GHCL Textiles

Operator: 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Nehan Gogia from Go India Advisors. Thank you, and over to you, ma'am.

Nehan Gogia – Go India Advisors: 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. Marshall Chanavani, CEO; and Mr. M. Parsuraman, 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. Marshall to present his opening remarks, after which we will open the floor for Q&A. Over to you, sir.

Management: Welcome to the earnings 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 the 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 62,000 per candy in April 2026 to 67,000 in May 2026, and then dropping to 64,000 per candy in June 2026. Prices have risen again to 68,000 per candy. On the global front, the cotton market, particularly New York futures, has also increased, driven by the ongoing international trade situation, reaching 80 cents per pound at the end of June 2026.

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 replace the erstwhile tariff of similar magnitude. There are clauses on treating the tariff data quotas for the competing nations. Regarding the potential conclusion of US Tariff Section 301, we would be evaluating further to assess the overall impact.

Turning to our own operations, we continue to maintain optimum utilization 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 position as a preferred supplier has allowed us to strengthen relationships with global and domestic brands, optimize our product and customer basket, and sharpen our focus on value-added products.

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Our business has delivered robust performance and this is reflected in reported financials. In Q1 FY27, revenue came in at 410 crores, up 52% on a year-on-year basis. EBITDA was 70 crores and PAT was 39 crores. Regarding our project pipeline, the first 15 knitting machines were installed with commercial production stabilized, 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 the remaining to be completed during this year. Additional project pipelines include an additional 11 megawatt solar energy project 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 the 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, deep engagement with key customers, driving operational excellence, and enhancing vertical integration to support sustainable growth. This will enable us to mitigate the volatility and maintain our desired performance. GHCL Textiles Limited is well placed to capture these opportunities. We remain committed to creating long-term value for our shareholders and thank you for your continued confidence and support. We are now 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 your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use headsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue is assembled. We take the first question from the line of Saransh Gupta from Swan Investments. Please proceed.

Saransh Gupta – Swan Investments: Yeah. Thanks for the opportunity. I hope I am audible.

Operator: Yes, you are audible.

Saransh Gupta – Swan Investments: Thank you, sir. Congratulations on a really good quarter. Sir, I had a few questions that I wanted to ask. Firstly, what kind of cotton inventory do we have currently?

Management: So, Saransh, we maintain a visible cotton inventory for the season. As of now, we are well covered until the beginning of the new season.

Saransh Gupta – Swan Investments: Understood. So that means you are done for the entire year.

Management: Saransh, you had three questions, right?

Saransh Gupta – Swan Investments: Yes, sir. The first one was at what current level of cotton inventory are we at? For how many more months of cotton inventory do we have in stock?

Management: Yes, so I answered that we are well covered until the beginning of the new season, which will be about November or December.

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Saransh Gupta – Swan Investments: Okay, November or December. Understood. And sir, currently with such volatile prices of raw materials, what are the spreads currently in the market?

Management: Currently, our spreads are about 160 per kilo without the packing cost. If you take the average packing cost of about 5 per kilo, so with packing, it is about 155 per kilo. This is what the trade for the last quarter was, and this is a jump from about 138 per kilo which was there in Q4 FY26.

Saransh Gupta – Swan Investments: And given the current trend in the prices and the inventory that we have, is it right to assume that the current numbers as what we reported in terms of the margins are sustainable? In terms of the knitting and the fabric which has come to 16%, definitely something has come from all the new knitting capacities and the working capacities that we have set up. So, over a period of time, how shall one look at the fabric contribution and the sustainability of the current margin?

Management: So, you have two questions, right? One on the sustainability of margins. Yes, I think because of timely procurement of cotton, there is definitely a benefit we will derive from that. There are two aspects to it. One, as we progress towards Q2 and Q3, 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 70,000 per candy right now, higher yarn prices can be absorbed by the market or not.

So, there will definitely be an impact of higher cotton inventory which will start to come in now. If the market remains 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 for Q2, it will be similar to what we have right now. Post that, we definitely need to see how the overall market behaves.

In terms of fabric, yes, fabric has almost reached about 16% of our overall sales and it is composed of both woven and knitted. There is definitely a contribution from our 15 knitting machines. On woven and knitted, it is almost a split of about 50-50%. Woven continues to remain on a job work model, while a significant part of knitted will start to become in-house. In that way, as we have always said, there will be an incremental margin from in-house production of about 2-3%. This will get added over being only a standalone yarn manufacturer. But even with 14 knitting machines, our total in-house knitting capacity would be only about 12-15% of our overall yarn production. So you will have to adjust the overall margin increase accordingly as well.

Saransh Gupta – Swan Investments: Okay. So that means for the next two to three periods, we will probably remain in the range of 15-20% only.

Management: So for the next two to three years, obviously we have a plan to forward integrate further. We have always said that our objective is to become a ready-to-cut fabric supplier, and that journey is what we have planned for the next two to 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 30-40%, which is currently at 15-16%. This is after three years is what I am talking about. So that journey has to be traversed.

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Saransh Gupta – Swan Investments: And sir, in terms of the solar power, can you tell me what the total power consumption is and with the completion of the renewable project that is in hand, what type of savings can one anticipate?

Management: So, we have been working on two renewable power projects. As of now, we have a total installed capacity of about 65 megawatts. Another 11 megawatts is in the pipeline. In the last year, we have been working on two projects. One was a rooftop solar project of about 3 megawatt capacity. This was implemented in January, so this year we will get the full benefit of it, with savings expected to be about 2 crores per year.

The second project is an 11 megawatt ground solar project. That is in progress. There have been some recent changes made by the MNRE, particularly on the ALMM list, because of which the project got delayed. The commissioning date is now in December. So that project could give us a benefit of about 6 crores per year, but the full benefit will only come next year.

Saransh Gupta – Swan Investments: Okay, sir. Thank you.

Management: Thank you.

Operator: Thank you. We take the next question from the line of Raman K from Sequence Investments. Please proceed. I would request Mr. Raman to unmute and then speak.

Raman K – Sequence Investments: Yes, sir, can you hear me?

Management: Yes, I can hear you.

Raman K – Sequence Investments: So 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. I just want to understand, you also mentioned that you will be able to maintain the 150-155 per kilo spread. So I just want to understand where the demand is coming from. Is it because of the India-UK FTA or is it because of internal domestic demand? If you can highlight where the demand is coming from and if the demand is still persistent at a higher cotton price and at a higher spread as well?

Management: So, just for clarification, what I said is that we have cotton inventory until November or December. We have been building up this inventory from the beginning of the season when the prices were much lower. Gradually, the prices have started to go up as the season has progressed. So in Q1, we got the benefit of our lower-priced cotton inventory, apart from the price increases which have happened because of demand. That is number one. So we are not going to procure cotton today for utilization for our current sales. There is an inventory buildup whose benefit will accrue, and gradually that inventory price will start to go up.

Number two, on the demand side, there is growth both in our domestic market as well as in exports. Definitely, the trigger points are resolving global situations with respect to tariffs and also some of the FTAs which are in the pipeline. What we have seen on the demand side is that prices are increasing gradually and getting accepted with a lag. So as of now, at the 68,000 to 69,000 per candy level, yes, spreads are maintainable. But if the cotton prices increase further, will the prices get accepted or will they be accepted with a lag? There could be a reduction in spread because of

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it. What I earlier said is that this year, spreads will be better than what we did last year, and even better than what was there in Q4. So that trend looks to be continuing. Whether it will be 155, 145, or 150, I think we can only say as we progress through the year. At least for the Q2 perspective, we think it will be similar to what we have done in Q1, maybe slightly lower.

Raman K – Sequence Investments: Sir, I think in Q4 FY26 our spread was close to 138. So you are saying on an average basis for the entire year, your spread will be more than around 140.

Management: You are correct. Our trend in Q4 was about 138. This will definitely be better than that for the full year. At least from the demand situation point of view, that looks to be continuing.

Raman K – Sequence Investments: Understood, sir. And 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, when are we expecting this capacity to be fully operationalized?

Management: Yes, on the capacity expansion side, only the knitting machines are in the pipeline for us. But as we have said earlier, we have almost 350 crores of capex to be deployed primarily for our ready-to-cut fabric production facilities. This is what we are focusing on now.

Raman K – Sequence Investments: Understood, sir. And just a last question, what was the inventory gain impact for the quarter? We did around 70 crores of EBITDA. Out of this, how much did we gain on the inventory?

Management: So, if you see, our sales price increase has almost been around 20-24%, while the inventory gain could be about 10-12% only. The rest of the spread increase has actually happened because there has been better pricing in the market. Second, our customer selection and our entire strategy around strategic customers and cotton pricing has been a part of it.

Raman K – Sequence Investments: Understood, sir. Thank you.

Management: Thank you.

Operator: Thank you. We take the next question from the line of Rashmi J from GDV Asset Management.

Rashmi J – GDV Asset Management: Hi, good afternoon. Congratulations on very good numbers. I have two questions. First, on the overall yarn demand, what we see from the numbers is that the demand from China for cotton yarn has been quite muted for the last 2 years, but suddenly, at the beginning of this year, we have started seeing very good exports from India. How big is this and are you also exporting to China? 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?

Management: Okay, let us first address China. Since December, we have been seeing a lot of opportunities for export to China. GHCL Textiles Limited does not export much to China directly, but yes, there has been a lot of demand coming and getting fulfilled from India. I think that trend has continued. It has slightly slowed down in Q1, but it is still there and much more than what it used to be before December.

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One reason, in our assessment, is that the overall cotton production in China is going down. There has been both acreage reduction and output reduction when it comes to Chinese cotton. Of course, the prices in India, at least before December when a lot of this quantity was booked, were much better or cheaper compared to everywhere else. So I think that was one big trigger that happened, and it has continued because overall Chinese cotton output has gone down.

Then there is the ban on certain cotton in the US market. I think that is, in our assessment, the reason why there is a significant and continued demand from China. In terms of why the overall demand situation has gotten better, one reason is the entire demand coming from FTA signings and global markets and brands looking at India positively because of it. Second, the Indian domestic market itself has grown by 6-8% year-on-year, and that seems to be strengthening as well. So these are the reasons why we see historical growth in the domestic and export markets. I think some of these reasons are more structural in nature and that is why we believe these demand trends are set to continue. The third part is that before December, many retailers were sitting on very low inventory. They are now doing a stock replenishment of inventory which is also happening. In my assessment, these are the reasons why we see good demand.

Rashmi J - GDV Asset Management: Okay, sir. And my second question is on PM Mitra Park. The land has already been allocated. Can you give more of an update on that, such as what the next step is and when we are starting the overall project?

Management: As per our discussions with the executing body for PM Mitra Park in Tamil Nadu, the project from their end should be completed by December 2027. That is the timeline they are working on. As per the policy, we are supposed to complete our project within three years of land allotment. Those are the broad timelines. We are currently engaged with the park for the initiation of the project, but from a timeline perspective, between 2027 and 2028 is when the project is supposed to be completed and commissioning can happen.

Rashmi J - GDV Asset Management: So you are saying December 2027 is when your commissioning should happen?

Management: December 2027 is the completion date for the PM Mitra Park and the facilities to be provided by the government. From the date of allocation, which was in 2026, we have about three years to complete it. The land allotment happened within the last quarter. So basically, it is three years from then when we have to complete the entire project and commission it. That is the maximum time.

Rashmi J - GDV Asset Management: So you will start the project in parallel with the PM Mitra Park body?

Management: Yes, that is the correct understanding.

Rashmi J - GDV Asset Management: Assuming that the facility will be ready by December 2027, when will your plant, such as the processing plant or the fabric manufacturing plant, be ready?

Management: It will be in calendar year 2028. We have to start building it, and in FY28, we will plan to commission and initiate it. Maybe a part of it could be done earlier as well. It all depends on the

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progress made on the overall park and its facilities.

Rashmi J – GDV Asset Management: And this will be a 350 crore or 400 crore capex that you are planning here?

Management: Correct.

Rashmi J – GDV Asset Management: Given that the balance sheet is already quite strong and this project is going to happen within the next two years, the cash generation I could see is significantly higher. I think PM Mitra Park would have some debt concessions, so you will fund it through some concessional debt. How are you going to use the cash, as I could not see any other project other than this?

Management: Right now, we are working on two projects: the completion of our knitting and solar projects. That is where we will be able to deploy the cash. Simultaneously, as the government starts to build up the PM Mitra Park, there will be some activity starting from our end as well.

Rashmi J – GDV Asset Management: Those are small capex items compared to the cash generation you are planning to have.

Management: This year, our capex for all projects put together, including modernization and replacement of capital equipment, will be about 100 to 120 crores. To add to what Marshall said, while we have this 350–400 crores of investment in the pipeline, we are also debating other new initiatives we should take. At the appropriate time, we will share those details with the investors.

Rashmi J – GDV Asset Management: Are you planning that in the next few quarters?

Management: Yes, we are planning in the next few quarters how we are going to deploy the resources going forward. Obviously, that journey is very clearly defined. As Marshall has been saying, our target is to double the revenue and expand margins through vertical integration. Along with this, we are working on what else we can do.

Rashmi J – GDV Asset Management: Thank you so much. All the best.

Management: Thanks.

Operator: Thank you. We take the next question from the line of Shreya Chatterjee from Axis Capital. Please proceed.

Shreya Chatterjee – Axis Capital: Hello, sir. Thank you for the very good set of numbers and for taking my question. I had a couple of questions on the demand side, especially regarding the FTA part and the UK FTA being signed. If you could give volume guidance for your yarn or fabric segments, and if you could quantify the impact of the UK FTA and potentially the EU FTA coming by the end of the year, that would be really helpful.

Management: We do not have direct exposure to these markets in the UK and US. We have indirect exposure because we sell to customers who would be exporting there. In terms of our volume, we are already at 98% plus utilization. So this will definitely not impact our volume, though which customers we sell to could adjust.

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The FTAs will impact a lot of our customers because the US and UK are very large markets. Particularly in the UK, there was a duty disadvantage that India had compared to countries like Bangladesh or Vietnam. I think this brings parity. In a market that is almost 40 billion dollars, our market share was about 4-5%. That could itself double. If we are doing about 1.5 to 2 billion dollars of business in the UK market, it could double to almost 4 billion dollars. A similar case exists in the US, which is almost a 400 billion dollar market and where India has a market share of about 6% on the apparel side. Stability in that market could also have a significant impact.

The other large market where an FTA would have a big impact is the European Union, which is slated to go into execution mode by the end of this year. I think that is a big trigger and a demand surge could come from that market as well. The EU, UK, and US put together is nearly a 900 billion dollar market. Certainly, the opportunity exists for Indian textile players because of these FTAs.

Shreya Chatterjee – Axis Capital: Got it, sir. And do we see any market share gain in any particular volume number indirectly coming from all these changes?

Management: As I said, there is no direct impact for us, but all the industrial and government bodies have predicted that in the UK, there is potential to double the market share. In the US, it is supposed to go from 6% to 7-8%. That is what all industry bodies are expecting and I think it will largely happen.

Shreya Chatterjee – Axis Capital: Got it. And sir, what is the guidance for inventory days? With cotton prices going higher, what inventory days do you want to maintain going ahead?

Management: This year, as of now, we are maintaining inventory until November or December. Going forward, we will have to see how the monsoon evolves and the entire situation with respect to rain. Based on that, we will take calculated calls on how much inventory to maintain.

Shreya Chatterjee – Axis Capital: Right. Thank you, sir.

Operator: Thank you. Before we proceed with the next question, participants, in order to ask a question, you may press star and one on your touchtone telephone. We take the next question from the line of Sagar from Astrolite Investments. Please proceed.

Sagar – Astrolite Investments: Hello, am I audible?

Management: Yes, hello.

Sagar – Astrolite Investments: Sir, I just wanted to understand: last quarter, in Q4 FY26, your knitted fabric volume was around 666 and utilization was 99%, right? This quarter, your volume has jumped a lot and your utilization is still 99%. Why is there a surge in volume? Have the knitting machines come into the picture?

Management: The 99% utilization is for our spinning business, not for our knitting. That is one clarification I wanted to give you. Second, because we have received the 15 knitting machines, the volume has jumped because of that. We still continue to operate some of the fabric business on a job work model on both the knitted and woven sides.

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Sagar – Astrolite Investments: Okay. So what would be the capacity utilization for the knitting side as of now?

Management: This was the first full quarter when the knitting machines have been working. Gradually, the utilization will increase. Currently, we are maintaining about 80–85% utilization for these 15 machines.

Sagar – Astrolite Investments: And regarding the 25 machines, when can we expect them to come into the picture?

Management: They are coming in parts. We received some of the machines in July. The other machines will come in parts in Q2 and Q3. So by the end of Q3, you will have all those machines commissioned.

Sagar – Astrolite Investments: Okay. And regarding sales volume of yarn, I understand that you are moving up the value chain to more knitted fabric. Will your yarn then be for captive use and will yarn volumes degrow?

Management: Yes, a part of our yarn will be converted to fabric. In my opening remarks, I mentioned that 89% of our yarn was sold as yarn and the remaining 11% was converted to fabric and sold. As we increase the fabric volume, part of our yarn will start to be converted and sold as fabric.

Sagar – Astrolite Investments: Fair enough. Okay, thank you.

Operator: Thank you. We take the next question from the line of Dipali Kumari from Arihant Capital Markets Limited. Please go ahead.

Dipali Kumari – Arihant Capital Markets: 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 spinners over the next three to five years? If domestic cotton continues to trade at a premium to global prices, how will it impact India's export competition?

Management: Dipali, regarding the first part of your question, India's cotton production has actually been higher this year compared to last year. But I understand where you are coming from: it used to be much more, almost 400 lakh bales, which has dropped to about 324 lakh bales. Globally, we have seen that cotton production, except in India, is supposed to go down in terms of output next year.

India has been working on improving the cotton yield as well as overall output. Recently, about six months ago, the government launched its mission on cotton productivity where the target is to go back to 400 lakh bales of output. Also, the yield is targeted to go up from 400 to about 700 kg per hectare. Given those plans are in progress, I believe India will have sufficient cotton going forward and we will not be in a situation where we have to rely heavily on imported cotton.

As a nation, we have been buying imported cotton for years and the government has timely removed the duty on cotton that can come in duty-free, which has been a big help to the industry. The overall situation of cotton supply has been competitive. I do not see it as a challenge in the next

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three to five years that India will have a shortage of cotton.

Regarding the overall pricing of cotton, as of now, Indian cotton is at parity with global cotton. So there is export competitiveness for sure. In the last quarter, Indian cotton was actually cheaper at some points. Gradually it has come to parity. Because it is at a similar price to imported cotton, there is good export competitiveness, and I do not see many challenges there.

Dipali Kumari – Arihant Capital Markets: Okay. And sir, historically, every period of strong yarn sales has been followed by fresh capacity addition and margin normalization. Will this cycle be any different this time?

Management: I think what is changing this time is that structural demand changes are happening. As you put forward, multiple markets are opening for the Indian textile industry through the FTAs. Second, a lot of infrastructure is being built, like our investment in PM Mitra Park. Some of these infrastructure assets build competitiveness and create the right ecosystem for plants and labor.

On the synthetic side, there is a PLI scheme, and raw material capabilities in terms of PTA and EG are being built. The synthetic portfolio will also change. I think that gives us a belief that this time the cycle will be more sustainable. In the last few years, a lot of spindles have gone out of action and are not working. Capacity reduction or normalization has also happened. That is also a step in the right direction. The belief is that these structural changes will occur and the demand cycle will continue.

Dipali Kumari – Arihant Capital Markets: Got it.

Operator: Thank you. Ladies and gentlemen, please limit your questions to two per participant as there are several participants waiting for their turn. We take the next question from the line of Kritika Agarwal from Motilal Oswal Financial Services Limited. Please go ahead.

Kritika Agarwal – Motilal Oswal Financial Services Limited: Thank you, sir, for the opportunity and congratulations on the numbers. My first question is how the order book is building for the second half of this financial year. Are you seeing any orders from regions like the US, UK, or EU because of the tariff and FTA elements?

Management: The order book is healthy. We usually maintain about 1.5 to 2 months of forward booking, which we are able to maintain as of now. Regarding demand from the UK, EU, and US, as I said earlier, we do not have direct exposure to the US and UK, but our exports have been very healthy to European regions, at least in Q1. We saw good demand coming from markets like Germany, Italy, and other European nations.

Kritika Agarwal – Motilal Oswal Financial Services Limited: Understood, sir. So you are not taking any orders from the US or UK?

Management: The US and UK typically are ready-to-cut fabric and garment markets. They are not yarn markets. Because we are only in yarn and in grey fabric, we are typically tier-two vendors for brands in the US, Europe, or the UK. We supply to process houses or to practitioners who would ultimately be supplying to those regions. That is why we do not have direct exposure.

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Particularly in Europe, there are companies or markets where there is an opportunity to supply yarn and even grey fabric. That is what we have been doing, and it is a significant part of our export market. In that particular segment, we saw good demand coming in in Q1.

Kritika Agarwal – Motilal Oswal Financial Services Limited: Yes, sir. My second question is how much improvement in the fabric segment do we expect if we move to processing fabrics?

Management: When you say improvement, what do you mean?

Kritika Agarwal – Motilal Oswal Financial Services Limited: Sir, as you said that over the next three years you are going to shift to the fabric segment from yarn, how much margin expansion can we expect?

Management: Yes. When we are vertically integrated and have become a ready-to-cut fabric supplier, you can expect a normalized EBITDA of about 16-18%. That is what we can expect. Our ambition is also to double our revenue from 1,000 crores to 2,000 crores by FY29. That is the broad objective we are working on.

Kritika Agarwal – Motilal Oswal Financial Services Limited: Understood, sir. Thank you.

Operator: Thank you. We take the next question from the line of Saket Kapoor from Kapoor and Co. Please go ahead.

Saket Kapoor – Kapoor and Co: Greetings, sir, and thank you for the opportunity in putting forward the long-term vision. For this quarter itself, we clocked 17% as EBITDA margin because of the factors very well explained. In the most likelihood, is this the floor for higher sustainable margins, or did the inventory benefit play out for Q1 and will then wane going ahead?

Management: Saket, we have always maintained that the normalized margins for our type of business are about 13-15%. We have come from 12% last year to about 17% this quarter. We think the normalized margin for this year will be about 13-15%. The inventory gain which is there in Q1 will not happen in upcoming quarters. When we become a ready-to-cut fabric supplier, there is an incremental EBITDA that will come from our vertical integration, which will get added, and that is why we target 16-18% when we are a ready-to-cut fabric supplier.

Saket Kapoor – Kapoor and Co: Just to add to it, on slide 10, we mentioned specialized yarn for moving into value-added premium products in each category. We are already in the value-added yarn segment, so what are we trying to explain by "specialized yarn"? Also, with respect to the addition of machines in slide 11, we mentioned that Phase 2 will be commissioned in FY27. From the existing quarter, we start accruing the benefit and thus incremental margins will be maintained. Is this understanding correct? You mentioned six machines in July.

Management: Six machines have been received. For Phase 2, the remaining 19 machines will be received in Q2 and Q3 of FY27. So by the end of Q3, we will have those 25 machines commissioned.

In terms of specialized yarn, when we work with specific customers, we try and customize products to their requirements. We are trying to give solutions to some of their types of fabric they want to

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make and this is the direction in which we are moving. We have started to do a few things in specialized yarn, but that capacity is much smaller, which is why we did not illustrate it much. As and when we build enough sizable capacity, we will certainly bring it out in much more detail.

Saket Kapoor – Kapoor and Co: Okay. Regarding slide 8, where you alluded to India's FTA as a boost to the textile sector, under the US category, you mentioned that the agreements carry recess at 10% and then have an impact part. Can you explain what we are trying to convey by stating that 20% plus US cotton import equals zero duty on exports?

Management: With respect to the US, some of the details are still to come in. The US tariff had been set at 10% over and above the most-favored-nation duty, which is on an average about 15.5%. MFN is more or less similar across all countries except those given LDC benefits. So the total tariff as of now is 26.5%. The India and US FTA details are yet to come out. There were few benefits given on US cotton which is used, so the duty benefits would have been there if US cotton is used. If you have 20% plus US cotton input, 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 understood as of now.

Saket Kapoor – Kapoor and Co: Right, sir. I will join the queue, but I want to congratulate the team for a very detailed investor day. All the best.

Operator: Thank you. We take the next question from the line of Resham Jain from VVP Asset Managers. Please proceed.

Resham Jain – VVP Asset Managers: Thanks for taking my question again. Regarding the PM Mitra Park, what are the benefits the government is giving in this particular capex? If you can highlight some of the key benefits, including the debt subsidy or something we are going to get.

Management: Resham, the main reasons we went toward PM Mitra Park were the benefits in terms of common infrastructure, such as common effluent treatment plant and zero liquid discharge facilities, laboratories, and other centralized facilities which would make compliances much easier to maintain. We primary looked at it from an operational and compliance perspective.

Resham Jain – VVP Asset Managers: There is no concessional debt available for PM Mitra Park?

Management: The land is available and is concessional in a way, but that is the same for all. At this point, we do not have that kind of advantage, but on all our investments, we are covered under the Tamil Nadu incentive scheme. We will be getting many advantages there.

Resham Jain – VVP Asset Managers: Is there anything you can highlight?

Management: In the overall project we have signed with the government of Tamil Nadu, we have certain advantages. I will not be able to tell you exactly at this point, but there are significant advantages in terms of capital subsidy and similar benefits. On total investments of around 1,000 crores, there will be almost 100 to 125 crores of capital subsidy and other benefits.

Resham Jain – VVP Asset Managers: Have you received anything yet?

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Management: The inspection has been done for the first stage of investments. The file will be moving and after that, we will be getting some benefit.

Resham Jain – VVP Asset Managers: Okay, thank you. That is all from my side.

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

Aditya – Individual Investor: Hello. Am I audible?

Management: Yes, you are audible.

Aditya – Individual Investor: Thanks for the opportunity. You mentioned that you would like to double the revenue in the next three years. Can you give a Roadmap on how you plan to get from the current level to 2,000 crores?

Management: When we set a target of 2,000 crores, our starting point was about 1,000 crores in FY23. From there, last year we clocked about 1,350 crores, which was 14% growth. We will be able to maintain a similar growth rate for this year or more. Our floor is what we delivered last year. Based on that, we expect similar growth to continue over the next three years, and by FY29, we will certainly be able to reach 2,000 crores.

Aditya – Individual Investor: Can you explain how that growth will occur? You are already at full capacity for spinning, so how will the fabric scale-up happen?

Management: We have increased our spindle count to 165,000. We built two new units which took us from 1,000 crore revenue to about 1,350 crores last year. By maintaining a similar level of growth, we would be at that minimum this year. Beyond this, our grey fabric portfolio is expanding, which contributed almost 35 crores for this quarter, and that pace will continue.

The other part will be when we move toward ready-to-cut fabric. Additional revenue will come from that segment. We will be putting almost 350-400 crores there. On an asset turnover of even 1:1 or 1:0.8, the rest of the revenue will come from that direction.

Aditya – Individual Investor: All right. So for the current year, you are planning to maintain a similar growth rate as last year?

Management: Yes, that is the plan we are working on.

Aditya – Individual Investor: Okay. Thanks a lot.

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

Management: Thank you very much. Marshall has very articulated our vision, our performance, and the basis of this performance. I just want to add a couple of things to this. First, as I have been mentioning for the last two or three quarters, the tailwind signs have been visible. I personally believe the tailwinds will continue in terms of the structural changes which have happened, the FTAs, and overall domestic demand growth. I think this structural change will continue for a longer

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period of time.

Second, our growth plan is completely in place. We have moved from 1,000 crores to numbers likely around 1,500 crores this year. Hopefully, in the next two to three years, with the ready-to-cut fabric business model we are pursuing, we will achieve that number and maybe even better it. We have a strong balance sheet and our focus is on operational efficiencies, cotton coverage expertise, cost competitiveness in terms of investment into power and modernization, and working toward labor availability. While many industries are facing problems with labor availability, the team is working on those things well.

I am reasonably sure that FY27 is likely to be a much better year than the last two years and this journey will continue going forward as well. We are committed to value creation for the shareholders. We have also introduced an ESOP scheme for the management, subject to shareholder approval. I think that will help in creating the right environment for the management team to pursue a much bigger value creation for the industry.

I also wanted to highlight the ROCE. This quarter our ROCE is approximately 12%. The way value creation and the asset turnover ratio is increasing because of our knitting machine forward integration and similar initiatives is improving that. Even our customer selection and the mix of exports are adding to the return on capital. Historically, barring the last two years, our EBITDA margin has been healthy. I am sure that the 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 confidence in the management. We will continue to deliver on the performance.

Operator: 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.

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