Filatex India

Operator: Ladies and gentlemen, good day and welcome to Filatex India Ltd. Q1 FY27 earnings conference call, hosted by Sunidhi Securities. As a reminder, all participants' lines will be in 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 call, please signal the operator by pressing star and then zero on your touchtone phone. I now hand over the conference to Mr. Gulshan Singh from Sunidhi Securities. Thank you, and over to you, sir.

Gulshan Singh – Sunidhi Securities: Thank you, ma'am. Good evening and a very warm welcome to everyone on behalf of Sunidhi Securities. I welcome you all to Filatex India Ltd. Q1 FY27 earnings conference call. Today, we have with us the management represented by Mr. Madhusudan Bhageria, Chairman and Managing Director; Mr. Ashok Chauhan, Chief Visionary Officer; Mr. Nitin Agarwal, Chief Financial Officer; and Mr. Vedansh Bhageria, Director at Eco-Sys Limited. We thank Filatex India Ltd. for giving us the opportunity to host the call. I would now like to hand over the floor to the management for their opening remarks, after which we will open the floor for the Q&A. Thank you, and over to you, Madhusudan sir.

Madhusudan Bhageria – Chairman & Managing Director: Thank you, Gulshan. Good afternoon and a warm welcome to everyone joining us today for the Q1 FY27 earnings call of Filatex India Ltd. I trust all of you had the opportunity to review our investor presentation. Let me begin by summarizing our financial and operational performance for the quarter.

Q1 FY27 was another steady quarter for Filatex, as we continued to deliver a resilient financial performance despite an operating environment marked by geopolitical uncertainty, volatile raw material prices, and cautious customer buying. Our revenues increased by 16.3% to 1,145 crores, compared with 985 crores in Q4 FY26, reflecting improved realization driven primarily by higher raw material prices. Sales volumes remained stable at 89,872, compared with 89,841 in the previous quarter. PBT rose to 65.87 crores from 53.47 crores in Q4 FY26, driven by continued healthy operating performance. PAT increased by 22.1% to 49.1 crores, compared with 40.3 crores in the previous quarter, reflecting improved overall profitability and efficient financial management.

Compared with the corresponding quarter of the previous year, revenues increased by 9.1% to 1,145 crores from 1,049 crores. Sales volumes stood at 89,872 compared with 97,263 metric tons, while production during the quarter was 84,075 metric tons against 94,996 in Q1 FY26. PBT stood at 65.87 crores compared to 54.89 crores in the corresponding quarter last year, driven by healthy operating profitability. Profit after tax increased by 20.7% to 49.1 crores from 40.7 crores in Q1 FY26. Overall, these results demonstrate the resilience of our business model. Our continued focus on operational excellence, disciplined cost management, product mix improvement, and financial prudence has enabled us to improve profitability despite a volatile business environment.

The global textile and polyester industry continued to operate in a highly dynamic environment during the first quarter of FY27. Although the intensity of the conflict in West Asia moderated from the disruption witnessed during the previous quarter, geopolitical tensions involving the United States, Iran, and the broader Middle East continue to create uncertainty across global petrochemical and energy markets. The Strait of Hormuz remains one of the world's most critical energy and petrochemical shipping corridors. Even temporary disruptions or security concerns

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have an immediate impact on crude oil prices, petrochemical feedstock availability, freight rates, marine insurance costs, and overall supply chain reliability. Consequently, prices of PTA, MEG, and other petrochemical feedstocks remained highly volatile during the quarter. Manufacturers across the polyester value chain were required to operate in an environment of rapidly changing raw material costs, while customers continued to adopt cautious purchasing strategies.

Although freight availability improved compared with the previous quarter, logistics costs continue to remain above historical averages, and shipping schedules remain less predictable than before the geopolitical disruptions. Procurement planning therefore continues to require greater flexibility and higher inventory discipline. India's dependence on imported MEG remains one of the key structural risks for the domestic polyester industry. There is no shortage of MEG globally; however, disruption in international shipping and logistics can create temporary supply uncertainties and increase costs. As part of our risk mitigation, we procured a parcel of MEG from the US before the blockage at Hormuz. This proved to be a prudent decision, helping us maintain uninterrupted operations during the disruptions to regular shipping through the Strait of Hormuz. Demand across the textile value chain remained selective during the quarter. Customers largely followed a need-based procurement approach with shorter booking cycles, lean inventories, and cautious working capital management. Nevertheless, domestic consumption remained reasonably stable, supported by steady demand.

Management: From apparel, home textile, and technical textile segments. Despite the short-term uncertainties, the long-term structural fundamentals of the Indian textile industry, and the polyester industry in particular, remain extremely encouraging. India continues to strengthen its position as a preferred sourcing destination as global brands diversify supply chains beyond China. The implementation of the India-UK Free Trade Agreement and the expected operationalization of the India-EU Free Trade Agreement are expected to significantly improve India's export competitiveness over the medium term by providing preferential market access to two of the world's largest textile markets. At the same time, higher tariff exposure on Chinese textile exports continues to encourage global buyers to diversify sourcing towards countries such as India and Vietnam, creating significant long-term opportunities for Indian manufacturers with scale, quality, and integrated manufacturing capabilities.

One of the most encouraging developments for the Indian polyester industry is the substantial domestic PTA capacity currently under implementation. GAIL's PTA project at Mangalore is almost ready for trial production by August and September 2026. While Indian Oil Corporation's Paradip PTA project continues to advance steadily and is expected to be commissioned by March 2027. Together, these projects are expected to add nearly 2.4 million tons per annum of domestic PTA capacity. Reliance Industries is also implementing an additional 3.2 million tons per annum PTA expansion, which is expected to significantly strengthen India's raw material ecosystem over the next 2 years. These investments will materially reduce import dependence, improve supply reliability, enhance domestic availability, and strengthen the long-term competitiveness of the Indian polyester industry.

At Filatex, our focus remains firmly on executing our long-term strategy while navigating short-term market volatility with discipline. Our comprehensive capital expenditure program of approximately 690 crores continues to progress steadily. The brownfield PFY expansion will

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enhance our FDY, POY, and DTY capacities while increasing the share of value-added products in our portfolio. The erection and commissioning activities are ongoing. We expect to complete 50% by September 2026 and the balance 50% by October 2026. Equally important is our entry into the textile-to-textile chemical recycling business, which represents a transformational milestone for the company.

Filatex India Ltd., through its subsidiary Ecosys, has established strategic partnerships to accelerate the development of a circular textile economy. The company has signed a landmark memorandum of understanding with Indica Sporting Goods Private Limited, a Decathlon Group entity, under which Decathlon is conducting structural trials of Eco6 recycled polyester chips and yarns across its extensive network of Indian manufacturing partners. In addition, we have entered into strategic collaborations with American & Efird Global LLC, A&E Threads, for premium industrial thread application trials and global co-branding and marketing initiatives for the Eco6 recycled polyester platform. Through this project, Filatex will become one of the first integrated polyester manufacturers in India to establish a circular polyester platform capable of converting end-of-life textile waste into virgin-like polyester chips suitable for manufacturing premium polyester yarns.

We firmly believe that circularity will become one of the defining growth drivers of the global polyester industry over the coming decade. International apparel brands have already announced ambitious recycled-content and circularity commitments, creating a rapidly expanding market for high-quality recycled polyester produced through advanced chemical recycling technologies. Our recycling project therefore positions Filatex not only as a polyester yarn manufacturer but also as an important participant in the encouraging circular textile economy.

Alongside this, automation initiatives at our Dahej facility continue to improve manufacturing efficiency, reduce dependence on manual operations, and enhance productivity. Our renewable energy program is also progressing well and will significantly increase the proportion of green power in our overall energy mix, thereby reducing long-term energy costs and carbon emissions. The steam distribution project, aimed at supplying surplus steam from our captive power plant to neighboring industries, is another example of improving asset utilization while generating an additional revenue stream. I am pleased to share that all our major projects continue to progress satisfactorily and remain broadly aligned with our execution schedule.

Looking ahead, while geopolitical developments, crude oil volatility, and supply chain uncertainties may continue to influence near-term market sentiment, we remain optimistic about the medium- and long-term prospects of both the polyester industry and Filatex. India's growing domestic consumption, increasing penetration of man-made fibers, improving export opportunities through trade agreements, significant domestic PTA capacity additions, and the global transition towards sustainable textiles collectively create a strong foundation for long-term industry growth. For Filatex, FY27 represents an important transition year as our ongoing investments in value-added products, textile-to-textile chemical recycling, automation, renewable energy, and operational excellence begin to come on stream. We believe the company will be well positioned to deliver sustainable growth, stronger margins, and enhanced shareholder value over the coming years. We remain committed to disciplined execution, prudent capital allocation, and building a future-ready business that combines operational excellence with sustainability and innovation. I thank you once again for your continuous support and trust in Filatex India Ltd. Thank you, and we will now be

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happy to take your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Harsh Mittal from MK Global Financial Services. Please proceed.

Harsh Mittal – MK Global Financial Services: Thank you for the opportunity. Good evening to the management. My first question is: how have polyester yarn prices shaped up in the past 1 quarter, basically before the US-Iran war and after it, and how are they trending currently? Thank you.

Management: Polyester yarn prices have definitely gone up in line with the raw material prices. Before the Iran crisis, raw material prices were roughly 20% lower than today. So, raw material prices have increased by more than 20%, and so have the prices of the finished products. Therefore, the margins are more or less intact or may have improved compared with what they were before the Iran war.

Harsh Mittal – MK Global Financial Services: Okay. And, sir, as you see, the import duty on PTA and MEG expired on 31 July—or rather, sorry, 30 June. How has it impacted our spreads, our polyester spreads? Any color on that, sir?

Management: This is essentially a rise in raw material prices for us. If the duty is not there, domestic prices also get reduced. Once the duty is incorporated, domestic players increase their prices. Import prices also increase. So, we pass it on to the customers, and we have been successfully able to pass it on to them.

Harsh Mittal – MK Global Financial Services: Understood, sir. Thank you, sir. These were my questions. I will fall back in the queue. Thanks.

Operator: Thank you. The next question is from the line of Pramit Jain from JM Financial PMS. Please proceed.

Pramit Jain – JM Financial PMS: Thank you so much for providing the opportunity. I have 2 questions. As we see, other players are also developing similar recycling products, so how do we compare in terms of capex, opex, and technology, and what is our key competitive moat?

Management: There are a lot of international players who are developing this, but they are all at a developing stage. They have announced ambitious plans to put up plants. I think nothing is coming before the end of calendar year 2027. Most of them are coming in 2028 and 2029. However, their capex per ton is at least 3-5 times more than what we have incurred. Also, based on whatever numbers we gather, their operating costs are quite high. So, we are very competitive, and we have received approvals from a lot of brands for our products. I think we should be able to do well and get the first-mover advantage.

Pramit Jain – JM Financial PMS: Understood, sir. My second question is: what stabilization period are we assuming for Ecosys, where we are going from 1 TPD to 75 TPD in capacity utilization for

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FY28?

Management: Initially, anything from 3-5 months, because it is a new product and new technology, and everything is new. I think we should be able to stabilize everything by the end of this financial year.

Pramit Jain – JM Financial PMS: And what about utilization for FY28?

Management: In FY28, I think our utilization should be above 80% for the year as a whole. It will progress slowly, but for the year as a whole, I think we should be able to achieve 80%, and by the end of the year we should be close to 100%.

Pramit Jain – JM Financial PMS: Understood. Thank you, sir.

Operator: Thank you. The next question is from the line of Parth from IDBI Capital. Please proceed.

Parth – IDBI Capital: Hi, sir. Congratulations on a good set of numbers. My first question is regarding our Spain subsidiary that we opened recently. What is its exact purpose, and what business function will it serve?

Management: I will ask Madhav to explain that to you.

Madhav: One of the key reasons for operating the Spain entity is for us to take part in European forums and become members of the European bodies that essentially advise on policy drivers and policymaking decisions in the EU, specifically those targeted at circular economies and the EPR mandate. These are European entities, and only European entities can become a part of them. One of our ideas was to start taking part in these forums and be part of policymaking decisions. That is why we incorporated the company.

Parth – IDBI Capital: Understood. There was also some recent regulation in the EU regarding banning the discarding of unsold clothes. Will that open any doors for us? Can you quantify that?

Madhav: They have activated a policy under which the EU is no longer able to discard post-consumer waste, but currently there is no recycling facility to do anything with it. Another policy that the EU has also started is that it is not allowing the export of any post-consumer waste outside Europe. However, the environment for textile-to-textile recycling in Europe is at a very early stage. Once these policies and technologies develop further, I think these policies will be revisited.

Parth – IDBI Capital: Understood. Thank you so much.

Operator: Thank you. The next question is from the line of Nirali from Unique PMC. Please proceed.

Nirali – Unique PMC: Hi. Thank you for the opportunity. In your commentary, you mentioned that the Ecosys plant is expected to commence operations by the end of October. In your view, is there any chance of further delay?

Management: I do not think so. At most, it may be 15 days or something like that. It is very difficult to predict right now because all the machines are under installation and then commissioning. It is a

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greenfield project, so there are a lot of things that have to be put together. However, I do not think it can be delayed by more than another 15 days or 1 month. That is all. That is the maximum delay I am indicating.

Nirali – Unique PMC: Fair enough. Once the plant commences operations, you said it would take 3–5 months to stabilize the plant. Will we need any approval from clients before we start shipments for quality purposes, or will they come and inspect the plant? Is anything of that sort still pending?

Management: Yes, that will also happen, but we have product approvals from a lot of companies. However, they will have a statutory visit to the plant to see that we are compliant with all the requirements they normally review, that we are adhering to all the laws, and so on. They will visit for that purpose, which can happen anytime in late October or early November. That should not hamper our production capacity. We can start production and definitely start supplying. I do not think that should be a hindrance. However, it is a new technology and everything is new, so stabilizing the product and everything may take a few months.

Nirali – Unique PMC: Perfect. Lastly, this total capex of 700 crores is expected to give you EBITDA of 200 or 210 crores, as per your presentation. The majority of this will come next year only, right? Because Ecosys itself will operate at 80% next year. Is that understanding correct?

Management: Ecosys, which is going to deliver around 80–90 crores of EBITDA, is going to contribute primarily next year. Other than that, most of it will come this year. At least 5 months of that will definitely be in this year. If you take out 80 from our estimate of 220–230, it comes to around 150 or 140. So, around 40% of that will come in this year.

Nirali – Unique PMC: Understood. Thank you so much.

Operator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please proceed.

Pritesh Chheda – Lucky Investments: What are the challenges in Ecosys?

Management: [Laughs] There are challenges whenever you undertake a new project, but we have tried everything before committing to this large project. We ran a pilot for the last 2–3 years, and we are quite confident about the technology we have developed. We have tried each and every piece of equipment that we are installing in our pilot plant on a smaller scale. The products have been approved by most of the brands, so we have not received any disapproval or encountered any problem with the products. However, there could be some teething problems, which should not last more than 3–5 months, as I have already said. It could be earlier, but at the latest, I feel we should be able to stabilize by the end of this financial year for sure.

Pritesh Chheda – Lucky Investments: So, it is a mix of equipment fabricated in India by Indian vendors?

Management: It is a mix of a lot of machinery; it is not one piece of equipment. There are a lot of processes through which the fabric and everything go. There are some imported pieces of equipment and some Indian-fabricated equipment.

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Pritesh Chheda – Lucky Investments: The other companies you mentioned would have created their plants at 3-4 times the capex. What is the difference between your process and theirs?

Management: I do not have access to their processes, so it is difficult for me to comment on them.

Pritesh Chheda – Lucky Investments: So, you do not know the process difference either?

Management: I know the process difference, but I would not like to comment on anything relating to the processes of other companies.

Pritesh Chheda – Lucky Investments: At what stage is the plant today? You are installing the machines, right?

Management: Yes, the machines are currently under installation.

Pritesh Chheda – Lucky Investments: When should the commencement of operations or commercialization start?

Management: By the end of October or early November.

Pritesh Chheda – Lucky Investments: The key raw material here will be old fabric, right?

Management: Fabric waste.

Pritesh Chheda – Lucky Investments: Fabric waste. What will be the source of the fabric waste?

Management: Around Surat and all the surrounding areas, there is a lot of fabric waste available. It comes from fabric manufacturers, process houses, garment manufacturers, and, post-consumer, from certain agencies that collect and can provide post-consumer waste as well.

Pritesh Chheda – Lucky Investments: Is this organized, where you can have...?

Management: Yes, it is very organized. There are consolidators, and we are already in touch with them. We have been buying from them for the last 3-4 years for our trials, so we know all of them. We have also conducted our survey, so there is no dearth of waste as of now for a plant of this size.

Pritesh Chheda – Lucky Investments: My last question is: if we are successful in producing the output, can one assume that the capacity is kind of pre-sold?

Management: I do not think it is pre-sold. However, we are confident that we will be able to sell it. It is a chicken-and-egg situation. Once you have the product, you get buyers. It is a new product, so buyers will also not commit until they see it. They have tried and approved our product.

Pritesh Chheda – Lucky Investments: Understood. Thank you.

Operator: Thank you. The next question is from the line of Suraj from Yes Securities. Please proceed.

Suraj – Yes Securities: Hello, sir. My question is regarding the recent capex undertaken to improve costs. What kind of improvement do you see in margins after the commencement of these capex

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projects?

Management: The main projects are intended to improve profitability by adding capacities and through a new project. There are 3-4 projects. One is increasing production, which will definitely increase profitability because we are increasing production. Operating costs are low when you add a brownfield project. Capex is also low per ton. That will increase overall profitability, and with enhanced production, profitability definitely increases.

The second is the Ecosys project, which is an altogether new project and which, as I have already explained, should give us good EBITDA. The third is steam, which we will be selling. Yes, that is a new activity for us, although there are 1 or 2 players who are already doing it. We are also going to do that. We have tie-ups for almost whatever we want to sell: 60% of the capacity is tied up, and the rest is also under discussion. Hopefully, we should be able to tie up the full capacity by the end of this calendar year. Once it is operational, it will be easier to get more buyers. We initially have buyers for 60%, and we can start delivering to them.

Overall, because of the availability of PTA in India, PTA prices should come down, and the premium charged by local producers should come down. Demand is also increasing, so overall, everything will lead to enhanced profitability in the existing business as well as profits from the new businesses we are adding.

Suraj - Yes Securities: Understood, sir.

Operator: Thank you. The next question is from the line of Neeraj from White Pine Investment Management. Please proceed.

Neeraj - White Pine Investment Management: I have 2-3 questions. One is on the PTA and MEG import duty, which was reduced to zero and then withdrawn. How much would it impact EBITDA?

Management: The EBITDA impact will not be significant. However, it is a pass-through; it is an increase in raw material prices. When they reduced the duty, prices were very high and crude went beyond 100. That is when the government reduced the duty. However, the effect was not too significant. We did not know that they would reduce the duty, and they did it for only 3 months and then extended it by 15 days. Nobody knew that they would extend it by 15 days on 30 June. That extension was essentially meaningless. You cannot import anything in 15 days. There was a slight improvement in margins because margins were very low at that time due to volatility in raw materials. However, margins have now stabilized, and demand has also stabilized. People cannot wait any longer to produce clothes because the winter season is very important for fabrics. There is hardly any impact of this on EBITDA.

Neeraj - White Pine Investment Management: What is the import duty right now on PTA and MEG?

Management: It is 5% with a 10% surcharge, so 5.5%.

Neeraj - White Pine Investment Management: Understood. My other question was on Ecosys. What is the current selling price of the recycled polyester of the quality that you produce?

Management: Recycled or non-recycled?

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Neeraj – White Pine Investment Management: The recycled polyester of the quality that you produce.

Management: Depending on the product, we are able to sell it for $2 to $2.3.

Neeraj – White Pine Investment Management: So $2 means almost 180–190 rupees, right?

Management: Yes, but that is the yarn. In Ecosys, we will make only the chip.

Neeraj – White Pine Investment Management: In terms of the chips, what would be the selling price?

Management: For the small quantities that we have sold, the prices are very high. We have sold them at around 140–150 rupees.

Neeraj – White Pine Investment Management: What is the total cost for you today in...?

Management: For a small quantity, it cannot be a very... I mean, a benchmark for...

Neeraj – White Pine Investment Management: Understood. What is the cost of making that?

Management: I will not be able to disclose the cost to you.

Neeraj – White Pine Investment Management: No issues. You have stated 80 crores of EBITDA in your presentation, which implies 30 rupees per kilo. Would that be the conservative estimate?

Management: That is the minimum. I am not giving you a very optimistic number. It is a new product, so I am being a little cautious. Otherwise, EBITDA should be much higher once the plants are operational. I will be able to give you a much better number in January.

Neeraj – White Pine Investment Management: Understood. Thank you.

Operator: Thank you. The next question is from the line of Mayuresh from Invest Value Capital. Please proceed.

Mayuresh – Invest Value Capital: Hello, am I audible?

Operator: Yes, you are audible. Please proceed.

Mayuresh – Invest Value Capital: First of all, thank you for the opportunity, and congratulations on a good set of numbers, sir. My question is on Ecosys. Could you update us on all the MOUs signed for Ecosys so far? Beyond Decathlon and American & Efird Global, are any other customer or brand tie-ups under discussion?

Management: There are a few tie-ups under discussion, and some have approved the product, but there is no MOU with them, so I cannot disclose their names. Once we sign the NDA, we can disclose the names.

Mayuresh – Invest Value Capital: As you mentioned, by next year we will utilize almost the full capacity. What are the potential plans for the next expansion? Also, what will be the sustainable

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EBITDA margin? There is a mention of 32-35%. What will be the sustainable margin going forward?

Management: Can you repeat that, please?

Mayuresh - Invest Value Capital: Once the initial plant is fully utilized by next year, as you mentioned earlier, what are the potential future plans for expansion?

Management: Once this is stabilized and established, we plan to put up at least 2 more plants of 150,000 tons each over the next 2-3 years—1 in India and 1 outside India.

Mayuresh - Invest Value Capital: What EBITDA margin can we expect?

Management: EBITDA margin would be a minimum of 30%. It can be more, but a minimum of 30% for sure.

Mayuresh - Invest Value Capital: Thank you, sir. That is all from my side.

Operator: Thank you. The next question is from the line of Sharanj Gupta from Swan Investments. Please proceed.

Sharanj Gupta - Swan Investments: Thank you for the opportunity, and congratulations on a good set of numbers. I have 1 question. What is the current debt as of the end of the quarter?

Management: At the end of the quarter, it would be close to 200 crores.

Sharanj Gupta - Swan Investments: Once we are done, how much have we already deployed out of the 700-crore capex?

Management: I do not have the exact number, but it is almost 450-500 crores.

Sharanj Gupta - Swan Investments: By the end of the year, can we expect debt to be somewhere around 250-300 crores?

Management: By the end of the year, our debt would be in the vicinity of 350-370 crores. However, if you see net debt, I think we might be around 150-200 crores. We have free cash flows even today of more than 150-200 crores.

Sharanj Gupta - Swan Investments: Understood, sir. I have 1 more question, if I can squeeze it in. From the 55,000 PFY capacity, what is the peak revenue that we can generate?

Management: Of this 55,000, around 14,000-15,000 is DTY, which is simply an add-on to POY. Therefore, it will not add to the topline. The topline would increase by around 400 crores because some of it was already present in chip form. So, I think the topline should increase by around 400 crores in a full year.

Sharanj Gupta - Swan Investments: Understood, sir. Very clear. All the best, sir. Thank you.

Operator: Thank you. The next question is from the line of Udit from Pinpoint X Capital. Please proceed.

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Udit – Pinpoint X Capital: Good afternoon, sir, and congratulations on a good set of results. During the quarter, I think in one of the interviews you said that the spread had almost become negligible, and I suppose it picked up...

Management: In April, things were very bad. After that, things changed significantly. I am giving you the picture as I see it. Now it looks like people are getting used to the situation, and everybody is buying in good volumes. Imports from China have also declined, and margins have now become reasonably good.

Udit – Pinpoint X Capital: What were the exact margins in June, and what can we expect going into July?

Management: June was good, and that is what continues. Only April was very bad. At that time, the war had just started. April was the peak; crude touched 110-115. Nobody was buying. Normally, for fabrics, April, May, and June are very dull months in summer, and very little production takes place. There was also panic, and labor availability was very poor everywhere in April, May, and June. Operating rates in the downstream industry were also very poor. We had to cut production in April because we did not want to hold such high-cost inventory. Too much happened in April.

Then, from May, things started improving. Now, it appears that people have become accustomed to the situation and have found ways and means to overcome the supply-side problems and other issues.

Udit – Pinpoint X Capital: Do we see the same trend continuing in July as was seen in June?

Management: Yes, July was also similar to June, and we expect it to improve going forward.

Udit – Pinpoint X Capital: Great, sir. Regarding Ecosys, hats off to you for perfecting this technology. How about the procurement side? Do you think that after this initial plant, you will have enough material for the scale-up we are looking for?

Management: I think so, but we will experience it first, and only then will we go for large-scale production. As of now, it appears that we can definitely put up another 150,000-ton plant. There is a lot of waste available. When buyers are available, people start collecting and delivering the waste.

Initially, if I give you the example of bottle collection in India, before bottles started getting recycled, the collection rate was hardly 10-20%. Today, the bottle collection rate is 90% and above worldwide. Things develop when a new activity starts taking place. The Government of India has also taken a lot of initiatives and is setting up facilities where people will collect old clothes and give them to those who can recycle them. We are also in touch with them. There is 1 facility in Maharashtra that they have started, and we are in touch with them. They are offering some volume. I think things will develop over time. Everybody is aware of this problem and wants to solve it.

Udit – Pinpoint X Capital: Great, sir. Thank you, and best of luck.

Operator: Thank you. The next question is from the line of Shubhi Gupta from Trinetra Asset Managers. Please proceed.

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Shubhi Gupta – Trinetra Asset Managers: Good evening, sir. Since our incremental capacity is towards higher-value products, how do we see the overall product mix changing in the coming period?

Management: We have already explained the change in product mix. We are putting in more FDY, and we are going to increase our production of cationic yarns...

Shubhi Gupta – Trinetra Asset Managers: Could you give a specific quantification?

Management: There is no specific quantification in that. In our business, even a very high-value product means that the realization margins are 3-5 rupees higher than those of a general product. It is not that you are going to make double the profit in any case. Even if you make 3-5 rupees more than what you make on a normal product, it is considered a specialized product.

Shubhi Gupta – Trinetra Asset Managers: Understood, sir.

Operator: Thank you. The next question is from the line of Rohit from Progressive Shares. Please proceed.

Rohit – Progressive Shares: Hi, sir. I have a couple of questions. The first is regarding production. In Q1, it declined to 84,000 from around 94,000 last year and 97,000 in the previous quarter. Is there any particular reason you would like to share?

Management: In April, we had to reduce production because raw material prices were very high. We were not able to pass on the full increase, and it was not prudent to carry very high-cost inventory, so we cut production at that time.

Rohit – Progressive Shares: However, sales have been stable?

Management: Sales improved in May and June, so we were able to sell some of the extra stock we were carrying during May and June. That is why sales improved significantly. If you see, inventory had also increased in March. Since we had raw material inventory in March, we did not cut production significantly. It is better to convert it into a product than to keep it as raw material inventory. However, in April, we reduced our purchases and cut our operating rates so that we would not carry too much high-cost inventory.

Rohit – Progressive Shares: If crude is more or less stabilizing, our margins have compressed somewhat compared with the previous quarter...

Management: It was a full quarter, and margins were very low in April, which is why the overall quarterly margins are not as strong. However, do not look at it as a percentage. If you look at it on a per-kilogram basis, the margins are still not that bad.

Rohit – Progressive Shares: My second question is on Ecosys. Your EBITDA guidance has increased from around 75 crores to approximately 80-85 crores currently. What could be the reason for that?

Management: Sorry, I could not understand. Could you please repeat that?

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Rohit – Progressive Shares: In the presentation, the EBITDA guidance you had given for Ecosys was around 70 crores, which you have increased to 80–85 crores currently. What is the reason?

Management: It has never been 70 crores. It may have been a misprint. I have always maintained that it would be between 80–85 crores.

Rohit – Progressive Shares: Understood, sir. Regarding the payback period, what is the payback period for Ecosys?

Management: In the presentation also, it is 80–85, 75–85, or 75–80.

Rohit – Progressive Shares: In the March quarter, it was 75 crores.

Management: Yes, perhaps that is something I missed correcting. It has always been between 80–85 crores.

Rohit – Progressive Shares: We have been highlighting Europe and the US. Have we identified any clients or customers to whom we will sell the product?

Management: We are in touch with a lot of clients, and we are also receiving some trial orders. They have approved the product. As soon as our product starts, I think we should get orders once production is available.

Rohit – Progressive Shares: Do we have any minimum purchase agreement, contract duration, or take-or-pay agreement?

Management: 1 party has given us a contract for 1 year. Rather, I think 2 parties have done so. One is Decathlon, and I cannot disclose the name of the other because we have an NDA with them. They have also given us a commitment. So, around 15–20% of production has firm commitments.

Rohit – Progressive Shares: The last question I have is regarding the reduction in employee count mentioned in the presentation, which is approximately 180 employees. What sort of savings can we expect, and are these employees overseas?

Management: This is something that is needed at this stage; this is not a project undertaken for return on investment. Overall, I think we should save 4–5 crores in a year. It will also enhance product quality, and productivity may increase. That is why we have undertaken this initiative. We should be able to reduce the workforce by around 180–200 people.

Rohit – Progressive Shares: Is there anything on the peak debt level that you would be comfortable with?

Management: I am comfortable with a debt-to-equity ratio of 0.4, but I do not think I will reach that level in the near future.

Rohit – Progressive Shares: Thank you for answering my questions. Thank you very much.

Operator: Thank you. The next question is from the line of Sagar from Alquemi Ventures. Please proceed.

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Sagar – Alquemi Ventures: Hi, sir. Can you elaborate further on the steam project?

Management: This is essentially related to our power plant. Since we are moving towards more renewable energy, we will not draw as much power from our captive power plant. When you generate power, you produce steam at a very high temperature and high pressure. At the end, after you have utilized it for power generation, you can draw steam at a lower temperature and lower pressure, which you can sell in the market at a good price. Overall, you generate good EBITDA because the capex is already in place.

We now need to incur capex to change the turbine, install some piping, and make some other arrangements. Therefore, the capex is around 80-85 crores. After accounting for operating costs, we should generate EBITDA of around 60 crores.

Sagar – Alquemi Ventures: Why would a third party buy steam from us? What would be its current cost of...?

Management: The buyer does not need to handle coal or install a boiler, and it is not easy to do so. There are also a lot of people generating steam from gas, which is very expensive. Even if they produce it in-house, the cost would be nearly 10% or 15% lower than the price at which we are going to supply it.

Sagar – Alquemi Ventures: So, for customers installing a new boiler and incurring capex, this would be beneficial, right?

Management: Yes, but it is also beneficial for people using gas-fired boilers because gas costs are very high. For example, producing steam from gas would cost them around 6-7 rupees per kilogram. We would supply it to them at around 3 rupees per kilogram. So, it is economically beneficial for them as well. There are also many people whose products do not require them to handle coal and other related activities, so they can move away from that. In any case, we have to handle coal for our power plant, so we thought we might as well sell the steam rather than running the plant at a lower level.

Sagar – Alquemi Ventures: When do we expect this to be commercialized?

Management: It should be commercialized by September. It was supposed to be commercialized in July or August, but due to certain hiccups, it has been delayed by 1 or 2 months.

Sagar – Alquemi Ventures: Understood. Thank you so much.

Operator: Thank you. The next question is from the line of Anupama from Pune E Stock Broking. Please proceed.

Anupama – Pune E Stock Broking: Hello.

Management: Yes.

Anupama – Pune E Stock Broking: I wanted to understand the TAM, or total addressable market, for Ecosys, since this industry is very price-sensitive and the Ecosys recycled product is going to be somewhat on the premium side. This is what I wanted to understand.

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Management: This product is not widely available in the world. There are only 2 companies in the world that make this product. Their prices are much higher than ours. Only 2 companies in China are making this textile-to-textile chemically recycled product. Their prices are at least 10-15% higher than what I have indicated. If you are comparing some other product with our prices, then it does not make sense.

Anupama - Pune E Stock Broking: This is one point. The other thing I wanted to understand is what part of the industry is being mandated to use recycled products in their finished goods?

Management: These are mostly brands in Europe because the European Union has mandated textile-to-textile recycling, and that is why these brands are moving towards it. Until now, they were using bottle-to-textile recycling, which does not solve the problem of their extended producer responsibility because they need to address textile recyclability, not bottle recyclability. That has changed now, and as production becomes available, availability will be important. Just imposing a compulsion without availability will not achieve anything. There are a lot of plants coming up, and these companies are very keen to partner with people who can produce this material. Once our product is available, I think we will have a lot of people asking for it. The demand appears to be at least 3-5 million tons, while the currently operating production capacity is hardly 1 lakh tons.

Anupama - Pune E Stock Broking: Understood. Thank you so much.

Operator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please proceed.

Sarvesh Gupta - Maximal Capital: Hi, good afternoon, sir. Most of the questions have already been answered. In this quarter, did you get any inventory gains because you would have had some inventory from the previous quarter at a lower price and then...?

Management: Yes, we did get some inventory gain in this quarter.

Sarvesh Gupta - Maximal Capital: Can you quantify the inventory gain for this quarter?

Management: I think it could be in the vicinity of 15-17 crores.

Sarvesh Gupta - Maximal Capital: Understood. Secondly, in your forex income, earlier there was a cost of 13 crores and then a cost of 33 crores in the last financial year, while this time there was a negative amount or a benefit. Can you explain what that was and how you see it in the coming quarters?

Management: This time, I think there was a gain because the euro dropped significantly. However, I think we should finish the year with a loss of around 10-15 crores. This also relates to the raw material we import, and if we undertake hedging, that is also included under this item.

Sarvesh Gupta - Maximal Capital: Last year, for example, we had a cost of 33 crores that...

Management: Last year, the euro depreciated quite significantly. It was a notional loss because only the amount that we pay is booked; the rest is notional. Perhaps this year, if the euro remains at these levels, we will be able to cover it. However, historically, from the level at which we took the

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loan, we are still in profit compared with what would have happened if we had hedged it from day one. We do not hedge our long-term loans, which are for more than 5-6 years, but we hedge short-term loans. We have a consultant who guides us so that we hedge from time to time.

Sarvesh Gupta – Maximal Capital: What is our current net debt, and how do we see that developing...?

Management: Net debt today is close to {? 30 40 crores ?}, or possibly nil.

Sarvesh Gupta – Maximal Capital: How do you see the peak net debt that we will reach because of the capex as well as the additional working capital?

Management: By the end of this year, peak net debt would be around 150-200 crores.

Sarvesh Gupta – Maximal Capital: Does that include working capital debt?

Management: Yes, that includes working capital but not the LCs that we open.

Sarvesh Gupta – Maximal Capital: Thank you, sir, and all the best.

Operator: Thank you. The next question is from the line of Vivek Gupta from Advent Consulting. Please proceed.

Vivek Gupta – Advent Consulting: Good evening, sir. This is regarding Ecosys. If oil prices decline substantially in the future, will the margins at Ecosys be impacted, or will they remain the same?

Management: I do not think they will be impacted. Before the war, we took a very conservative view based on prices at that time, and we provided the number on that basis.

Vivek Gupta – Advent Consulting: Would the operating cost also come down with crude prices?

Management: There would not be much difference. Operating cost will not be significant for this product because only the heating cost, which is hardly 6-7 rupees per kilogram, can vary by 1-2 rupees here and there because of the price of the heating medium. Everything else is not dependent on crude.

Vivek Gupta – Advent Consulting: So, essentially, the 30% EBITDA margin will remain even if there is a drastic fall in crude prices?

Management: Yes. I have been giving you this number from before the war. I am not increasing the number because of the war; I am maintaining the same number. If crude prices remain high, margins could increase in the other direction.

Vivek Gupta – Advent Consulting: That was all. Thank you.

Operator: Thank you. The next question is from the line of Arjit from IKO Quantum Solutions. Please proceed.

Arjit – IKO Quantum Solutions: Thank you for the opportunity. What is your expected yield? I want to understand how many kilograms of usable polyester chip actually comes out for every 100

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kilograms of textile waste that goes in.

Management: This is something proprietary, so I cannot disclose it. It is a substantial number. We lose a small volume for sure because there is moisture in the fabric, there are different colors, and we lose some small amount. However, these are highly technical details that should not be disclosed in the open market. This is a know-how matter.

Arjit – IKO Quantum Solutions: Are we on track to achieve our guidance of 4,500 crores of revenue in FY27 and 4,800 crores in FY28 for Filatex standalone?

Management: The topline guidance depends on raw material prices. It is very difficult to assess, and we have given the guidance based on certain raw material prices. I can be more certain about my bottom line than the topline.

Arjit – IKO Quantum Solutions: Since the Ecosys timeline has shifted, do we still expect to achieve the 60% capacity utilization that we are targeting in FY27?

Management: No, I have not said 60% utilization for Ecosys in FY27. I said that FY27 would mostly be a stabilizing period. As of now, I cannot guarantee what the utilization could be. Since it is a new product, it will take 3-4 months to stabilize once it becomes operational in October or November. By the end of this year, I will only be stabilizing the product and everything else. Therefore, it is difficult to provide guidance right now. Perhaps by January or December, I will be able to give you a better number.

Arjit – IKO Quantum Solutions: Thank you, sir.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to the management for closing comments. Over to you, sir.

Management: Thank you, everyone, for participating. We hope to see you on the next quarterly call. Thank you for your time.

Operator: Thank you. On behalf of Filatex India Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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