our shareholders and we thank you for your continued confidence and support.

We are now happy to take your questions.

Moderator: We will now begin the question-and-answer session. We take the first question from the line of Saransh Gupta from SVAN Investments. Please proceed.

Saransh Gupta: Yes, thanks so much for the opportunity and congratulations on a really good set of results. Sir, I had a few questions that I wanted to ask. Firstly, what kind of cotton inventory do we have currently?

Marshal Sonavane: So, Saransh, we maintain typically cotton inventory for the season. So, as of now, we are well-covered till the beginning of new season. Saransh, you had a few questions, right?

Saransh Gupta: Yes, sir. So, it was that at what current level of cotton inventory are we at, like how many more months of cotton inventory do we have and so forth?

Marshal Sonavane: Yes, so I answered that we are well-covered till the beginning of new season, which will be about November-December.

Saransh Gupta: Okay, so November-December, understood. And, sir, currently, we saw volatile prices of raw materials, so, what are the spreads currently in the market?

Marshal Sonavane: So, currently, our spreads are about Rs.160 per kilo without the packing cost. We can take the average packing cost of about Rs.5. So, with packing, it is about Rs.155 per kilo is what our current spread for the last quarter was. And this is sort of a jump from about Rs.138 per kilo, which was there in Quarter 4 FY26.

Saransh Gupta: So, sir, given the current trend in the prices and the low-cost inventory that we have, is it right to assume that the current numbers what we reported in terms of the margins are sustainable? In terms of the knitting and fabric, which has come to 16%, definitely something has come from the new knitting capacity and the machine capacity that was set up. So, over a period of time, how shall one look at the fabric contribution and what sustainability of the current margin?

Marshal Sonavane: So, you have two questions, right? One, on the sustainability of margins. So, yes, I think because of timely procurement of cotton, there is definitely a benefit which has been derived from that. There are two aspects to it. One, as we sort of progress towards Quarter 2, Quarter 3, the lower cost cotton inventory would have been consumed and there will be a gradual increase in the cotton price. We definitely have to see whether at elevated levels of cotton, which is at about Rs.70,000 per candy right now, can higher yarn prices be absorbed by the market or not? So, definitely there will be an impact of higher cotton inventory, which will sort of start to come in now. If the markets remain like this and prices are getting accepted, of course, the spreads would remain. But, I think on a very conclusive basis, what we can say is that the spreads will be better than what we have seen last year for sure. At least on Quarter 2, it will be similar to what we have right now. Post that, definitely we need to see how the overall market behaves. In terms of fabric, yes, fabric has almost reached about 16% of our overall sales and is composed of both woven and knitted. There is definitely a contribution from our 15 knitting machines. On a woven and knitted, it is almost a split of about 50-50%-odd. Woven continues to remain on a job-up model while, let us say, a significant part of knitted will start to become in-house. In that case, as we have always said, there will be an incremental margin from in-house production of about 2%-3%, which will get added over being only a standalone yarn manufacturer. But even with 40 knitting machines, our total in-house knitting capacity would be only about 12-15% of our overall yarn production. So, you will have to sort of adjust the overall margin increase as per that as well.

Saransh Gupta: Okay. So, that means our total contribution to fabric for the next two, three years will probably remain in the range of 16%-20% only?

Marshal Sonavane: So, for the next two, three years, obviously, we have a plan to forward integrate further. So, we have always said that our objective is to become a ready-to-cut fabric supplier and the journey is what we have planned for the next two, three years. So, I think that percentage will definitely go up when we become a ready-to-cut fabric supplier. Fabric will become a significant part of our overall top line, probably in the region of about 30%-40%, which is right now at 15%-16%. But this is after three years is what I am talking about. So, that journey has to be traversed.

Saransh Gupta: And sir, in terms of the solar power, can you comment on where are we in terms of power consumption, and with the completion of renewable project is there in the hand, what type of savings one can anticipate?

Marshal Sonavane: So, as of now, let us say renewable power, we have a total installed capacity of about 65 MW, another 11 megawatt is sort of in pipeline. So, in the last year, we have been working on two projects. One was a rooftop solar project of about 3 MW capacity. This has been implemented in January. So, this year, we will get the full benefit of it, savings is expected about Rs.2 crores per year. The second project is on 11 MW ground solar project. That is in progress. There have been recent some changes done by MNRE particularly on ALMM list, because of which the project slightly got delayed. The commissioning date is in December now. So, that project would give a benefit of about Rs.6 crores per year, but the full benefit will only come next year.

Saransh Gupta: That is all from my side and thank you and all the best.

Marshal Sonavane: Thank you.

Moderator: We take the next question from the line of Raman K V from Sequent Investments. Please proceed.

Raman K V: I just have one question with respect to the cotton. You mentioned that the cotton price has started to increase as of July 2026, and you will be purchasing the cotton inventory at a higher cotton price. You also mentioned that you will be able to maintain the Rs.150-155 crores spread. So, I just want to understand where is the demand coming from -- is it because of the EU-India FTA, or is it because of the internal domestic demand? So, if you can highlight where is the demand coming from, and is the demand still persistent at a higher cotton price, like at a higher spread as well?

Marshal Sonavane: So, Raman, just a few clarifications. What I said is that let us say we have cotton inventory till November-December. We have been building up this inventory from the beginning of the season when the prices were much lower, and gradually the prices have started to go up as the season has progressed. So, in the Quarter 1, we got the benefit of our lower-priced cotton inventory, apart from the price increases, which has happened because of demand. Right? So, that is number one. So, we are not going to procure cotton today for utilizing for our sales as of now, right? So, there is an inventory built up whose benefit will accrue, and gradually that inventory price will start to go up as well, right? So, that is number one. Number two, on the demand side, there is a growth both in our domestic market as well as in export, and definitely the trigger points are resolving global situations with respect to tariff, also, some of the FTAs which are coming in pipeline. What we are seeing in the demand side of things is that prices are increasing gradually and getting accepted with a lag. So, as of now, at Rs.68,000, Rs.69,000 level, the spreads are maintainable. But let us say if the cotton prices increase further, which has already happened, will the prices get accepted or will get accepted with a lag? There could be a reduction in spread because of it. What I earlier said as well is that this year's spreads will be better than what we have done last year, right, and even better than what was there in the Quarter 4. So, that trend looks to be continuing. Whether it will be 145, 150, 155, I think that only we can say as we progress through the year. At least for Quarter 2 perspective, we think it may be slightly lower to what we have done in Quarter 1.

Raman K V: I think in our Quarter 4 FY26, our spread was around close to 130, 140-ish. So, you are saying on an average basis for the entire year, our spread will be in that more than like around 140-ish?

Management: So, you are correct. Our spread in Quarter 4 was about 138. This definitely for the full year will be better than that, right, at least from a demand situation point of view, that looks to be continuing.

Raman K V: And sir, on the capacity front, we are almost at full utilization. So, apart from the knitting machines, on the yarn side, are we having any capacity expansion as of now? And if so, till when are we expecting this capacity to be added, like fully operationalized?

Marshal Sonavane: So, yes, I think on our capacity expansion side, only the knitting machine is in pipeline for us. But as we have sort of said earlier as well, we almost have about Rs.350 crores of CAPEX to be deployed, primarily for our ready-to-cut fabric production facilities, which is what we are focusing on now.

Raman K V: Understood, sir. For the quarter, what was the inventory gain impact? Like we did around Rs.69 crores of EBITDA. So, out of the Rs.69 crores, how much did we gain on the inventory?

Marshal Sonavane: So, see, if you see our sales price increase has almost been about 20%-24%, while let us say, cotton prices have gone, our inventory gain could be about 10%-12% only. So, rest of the spread increase has actually happened because there has been, one, better pricing in the market, second, our customer selection and our entire strategy around strategic customers, cotton pricing and everything.

Raman K V: Understood, sir. Thank you.

Marshal Sonavane: Thank you.

Moderator: We take the next question from the line of Resham Jain from VVD Asset Managers.

Resham Jain: Hi. Good afternoon. Congratulations on very good numbers. So, I have two questions. First one is on the overall yarn demand. So, what we see from the numbers is that the demand from China for the cotton yarn has been quite muted since last few years, but suddenly, I think, beginning of this year, we have started seeing very good kind of exports from India. How big is this? And are you also exporting to China? And also, what has changed particularly in the overall cotton yarn scenario? Based on your assessment, why do you think the overall demand is much better?

Marshal Sonavane: From China, you mean, right?

Resham Jain: China and in general also, the overall demand conditions are much better right now. What is driving this?

Marshal Sonavane: Yes. Okay. So, we will address first China. So, yes, since I think December, we have been seeing a lot of opportunities for export in China. GHCL Textiles per se does not export much to China, right? But yes, there has been a lot of demand which is coming and getting fulfilled from India. And I think that trend has continued. While it has slightly slowed down in Quarter 1, but yes, it is still there, much more than what it used to be before December. One reason in our assessment is that one, the overall cotton production in China is going down. So, there has been more acreage reduction and output reduction when it comes to Chinese cotton. And of course, the prices in India, at least before December, when a lot of these quantity was booked, was much better or much cheaper compared to everywhere else. So, I think that was one big trigger why it happened. And it is continuing because overall Chinese cotton output has gone down. And of course, the bans on Asian yarn cotton and everything in the US market. So, I think that is, in our assessment, the reason why there is a significant demand and continued demand from China. In terms of the overall, why demand situation has gotten better? One, of course, this entire demand tailwind coming from FTA signings and all the global markets and brands looking India positively because of it. Second, Indian domestic market itself has at least grown by 6% to 8% year-on-year now, and that seems to be strengthening as well. So, this is also a second reason why even we see a lot of growth in the domestic market and export market. So, I think some of these reasons are more structural in nature, and that is why we believe that some of these demand tailwinds are set to continue. The third part is that before December, many of the retailers were sort of sitting on a very low inventory sort of thing. So, which also as it is just replenishment of inventory, which is also happening. So, Resham, I think in my assessment, these are the reasons why we see a good demand tailwind happening. Resham, any further questions?

Resham Jain: The second question is on PM MITRA Park. The land has already been allocated. So, if you can give more update on the same, like what is the next step and when are we starting the overall project here?

Marshal Sonavane: So, as per our discussions with the execution body for PM MITRA Park in Tamil Nadu, the project from their end is to be completed by December '27. That is the timeline which they are working on. As per the policy, we are supposed to complete our project within three years of land allotment. So, those are the broad timelines, right? So, some of the discussions, we are actively engaged with the SIPCOT (State Industries Promotion Corporation of Tamil Nadu) for initiation of the project. But overall, from a timeline perspective, both from policy perspective, also their timeline, between '27-28 is when project is supposed to be completed and the commissioning can happen.

Resham Jain: Like December '27, your commissioning should happen, right, is what you are saying?

Marshal Sonavane: December '27 is the completion date for the PM MITRA Park and the facilities to be provided by the government. And from the date of allocation, which was in '26, right, we have about three years to complete it. So, basically, the land allotment happened in the last quarter. So, basically, it is three years from hence we have to complete entire project and commission it. That is the maximum time.

Resham Jain: So, along with the PM MITRA Park body, you will also parallelly start the project, is that correct understanding?

Marshal Sonavane: Yes, that is a correct understanding.

Resham Jain: Okay. So, from your timeline, assuming their facility will get ready by December '27, when will your processing plant or the fabric manufacturing plant will be ready?

Marshal Sonavane: So, it will be in CY '28, we have to start building it, but yes, in CY'28, we will sort of plan to commission it and initiate it. Maybe a part of it could be done earlier as well. It all depends on how the progress happens on the overall park and its facilities.

Resham Jain: Okay. And this will be Rs.350 crores or Rs.400 crores kind of CAPEX, right, which you are planning here?

Marshal Sonavane: Correct.

Resham Jain: So, the second question is, given that the balance sheet is already quite strong for us, and this project is going to happen within the next two years' time, while the cash generation, which I could see is significantly higher, and I think PM MITRA Park would have some debt concession as well, so, you will fund it through some concessional debt as well. So, how are you going to use the cash, because I could not see any other project other than this?

Marshal Sonavane: So, right now, we are working on two projects, which we have decided. One is on completion of our knitting and solar projects. So, that is where the cash we will be able to deploy it. And simultaneously, as the government starts to build up the PM MITRA Park, there will be some activities starting from our end also.

Resham Jain: Okay. Those are small CAPEXs compared to the cash generation which you are planning to have?

Marshal Sonavane: Yes. So, this year, our CAPEX, all projects put together, including modernization, replacement of capital equipment, I think will be about Rs.100, 120 crores.

Resham Jain: Okay.

R. S. Jalan: No, Resham ji, if I can add to what Marshal said, at this point of time, our plan is Rs.350 crores to Rs.400 crores of investment is already there in pipeline. We are also debating within ourselves that what are the new initiatives we should be taking. And at the appropriate time, we will share those details also with the investors.

Resham Jain: Okay. And we are planning in the next few quarters, is how I think about that?

R. S. Jalan: Yes, surely. We are planning in the next few quarters, that how are we going to deploy the resources going forward. Obviously, the journey is very clearly defined. And like Marshal has been saying, that our target is to double the revenue and obviously, the margin will also expand because of this vertical integration. Along with this, what else we can do? We are working on that.

Resham Jain: Got it, sir. Thank you so much. All the best.

Moderator: We take the next question from the line of Shreya Chatterjee from Ageless Capital. Please proceed.

Shreya Chatterjee: Hello, sir. Thank you for taking my question and congratulations for a very good set of numbers. I had a couple of questions on the demand side and especially what is happening like the UK FTA has been lifted and everything. If you could just give a volume guidance of your yarn or fabric part? And if you could just quantify the impact of the UK FTA and maybe the US FTA also coming by the end of the year and the New Zealand FTA, that would be really helpful?

Marshal Sonavane: We do not have a direct exposure to these markets, to UK and the US. We have a direct exposure because we sell to the customers who would be exporting. In terms of our volume, we are already at 98%-plus utilization. So, this will definitely not impact in terms of our volume. Of course, where we sell, which customer we sell could sort of adjust. But overall, from a volume perspective, we are operating in 98% utilization. The way these FTAs, of course, will impact a lot of our customers, right, because US and UK both have very large markets, particularly in UK, of course, there was a duty disadvantage with India had with respect to, let us say, Bangladesh would pay or Vietnam would pay, I think that brings it to parity. In a market, which is almost $40 billion, our market share was about 4%-5%. That could itself double, right? So, if we are doing about $1.52 billion business in UK market, it could double to almost $4 billion. Similar is the case in US as well. I think US is almost a $400 billion market. And where India, of course, has market share of about 6%, at least on the apparel side. And that itself, because of stability in that market, if it comes, then that could impact significantly also. The other markets, which is large and where an FTA would have a big impact is European Union, which is also sort of slated to go into execution mode by the end of this year. I think that is a big trigger and demand tailwind, which can come from that market as well. So EU, UK, US put together is almost a $900 billion market or $850 to $900 billion market. So, significant opportunity exists for India textile players because of these FTAs.

Shreya Chatterjee: Got it, sir. Any particular volume number of market share gain that we see indirectly coming from all these changes?

Marshal Sonavane: As I said, for us, no. But as in all the industrial bodies, government bodies has predicted, is that at least in UK, there is a potential to double the market share. In US, it is sort of supposed to go from 6% to let's say 7%, 8%, right? So that is what all industry bodies are expecting. And largely, I think it would come as well.

Shreya Chatterjee: Got it. And sir, like with the cotton prices going higher, what inventory days do we want to maintain for the whole year going ahead?

Marshal Sonavane: So, as of now, we are maintaining inventory between November-December is what we are maintaining. Going forward, I think we will have to see how the monsoon evolves and the entire situation with respect to rains. Based on that, we will take calculated calls, how much inventory to maintain or whether we sort of maintain similar level of inventory.

Shreya Chatterjee: Got it. Thank you, sir.

Moderator: We take the next question from the line of Sagar from Astrolite Investments. Please proceed.

Sagar: Sir, I just wanted to understand like Q4 FY26, your knitted fabric volume was around 666 and utilization was 99%, right? And this quarter, your volume has jumped a lot and your utilization is 99%. So, why there is a surge in volume -- the knitted machines have come into the picture or how is it?

Marshal Sonavane: So, the 99% utilization is for our spinning business, not for our knitting. So, that is one clarification I wanted to give. Second part, yes, because we have received the 15 knitting machines, the volume has jumped because of that. And we still continue to operate some of the fabric business on a job-off model, both on knitted and woven side. Okay.

Sagar: So, what would be the capacity utilization for knitting fabric as of now?

Marshal Sonavane: This quarter was the first full quarter when the knitting machines have been working. Gradually, the utilizations have increased. Currently, we are maintaining about 80%-85% utilization for these 15-machines.

Sagar: Fair enough. And these 25-machines, when can we expect them to enter the picture?

Marshal Sonavane: So, they are coming in parts; some of the machines we have received in July, the other machines would come in part Q2 and Q3, so by Q3-end, we would have all the 40-machines.

Sagar: Okay. And also, with sales volume of yarn, so like going forward, I understand that you are moving up in the value chain to more of a knitted fabric. Then your yarn would be captive used and your yarn volume itself will degrow, or how is it?

Marshal Sonavane: Yes. Part of our yarn gets converted to fabric. So, in my opening remarks also, I mentioned that 89% of our yarn was sold as yarn and the rest 11% was converted to fabric and sold. So, as we sort of increase the fabric volume, some part of our yarn will sort of start to get converted and getting sold as fabric.

Sagar: Fair enough. Okay. Thank you.

Moderator: We take the next question from the line of Deepali Kumari from Arihant Capital Markets Limited. Please go ahead.

Deepali Kumari: Thank you for the opportunity. I just have a few questions. As India's cotton production has been declining while imports are increasing, do you see this becoming a structural disadvantage for Indian spindles over the next three to five years? And if domestic cotton continues to trade at premium to global sizes, how will it impact India's export competition?

Marshal Sonavane: So, Deepali madam, I could not understand your first question. I understand your second question that Indian cotton is traded at premium, how would it impact the export competitiveness? Could you repeat your first part of your question?

Deepali Kumari: I am asking like India's cotton production has been declining while imports are increasing. Do you see this becoming a structural disadvantage for Indian spindles over the next three to five years?

Marshal Sonavane: Understood. So, I think India's cotton production, at least compared to last year, this year has been higher. But, I understand where you are coming from that earlier used to be much more, almost about 400 lakh bales, which has dropped to about 324 lakh bales as of now. Right? Globally, also, we have seen that cotton production, maybe next year, except India, everywhere else, it is supposed to go down in terms of output. India has been working on improving the cotton yield as well as overall output. Recently, I think last six months back, government launched this entire mission on cotton productivity, where the target is to go back to 400 lakh bales output, also, your yield has to go up from 400 to about 700 Kg per hectare. So, given those plans are in progress, I believe India will have sufficient cotton going forward as well and we will not be in a situation where we have to rely a lot on imported cotton. As a nation, we have been buying imported cotton, let us say for years and even government has timely removed the duty also on some of these cottons which can come in duty-free, which has been a big help to the industry and overall situation of supply of cotton has been comfortable. So, I do not see that as a challenge in the next three to five years that India will have a shortage of cotton. Coming to the overall pricing of the cotton, as of now, Indian cotton is at parity with global cotton. So, there is export competitiveness for sure. In, let us say, last quarter, Indian cotton at some point of time, it was cheaper, then gradually it has come at parity. So, I think these things are there, but as of now, because it is at similar price at which imported cotton is, there is a good enough export competitiveness, and from a cotton competitiveness perspective for yarns, I think, I do not see a lot of challenges there.

Deepali Kumari: So, historically, every period of strong yarn has been followed by fresh capacity addition and margin normalization. Will this cycle be any different or the same?

Marshal Sonavane: So, I think what is changing this time is that overall, I think, demand structural changes are happening, right? So, let me just put a few points forward. One, all these FTAs are getting signed. So, multiple markets are open for Indian textiles industry. The second part is there is a lot of infrastructure getting built, right, for example, we are also investing in PM MITRA Park. So, some of these infrastructure, if it builds, puts in a lot of competitiveness, because they will create an ecosystem and right environment, compliance, and everything. So, that also is a big step. On the synthetic side as well, there is a PLI Scheme which is there, your raw material capability in terms of PTA and energy is getting built. So, for India, synthetic portfolio will also get strengthened. I think that gives us a belief that this time, maybe the cycle will be more sustainable, right? And probably in the last few years, a lot of spindles have gone out of action as in they are not working. So, capacity reduction or maybe normalization has also happened. I think that is also a step in the right direction. So, probably this time, the belief is that there will be more structural changes happen and then the demand cycle will continue.

Moderator: We take the next question from the line of Ritik Agarwal from Motilal Oswal Financial Services Limited. Please go ahead.

Ritik Agarwal: Thank you, sir, for the opportunity and congratulations on a great set of numbers. My first question is that how is the order book building for the second half of this financial year? Are you seeing any orders from regions like US, UK, EU because of the tariff and FTA tailwind?

Marshal Sonavane: So, the order book is healthy. We usually maintain about one and a half to two months of forward booking, which we are able to maintain as of now as well. Let us say when it comes to some of the demand from UK, EU, and US, as I said earlier, we do not have direct exposure to US and UK. But what I can say is that our exports have been very healthy to European regions, at least in Quarter 1. So, we saw good demand coming from the markets like Germany, Italy, and the other European nations.

Ritika Agarwal: Understood, sir. So, sir, you are not receiving any orders from US or UK?

Marshal Sonavane: US and UK both typically are ready-to-cut fabric in garment markets. They are not yarn markets. Because we are only in yarn and in greige fabric, typically we are sort of tier-two vendors for some of the brands in US and Europe or UK. So, we would be supplying to process houses or to garmenters who would ultimately be supplying to the US and Europe. So, that is where we are. So, that is why we do not have direct exposure to some of these nations. Particularly in Europe, yes, there are companies or markets where there is an opportunity to supply yarn and even greige fabric, which is what we have been doing. And it is a significant part of our export market as well. In that particular segment, we saw good demand coming in, in Quarter 1. I hope that answers your question.

Ritika Agarwal: Yes. Sir, my second question is, how much improvement in the fabric segment do we expect if we move to process fabric basically?

Marshal Sonavane: When you say improvement, what do you mean?

Ritika Agarwal: So, sir, as you said that over the next three years, you are going to do business shift to fabric segment from yarn basically. So, how much margin expansion can we expect?

Marshal Sonavane: Yes, so let us say when we are vertically integrated and have become ready-to-cut fabric, we can expect a normalized EBITDA of about 16% to 18%. And also, our ambition is to double our revenue, right, from Rs.1,000 crores to Rs.2,000 crores by FY29. I think that is the broad objective is what we are working with.

Ritika Agarwal: Understood, sir. Thank you.

Moderator: We take the next question from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

Saket Kapoor: Yes. Namaskar, sir, and thank you, firstly, for the opportunity. Just putting forward the point of EBITDA margin on the long-term vision. So, for this quarter itself, we clocked 17% as EBITDA margin because of the factor that is very well explained. And so, in the most likelihood, is now the trap or the floor set of this higher margin sustainable or is it the inventory benefit that has played out for this Q1 and this will be now going ahead?

Marshal Sonavane: So, Saket ji, I think what we have always maintained, right, the normalized margin for our type of business is about 14%-15%, right? So, that is our normalized margin. So, definitely, we have come from 12% which was there last year to about 17% this quarter. We think the normalized margin for this year will be about 14%-15%. So, there will be some inventory gain which is there in Q1 will not happen going forward in the quarters as well. When we are becoming a ready-to-cut fabric supplier, of course, there is an incremental EBITDA which will come from our vertical integration, which is what would get added and that is why we say that it is going to be between 16%-18% when we are a ready-to-cut fabric supplier.

Saket Kapoor: Just to add to it, in slide #10, you have also mentioned about specialized yarn for moving into value-added premium product in each category. I think we are already in the specialized yarn. What are we trying to explain? And then, sir, with respect to the addition of machines, in the presentation, slide #11, we have mentioned that Phase-II will be commissioned in FY27. So, this year, from the existing quarter, it will start accruing the benefits and hence incremental margins will be maintained. Is this understanding correct? You mentioned about five machines for July itself.

Marshal Sonavane: So, 15-machines have been received. For Phase-II, we have received about six machines. The rest 19-machines to be received in FY27 Quarter 2, Quarter 3. So, by Quarter 3 end we will have this 25-machines commissioned. I think this is what the message which we have given. This is what we have been saying, right? When we work with strategic customers, we try and customize our products to their requirements. So, we are sort of trying to give solutions to some of their type of fabric which they want to make, and this is the direction which we are moving. Few things we have started to do in specialized yarn, but that capacity is much smaller. That is why we sort of did not illustrate it much more. But as and when we sort of get enough capacity built and it becomes sizable, we will definitely sort of bring it out in much more detail.

Saket Kapoor: The second question was slide #8, wherein you have alluded to India's FTAs are a boost to the textiles sector. Therein, under the US category, you have mentioned that the agreement tariff reset at 10%, and then the impact part, can you explain, sir, what are we trying to convey by 20%-plus US cotton import is equal to zero duty on exports versus, if you could just elaborate further on the same?

Marshal Sonavane: So, with respect to US, some of the details are still to come, but as you would have said also, the US tariff has been set at 10% over and above the MFN duty, which is on an average about 16.5%. MFN is more or less similar across all the countries, except countries where they have gotten LDC benefits and others. So, the total tariff as of now is 26.5%. When India and US FTA details had started to come out, there were a few benefits which were given on US cotton, which gets used, right? So, the duty benefit would have been there if US cotton gets used. That is what is there on the slide as well, that if you have 20%-plus US cotton import, probably the duty will be zero. But there is a caveat that some of these details are still to come out in complete detail. This is what we had sort of understood as of now.

Saket Kapoor: Right. Sir, I will join the queue, but we have a very detailed and explanatory investor presentation and we hope for the continuity and all the best. That is all. Thank you.

Moderator: We take the next question from the line of Resham Jain from VVD Asset Managers. Please proceed.

Resham Jain: Thanks for taking my question again. So, just on the PM MITRA Park, what are the benefits which government is giving in this particular CAPEX, if you can just highlight some of the key benefits including the debt subsidy or something which you are going to get?

Marshal Sonavane: So, Resham, the reason why we went there was in terms of common infrastructure, right, whether there is central CETP (Common Effluent Treatment Plant), whether there is ZLD (Zero Liquid Discharge), dormitories, and other centralized facilities, which would make compliance to be much easier to maintain. I think that was primarily the reason why we went towards PM MITRA Park. There are other benefits when it comes to debt and everything, which practically we would not be utilizing that much in a way, but our intention was primarily from a more operational ease perspective and compliance perspective, what attracted us to PM MITRA Park.

Resham Jain: So, there is no concessional debt available for PM MITRA Park?

Marshal Sonavane: At least I did not sort of look much into it, but we can get back to you.

R.S. Jalan: As per our understanding, Resham ji, at this point of time, we do not have that kind of advantage. And in any case, on all our investments, we are covered under the Tamil Nadu Incentive Schemes. There we will be getting many advantages, and this will be part of that advantage also.

Resham Jain: Okay. Anything which you can highlight?

R.S. Jalan: See, basically, in the overall project, which we have signed with the Government of Tamil Nadu, we have certain advantages. Exactly, at this point of time, I will not be able to tell you that, but these are the significant advantages in terms of capital subsidy and those kinds of things. And in terms of the total investments of around Rs.1,000 crores, almost around Rs.100 crores, Rs.125 crores kind of capital subsidy and other benefits will be there.

Resham Jain: Okay. And we have not received anything?

Management: The first phase of inspection has been done, and I think now the file will be moving, and after that, we will be getting some benefits out of that.

Resham Jain: Okay. Thank you, sir. That is it from my side.

Moderator: We take the next question from the line of Aditya, an individual investor. Please proceed.

Aditya: Yes, thanks for the opportunity. So, as you mentioned that you would like to double the revenue in the next three years, can you give a kind of a roadmap on how you plan to get there, like over the next three years how it will scale from the current to the next Rs.2,000 crores?

Marshal Sonavane: So, see, I think when we set up this anchor of Rs.2,000 crores, our top line was about Rs.1,000 crores. So, the idea was to double from Rs.1,000 crores to Rs.2,000 crores. It was, I think, FY23 around that year. So, from there, I think this last year, we clocked about Rs.1,350-odd crores, and we delivered about 14% growth. We will be able to maintain similar growth for this year or more. So, our floor is definitely what we have delivered last year. So, based on that, I think in the next three years, similar growth we expect to continue. And by FY29, definitely, we will be able to reach Rs.2,000 crores.

Aditya: Okay. So, can you explain how the growth will come -- is it fabric because you are already at full capacity for your spinning, so that is not increasing?

Marshal Sonavane: So, when we were at Rs.1,000 crores, from then, we have increased our spindles by about 60,000. So, we built two new units, both put together about 65,000 spindles, which took us from this Rs.1,000 crore run rate to about Rs.1,300 what we delivered last year, and including the growth of about Rs.1,450-odd crores is at bare minimum, which would be there this year if we maintain the similar level of growth. Beyond this, I think there will be two things which are happening. One, our greiege fabric portfolio is expanding, which has contributed almost about Rs.65 crores for this quarter, and going forward also that pace will continue. The other part would be when we move towards ready-to-cut fabrics, additional revenue will come in from that segment. Right? So, we will be putting almost Rs.350-400 crores there, as a turnover of even 1:1 or 1:0.8, the rest of the revenue will come from that direction.

Aditya: All right. So, for the current year, you are planning to maintain a similar growth rate as last year, that is what the plan is, right?

Marshal Sonavane: Yes, that is what we are working with.

Aditya: Okay. All right. Thanks a lot.

Marshal Sonavane: Thank you.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to management for closing comments. Over to you, sir.

R.S. Jalan: Thank you very much. I think, first and foremost, Marshal has very beautifully kind of articulated our vision. He has also articulated the performance and the basis of this performance.

I just want to add a couple of things in this. First, as I was mentioning, I think the last two, three quarters, the tailwind sign has been seen two, three quarters before. I personally believe this tailwind will continue, like Marshal rightly said, in terms of the many structural changes which have happened, the FTA or overall domestic demand, growth, and those kind of things. So, that is number one. So, I think this structural change of the tailwind will continue for a little longer period of time.

Second, as in the last question, he has mentioned, our growth plan is completely in place. We have moved from Rs.1,000 crores to this year, likely numbers are around Rs.1,500 crores, and hopefully in the next two to three years of time, with the ready-to-cut fabric business model which we are going, we will be achieving that number or maybe slightly better than that number. We have a strong balance sheet and our focus on operational efficiencies, our cotton coverage expertise, or including even the cost-competitiveness in terms of the investment, into the power, in terms of the modernization, and even working towards the labor availability. If you look, many industries are facing the problem of the labor availability, but the team is working on those things beautifully, and I am reasonably sure that this year of '26-27 is likely to be much better years of the last two years, and this journey will continue going forward as well. We are committed for the value creation of the shareholders.

Just an update, of course, this will be subject to the shareholders' approval. We have also gone for a ESOP Scheme for the executives or the management. I think that will also kind of help in terms of creating that kind of an environment for the management team to kind of pursue a much bigger value creation.

I just wanted to also highlight in terms of the ROCE. I think in the past also there was some concern on the ROCE. This quarter our ROCE is approximately around 12%. The way the value creation or the way this asset turnover ratio is increasing because of this knitting machine forward integration and those kinds of things, even the kind of customer selection or the mix of the customers and exports, all these things are adding to the ROCE, this will improve.

So as we have been saying in the past also, historically also, barring the last two years, our EBITDA margin has been healthy, and I am sure now this EBITDA margin as well as the ROCE will be significantly better as compared to last year.

Thank you very much to all of you for the support and the confidence in the management, and we will continue to deliver the performance.

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