"GHCL Textiles Limited

Q2 & H1 FY27 Earnings Conference Call"

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MODERATOR: **MS. GARIMA SINGLA - GO INDIA ADVISORS LLP**

Moderator: Ladies and gentlemen, good day and welcome to the GHCL Textiles' Q2 & H1 FY27 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 this conference, please signal an operator by pressing "star" then "zero" on your touchtone phone. Please note that this conference is being recorded.

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

Garima Singla: Thank you. Good afternoon, one and all. It's my pleasure to welcome you on behalf of GHCL Textiles Limited. Thank you for joining us today for Q2 and H1 FY27 earnings conference call. This call is being hosted by Go India Advisors.

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. 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 the company's business outlook and performance, after which we will open the floor for Q&A. Thank you, and over to you, sir.

Marshal Sonavane: Thanks Garima. Good afternoon, everyone and a warm welcome to GHCL Textiles' earnings conference call for the second quarter and half year ended September 30th 2026. Our results and investor presentation are available on the stock exchanges.

Let me begin with the operating environment. The global backdrop continues to present a case of cautious optimism with the demand tailwinds continuing and potential to strengthen further with the signing of FTAs, and at the same time increasing raw material prices and a volatile global situation creating resistances.

Domestic demand across our segments continued to remain steady with a strong order flow. However, the sharp rise in cotton and yarn prices towards the end of Q2 led buyers to limit purchases to immediate needs. The export markets as well did not face any challenge in terms of volume. UK and New Zealand FTAs are now in force, and the benefits of the same will be visible in a year's time.

The India-EU agreement is expected to be operational in early 2027, and there seems to be steady progress on other discussions -- other in-discussion FTAs. Overall, the demand scenario remains positive.

On the cotton front, global and domestic output has declined while consumption has remained stable or increased. Within India, the crop size is expected to be lower due to the El Niño effect.

Proactive steps from Government of India to remove the duty on imported cotton and also extending it till December are steps in the right direction and will help stabilize the cotton prices and availability.

Domestic cotton prices rose from around INR64,000 per candy to INR69,000 per candy during the quarter and have remained around INR67,000 since. This price is at parity with global cotton, helping in the competitiveness of Indian yarn. We follow a robust cotton procurement process from both domestic and imported cotton to ensure our high standards of product quality and at sustainable prices.

Turning to our own operations, we continue to operate at around 99% capacity utilization. Our Meenakshi unit has reached full capacity and the share of fabric in our revenue increased to 16% from 11% in the same quarter last year. Overall, we delivered a robust Q2.

Our revenue has reached INR446 crores, up 31% year-on-year. EBITDA came in at INR92 crores, up 141% with margin improving to 20.6% from 11.2% and PAT adjusted for the exceptional loss was INR56 crores, up 249%. Reported PAT is INR36 crores, up 124%. For H1 FY27, revenue was INR856 crores, up 40%, EBITDA at INR162 crores, up 129% and adjusted PAT at INR95 crores, up 223%. Reported PAT is INR75 crores, which is up 155% compared to last year.

On a sequential basis, revenue grew 9%, EBITDA grew 31% and adjusted PAT grew 42%. All adjusted PAT figures mentioned above exclude the one-time exceptional loss of about INR27 crores on account of inventory lost in the fire incident at our rented warehouse in Tuticorin in August '26. There was no impact on our manufacturing operations due to this incident. The inventory was adequately insured and the claim is under progress.

Our balance sheet remains strong. During the half year, we repaid about INR74 crores of debt and now net debt is at INR48 crores, a net debt-to-equity of 0.03x. Our strong balance sheet enables our growth plan. Of the INR1,035 crores committed under the MOU with the TN government, INR675 crores have been invested. Our planned knitting expansion will be completed in Q3 with receipt of balance machines.

11-megawatt ground solar project is under progress and will be commissioned by end of Q3. This will take the total green energy installation to 76 megawatts. We have received the land allocation at PM MITRA Park, a total of 56 acres, which will be used primarily for processing.

In addition, we have received a board approval for an investment of INR410 crores which includes margin money on working capital requirements, towards adding 58,368 spindles along with 5 megawatts of rooftop solar. This project will generate a revenue of INR400 crores to INR420 crores at an EBITDA of 14% to 15%. We expect to complete this project by end of FY28, and the full benefit can be expected in FY29.

Looking ahead, we remain cautiously optimistic. Underlying demand is steady and should gain momentum as FTA benefits take effect. However, higher raw material prices will take time to be absorbed and margins may see some near-term pressure as cotton prices move up. Our

strategic priorities remain clear: value-added yarns, vertical integration, green energy and operational excellence. These keep us on track towards our goal of INR2,500 crores revenue at a 15% to 18% EBITDA margin by FY30. We thank you for your continued confidence and support. We are now happy to take your questions.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Ritesh Ram Gandhi with Discover Capital. Please go ahead.

Ritesh Ram Gandhi: Hi, sir. Congratulations on a great set of numbers. So just wanted to understand given the large capex that we have already -- just wanted to understand from you when all of this is expected to hit all -- to actually come on stream exactly and also given available leverage levels are so low and effectively we've got a reasonable amount of free cash. Are there further expansions that we're looking at beyond these 58,000 spindles that we're looking at?

Marshal Sonavane: So, Ritesh, there are a couple of projects which are in pipeline, right? So the first project which you said is the 58,000 spindle expansion that is expected to come online by FY29 beginning, right? So it is almost a year of installation and commissioning. So this project will most likely give benefits in FY29 full year. Okay.

The second part we have been discussing about vertical integration in our last call also. So that is on processing for PM MITRA Park. We expect that project to sort of come in in FY30. Okay. There are other projects, for example, the 11-megawatt ground solar project that will get commissioned in December this year, right? And the rest, knitting project is sort of mostly closer to completion. We will have all the balance 40 machines, as in the total 40 machines, by this Q3 end. So we can start seeing the result of those machines from Q4 onwards.

Ritesh Ram Gandhi: Got it. So then effectively, we have the rooftop from the Q3, we've got the additional 40 machines from Q4 and then towards Q4 of FY28 is when we expect then these spindles to come on stream?

Marshal Sonavane: That's right.

Ritesh Ram Gandhi: Got it. I understood. So -- and just to understand the overall spinning environment per se, does it going to continue to be robust or is there some amount of slowdown we're seeing?

Marshal Sonavane: You are asking about demand? Sorry, I missed one part.

Ritesh Ram Gandhi: Demand and spreads.

Marshal Sonavane: Yes. So, the spreads in Q2 went up. So our spread in Q1 was just a minute -- yes, the spread in Q1 was 160 and Q2 it is at 173. So the spreads actually went up. In Q3, we sort of expect the spreads to come somewhere in between these two. Definitely there is some sort of a stabilization in margins, but in terms of overall demand, it remains robust. So it would definitely be better than what we saw even towards the end of Q4. So quarter three will come somewhere in between quarter one and quarter two.

Ritesh Ram Gandhi: Got it.

Marshal Sonavane: And even forward as well. So, just sort of to summarize, even going ahead also, we see the demand absolutely no challenge. Demand is quite robust from all the markets, exports and within domestic as well. There could be some impact because of raw material volatility. But overall, I think it is shaping up to be a very good year for the spinning industry.

Ritesh Ram Gandhi: Super. All right, thank you so much. Appreciate it. Thanks.

Moderator: Thank you. Our next question comes from the line of Saransh Gupta with Svan Investments. Please go ahead. Saransh Gupta, your line has been unmuted. You may proceed with your question.

Saransh Gupta: Yes, thank you for the opportunity. I hope I'm audible.

Moderator: You are audible.

Marshal Sonavane: Yes, you're audible.

Saransh Gupta: Yes. Congratulations, sir, on a great set of results. Sir, I had a few questions. So firstly, I wanted to understand like our fabric contribution in this quarter has been somewhere around 15%-16%, and it has been, I guess, in that level in the last quarter itself. So I wanted to understand what by the year end and by FY28, what can be our fabric contribution?

Marshal Sonavane: So, Saransh I think it was 15.6%, now it is around 16.5%. So definitely the contribution is inching upwards. We sort of plan to end the year somewhere in the range of 16.5% to 17% from our overall fabric contribution.

Saransh Gupta: Understood. And sir I see that we are already running at 99% utilization. So at least for the next year like where do we see the growth coming in from? Because I believe that the current realizations are the peak that are going in the market. So if they decline, so will our top line.

Marshal Sonavane: So yes, next year, definitely there are projects in pipeline which will sort of benefit. Definitely, this 11-megawatt solar which we are putting up, the benefit will start to get it from December this year. So that could add to our margins.

The second part is knitting machines are in place now. The entire 40 sets of machines are with us. We will get a benefit from there also. And in addition to that, we keep working on our product portfolio and customer segmentation, right? From there, definitely what better we can do from our existing utilization and how we can get to a better product portfolio. That is the third lever, which is something which is always in operation with us.

And there are few debottlenecking projects which we are doing, which will sort of add some additional capacity from our existing units. I think a mixture of these three, four things is what will help us for next year. But yes, the year after that, definitely there are large projects which are in pipeline.

Saransh Gupta: And so like the last participant, you mentioned that the spreads were INR173 per kg in Q2 and you see them declining going ahead. So what were the current spreads in October month and what are they currently?

Marshal Sonavane: So, the October month spread was similar to September, but definitely November will come slightly lower. The benefit as in -- the overall prices are getting stabilized but the impact of cotton prices is sort of getting into the overall spreads now. But as I said to the last participant as well, we see the quarter three spreads to come somewhere in between quarter one and quarter two.

Saransh Gupta: And so the last thing from my side before I join back the queue, so were there any inventory gains in this quarter? And if they were, then if you can quantify what was it?

Marshal Sonavane: So, see benefit of lower cotton inventory is definitely there, but that is not sizable. Even at our current cotton prices, we would be getting similar sort of margins. So to say, right? And cotton procurement is something which is very strategic for us. Definitely there will be some sort of benefit sometimes it will be lower as well. But ultimately our first objective on the inventory is to ensure we are able to procure cotton -- right set of cotton at the right time to ensure our quality levels are sustainable.

Saransh Gupta: Understood.

Marshal Sonavane: Right? So…

Saransh Gupta: Yes, please go ahead.

Marshal Sonavane: Go ahead.

Saransh Gupta: Yes, so just…

Marshal Sonavane: You can go ahead with the question.

Saransh Gupta: Yes, so I had -- I just wanted one more clarity. So I guess you mentioned about two capexes that are coming in. One is for the spindle and the other one is for the processing unit that is being set up at the PM MITRA Park, which will come by FY30. So -- and I believe we have already spent somewhere around INR600 crores to INR650 crores out of our INR1,000 crores MOU commitment. So the incremental capex that we are going to do, like, if you can quantify how much will that be? I guess 410 is for your spindles and the 11 megawatt.

Marshal Sonavane: Yes. Incremental capex INR410 crores for the spindles. Somewhere between INR275 crores to INR300 crores will be for our processing unit. The 11 megawatt is about INR32 crores, right? And the balance knitting machines probably somewhere around INR7 crores to INR8 crores. So that is something, the capex which is already in pipeline for us.

Saransh Gupta: Understood, sir. That will -- that's -- that was it from my side. Thank you so much and happy Diwali to the team and you.

Marshal Sonavane: Thank you. Happy Diwali to you also.

Moderator: Thank you. Our next question comes from the line of Uday Kumar with SMIFS Limited. Please go ahead.

Uday Kumar: Hello, am I audible?

Moderator: You are audible. Kindly proceed.

Uday Kumar: Sir, I had a query on the land bank you have, sir, what are the plans of monetizing the land bank currently? And how much the acreage of land is and how much -- what is the book value of that land?

Marshal Sonavane: So I am going to answer the first part and then I will leave to Mr. Jalan or Mr. Chopra to answer on the value of the land and extent of land. See, this land is available for expansion. Now this INR410 crores spindle project which we are putting up is going to come up on our own land. So this land is primarily for the expansion of our current business.

In case, for example, if the land was not available, we wouldn't have been able to execute this project within a year. So that would have taken, one, longer time. Second, the commercials would have been very different. So this land is primarily available for expansion.

R S Jalan: See, R.S. Jalan here. So, Uday. The total approximately the land which, if I can say, including the land which we are already having utilized for the purpose of the factories and everything, will be in the range around 250 acres of land. Some land out of that will be a surplus land and the book value of the surplus land will be in the range of around INR100 crores.

Uday Kumar: Okay, sir. Thanks, sir. That will help. My last question is on the export front, sir. We -- how much export do we do to Bangladesh? And currently Bangladesh has extended the LDC criteria. So any impact on us or any impact on the industry per se regarding this?

Marshal Sonavane: Our export is almost -- I think last quarter, in Q2, it is about 8% of our overall top line. Out of that, about 30% goes to Bangladesh, right? So 30% to 35%, depending on quarter to quarter, it goes to Bangladesh.

We have -- as in the continuation of LDC status of Bangladesh, I think it's very neutral for the industry. It was there earlier also, only thing it is getting extended. Bangladesh is a very critical market for India. I think it is -- both the markets are conjoined together, I would say. So continuation of LDC is absolutely neutral for the industry.

Uday Kumar: Thank you, sir.

Marshal Sonavane: Hope I have answered your question.

Uday Kumar: Yes, sir. Thank you.

Marshal Sonavane: Thank you.

Moderator: Thank you. Our next question comes from the line of Shreyas Pimple with Nomura. Please go ahead.

Shreyas Pimple: Yes. Hi. Thank you so much for the opportunity. From the commentary that you have given Q1 margin was 17%, Q2 was 20.6%, and the commentary that you have given is the spreads would be in between, which means can we expect 18% to 19% margins, EBITDA margins for Q3? Hello?

Marshal Sonavane: Sorry, I was on mute. I am saying that the Q3 margin, our view is that it will be closer to Q1 and maybe Q4 comes closer to Q2. So overall, I think somewhere between Q1 and Q2 is where our yearly margin would be.

Shreyas Pimple: Sure. That is really helpful. From the guidance that you have given of INR2,500 crores for FY30 if we just extrapolate that guidance, around INR1,850 crores is what -- will it be fair to say INR1,850 crores for FY28 revenue?

Marshal Sonavane: As in, yes, it will. So, we sort of -- you have seen our H1 number. H1 number is almost INR850 crores, right? So just continuation of that, H2 will be somewhere around -- will be closing at INR1,700 odd. So Yes, I would say INR1,800 odd number is something which is, yes, very likely for FY28.

Shreyas Pimple: Fair. Thank you so much. And the last question that I had was around the exceptional loss item that we had reported around INR27 crores. INR20 crores after tax. Just wanted to understand what was the cause of it, A and B, do we have the insurance for the particular fire incident that happened? And do we expect any kind of recoveries from that fire incidents?

Marshal Sonavane: So the total inventory was insured, right? That is point number one, that the entire inventory was insured. Investigation is underway. So there are multiple steps in the investigation where police has to investigate, forensic has to investigate. That is all in progress. We expect a conclusion of this investigation by Q3 end, right?

And most likely we'll get some recovery by the end of this year. There will be some deductible which is there in any insurance policy, but barring that we expect that a large part of the impairment will be sort of recovered.

Shreyas Pimple: Sure, sir. And I understand that you might not be able to answer what was the reason because the investigation is going on.

Marshal Sonavane: Yes.

Shreyas Pimple: Just wanted to understand one thing more. Has there been any incident like this before also in the factory that we have?

Marshal Sonavane: No. It has not happened in our factory. In our entire history, we did not face an incident like this. But cotton is a very combustible material, and fire in cotton godown is something which happens often. So there have been incidences in the same area where we are, and also across the country there are multiple incidences like this.

R S Jalan: This also not happening outside.

Marshal Sonavane: This is -- Yes, but godown. Yes, happened so as pointed out by Mr. Jalan and Chopra, that this incident did not happen in our premise. It happened in a rented godown which is far away from our factory. And second part, this entire quantity, as in the inventory, was insured.

Shreyas Pimple: Sure, sir. Thank you so much for answering the questions. Those -- that was really helpful.

Marshal Sonavane: Thank you.

Moderator: Thank you. Participants who wish to ask questions may please press star and one. Our next question comes from the line of Resham Jain with VVD Asset Managers. Please go ahead.

Resham Jain: Yes. Hi. Good evening. First of all, congratulations on a very strong set of numbers. So I have three questions. So the first question is, given that there has been an extension given to import cotton till December now versus October end earlier, are we going to have more imported inventory in this quarter beyond what we've seen as on September end?

Marshal Sonavane: So Resham, I think we have a mix of imported and domestic. Definitely this extension from October to December is going to help stabilize the prices. But as in, we already had planned our imported cotton by then, okay? And definitely within this short window of 3 months not a lot of inventory can be bought from the origin.

It will -- whatever is offload shipments will sort of try to cover it. But our decision-making is not just based on extension of the duty-free period. We have a robust procurement mechanism across both domestic and imported, and we will be sort of guided by that.

Resham Jain: And the -- in the balance sheet, the other current assets which has been increased, does that include advances for inventory?

Raman Chopra: Yes. Essentially, the increase in current assets is largely because of the cotton advances.

Resham Jain: Okay. So I'm just trying to understand because typically March end we used to have very high inventory, but this time if I include your inventory plus the advances, assuming it is just a margin money, the inventory is as good as what we used to have in March. Is that the correct understanding?

Marshal Sonavane: Input rises -- so not so much. Definitely when we are in March, we are looking at a coverage till the end of the calendar year, but we are not in that situation now. This is the cotton procurement season, we will sort of ramp up our inventory as and when the opportunity and our strategy guides it.

Resham Jain: Understood. The second part is you mentioned you will be commissioning 11 megawatts of solar by the end of Q3, but when I see CWIP, it is just INR6 crores. So I presume this will be like INR45 crores-INR50 crores capex. That will be completely done in Q3?

Raman Chopra: No. That is some of the advances are there which is lying in the capital advances. So therefore, when you see this quarter, there has been increase in the non-current assets also capital advances. So that figure is there.

Resham Jain: Yes. Okay. The third question is with respect to the incremental capex which has been announced. So the PM MITRA Park is a INR300 crores to INR350 crores capex. Correct?

Marshal Sonavane: Yes. Somewhere around INR300 it will come up but obviously, it can go higher but what we are saying INR300 first.

Resham Jain: Yes. And then on top of that, there is this another INR410 crores capex which you announce now?

Marshal Sonavane: Right.

Resham Jain: With this INR410 and the already-spent INR675, will you be eligible -- without PM MITRA Park capex, will you be eligible for the Tamil Nadu mega -- this eligibility for projects thing?

Marshal Sonavane: So see, we had planned for INR1,035 crores investment as per the MOU with TN government. INR675 was spent. Now, balance INR400 odd, we are sort of going to -- we are in discussion with government that which capex can be considered within. But nonetheless, whatever is the balance, we will have a separate discussion with the TN government to see what benefits we can get for that particular capex.

Resham Jain: No. What I was trying to understand is that this INR410 incremental capex will lead to your eligibility being considered, so that I think INR145 crores is the capital subsidy which may get released because of that.

Marshal Sonavane: Yes. Most likely.

Resham Jain: Okay. Understood. And…

R S Jalan: See recently we applied for the change. Sorry, recently, we have already applied for this change and I'm sure that they will be able to consider it because all other terms and conditions like your employment and everything we are matching with that and their basic interest is more of an employment.

And second is the PM MITRA Park investment. They also know that PM MITRA Park is going to take some time because if the land allotment has been done and a lot of what you call common facility needs to be developed, so that is going to take. So I'm reasonably confident that we will be able to get this included into the incentive part.

And for PM MITRA Park, we will go for a separate MOU with them where we will get an extra, what you call -- subsidy or whatever you call incentive from the government.

Resham Jain: Got it. Very clear. It says my -- actually, this third question was related to that only, given that PM MITRA Park compared to our earlier thinking, it seems that there has been a delay because you're mentioning commissioning by FY30, FY29 end or something. So, what really happened? Why there is so much of delay in the PM MITRA Park?

Marshal Sonavane: The delay comes because we have taken a very consultative approach where all the allottees are working with the SIPCOT, which is sort of the execution body, to ensure that the common infrastructure comes as per the requirement of the allottees. So there has been some of the tenders we have requested them to change the specifications so that it is more helpful for the allottees.

I think that is why they have to go for some of the retendering or the DPRs have to be redrafted. I think that is what has taken a little bit of more time. And also, while the SIPCOT and the team is very confident of completing this project by their earlier timeline, we have just put some cushion on our side to see that whatever facilities are coming as per our requirement, and then we can sort of plan our project capex.

Resham Jain: Okay. Understood. And so lastly just from the cash flow perspective, if we look at this year, and even if slightly lower -- assuming lower margin next year, the cash generation will be quite healthy. And given the current valuation it trades at like 3 times, 4 times EV-EBITDA. So are you planning to -- you have been very like steady in your capital allocation in the past also, even in GHCL. But here, would you think about doing a buyback given that some of the capexes have been over a period of next 2 years-3 years?

Marshal Sonavane: Resham ji, no plan as of now. Our focus is more on growth side, right? So whatever margins and cash flow we will have, we'll sort of put it into the business to ensure that this company can grow even faster.

Resham Jain: Okay. Perfect. Great. Thank you, and all the best.

Marshal Sonavane: Thank you.

Moderator: Thank you. Our next question comes from the line of Amey Cheddar with Banyan Capital. Please go ahead.

Amey Cheddar: Yes. I just had one question. You mentioned that the Q3 margins will be more or less in line with Q1 and then Q4 will be in line with Q2. So I understand the drop in margins in Q3, but why will it increase in Q4? Is one of the reasons the lower cotton prices that you are anticipating post the arrival of the new crop?

Marshal Sonavane: So usually, demand strengthens towards the end of December, and Q4 generally, if you see our past data also, Q4 is generally better based on the customers and the markets we operate in. There is definitely a shift from the end of Q3 to Q4, and as well, we would have our benefit from knitting as well as our 11 megawatt solar.

Amey Cheddar: Okay. And the next question is the earlier participant mentioned that, you can do INR1,850 crores revenue next year. So does that trajectory look like INR1,850, then INR2,100, and then INR2,500? Is that how are you thinking about the revenue going forward?

Marshal Sonavane: Amey, we – that is not the guidance, okay? That is what the earlier participant alluded to, right? And I -- what he said looks to be in the trajectory, which is highly likely, right? So I think this is where I would leave it at. We usually don't give guidance like that, but yes, what he said looks very likely to -- it is achievable.

Amey Cheddar: Okay. Thank you so much.

Marshal Sonavane: Thanks, Amey.

Moderator: Thank you. Ladies and gentlemen, to ask a question, you may please press star and one. Our next question comes from the line of Karina with SMIFS Limited. Please go ahead.

Karina: Yes. Hi. Thank you for the opportunity. I just had a couple of questions. One is on the margin front. What would you attribute the expansion of margin to? Was it -- like how much of it was cotton procurement, how much of it was product mix shift? That's my first question.

My second question is, with the recent trade agreements coming into force with Oman, UK, and New Zealand, what is the immediate response that you're seeing in terms of volume realization benefits? And what is your order book sort of looking at, looking like? If you can just give an update on that. Yes, those will be my questions. Thank you.

Marshal Sonavane: Yes. So the first question was about on drivers of EBITDA margin expansion, right? So see, some of it is more because of our internal efforts, some of it is market tailwind supporting. From an internal point of view, our contribution from fabric is going higher. I think it is inching upwards. Second, our strategy of -- on -- or our strength on green energy.

If you see, our power costs are lower primarily because of our own green energy installation. The third part is focus on product optimization and strategic customers. I think that is the third reason why it is sort of inching higher. And of course, market tailwinds are there. There is benefit of lower cotton inventory as well, which is what is resulting into your spread expansion also.

A large part of it is sustainable. We believe that the margins which we have achieved in Q1 and Q2 are sustainable because one, our vertical integration is there. We are constantly focusing on ensuring our power cost remains on the lower side. Third, as we have sort of said multiple times, we have an approach of focusing on strategic customers and ensuring that we are able to continuously bottom slice our lower margin products.

And fourth, we believe this change or market tailwinds will sort of continue and even strengthen further, primarily because all the FTAs will come into action, and the benefits of those is still to come in, right? So because of this, we believe the margins which we have achieved in Q1, Q2 are largely sustainable.

Now, coming to your second part on the FTAs, we are in the upstream segment, like where we sell to people who export to these markets. Wherever we -- as in the -- our customers who have higher exposure to, let's say, UK. We have seen a larger volume from them which is going to UK markets and UK-based brands.

So some of the green shoots are visible, but I still believe that this would get strengthened a year down the line when a lot of the buyer nominations and supply chain shifting takes place. Then we will see a much more benefit out of this. Sorry, what was your third question? I missed that.

Karina: No, it was just these two questions. Just to follow up on the second part, do see some bit of benefit coming from the FTAs? In like, was it in this quarter? Are we expecting it in the coming year?

Marshal Sonavane: See, UK for example is not a yarn market, right? So UK is the end product market only. So our customers who have higher exposure to UK, we have seen like good volume coming from them, which is primarily going for UK-based brands. So we do not -- as in, it is very difficult for us to comment what is the direct benefit out of it because we are in the upstream part of the value chain.

Karina: Understood. Thank you so much.

Marshal Sonavane: Thank you.

Moderator: Thank you. To ask a question, ladies and gentlemen, you may please press star and one. Our next question comes from the line of Resham Jain with VVD Asset Managers. Please go ahead.

Resham Jain: Thanks for again taking my question. So I have two questions. One is just accounting capital subsidy will get deducted from your gross block. Is that correct?

R S Jalan: Yes.

Raman Chopra: Yes.

Resham Jain: Okay. Got it. The second question is, sir, more strategic. I think I have been asking this since last almost 1 year or 2 years, but on garmenting side given that so many FTAs are opening up and it doesn't require too much capital as well and it is very sticky business. With vertical integration, are you still thinking about garmenting or you are averse to getting into garmenting business?

Marshal Sonavane: So Resham, it's a very logical next step because we anyways are planning to come to ready-to-cut fabric. It's a logical next step to look at garmenting. All I can tell you is that we are looking at it favorably, right? I have nothing to announce right now, but yes, we are looking at it favorably.

Resham Jain: Okay. Like with PM MITRA Park or without that also, just to be more clear about this?

Marshal Sonavane: It will be -- PM MITRA Park is settled, as in we are going ahead with that, and if it comes, it would be addition, in addition of that.

Resham Jain: Okay. Understood. Very clear. Thank you. All the best.

Marshal Sonavane: Thank you.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

R S Jalan: Thank you very much. The -- I think all the relevant questions have been asked. I can only in the last say that overall, the way we look at this business, that we clearly see there is a kind of a long-term positive tailwind into this business. And we -- over a period of time, what we have done in this business of optimizing the cost, going for a better product mix, going for better strategic customers -- so overall, we are in a much better position in terms of capturing.

And one good thing which is also happening is consolidation is also happening in this industry. All these things are favourable for this sector, and I'm sure that the next 2 years is going to be good for this industry. In the meantime, our objective is to make sure that we vertically integrate so that the margin, what you call fluctuation because of this only in one commodity probably can be kind of minimized.

So that is where the long-term objective, and that is what our CEO has said, that ready-to-cut fabric we should be ready by '29-'30. And in the meantime, we are also favorably looking at the possibility of it going beyond that also. So I think, we are on the right path, and I am sure that we will be able to create value for this, all our shareholders. And with this, thank you very much and wish you all a very happy Diwali and a prosperous New Year next year.

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