



NITIN SPINNERS LTD.



NITIN

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BSE Ltd.

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Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.

Exchange Plaza, C-1, Block G,

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Mumbai – 400 051.

Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 05.08.2025

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on Aug 05, 2025 on Operational and Financial Performance of the Company for the Quarter ended 30th June, 2025. The same is also available on the website of the Company i.e. www.nitinspinners.com.

Thanking you,

Yours faithfully,

For- Nitin Spinners Ltd.

(Sudhir Garg)

Company Secretary & VP (Legal)

M.No. ACS 9684

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“Nitin Spinners Limited
Q1 FY '26 Earnings Conference Call”
August 05, 2025

“E&OE - This transcript is edited for factual errors and readability. In case of discrepancy, the audio recordings uploaded on the stock exchange on 05/08/2025 will prevail.”



**MANAGEMENT: MR. DINESH NOLKHA – PROMOTER, CHAIRMAN AND
MANAGING DIRECTOR – NITIN SPINNERS LIMITED
MR. P. MAHESHWARI – CHIEF FINANCIAL OFFICER –
NITIN SPINNERS LIMITED**

MODERATOR: MR. AWANISH CHANDRA –SMIFS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Nitin Spinners Limited Q1 FY '26 Earnings Conference Call hosted by SMIFS Limited. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Awanish Chandra from SMIFS Limited. Thank you, and over to you, sir.

Awanish Chandra: Thank you very much, Manav, and thank you very much, everyone, for joining this call. On behalf of SMIFS Limited, I welcome you all to first quarter FY '26 Earnings Conference Call of Nitin Spinners Limited. We are pleased to host the top management of the company. Today, we have with us Mr. Dinesh Nolkha, Promoter, Chairman and Managing Director of the company; and Mr. P. Maheshwari, CFO of the company.

We will start the call with initial commentary on results, and then we will open the floor for question and answers.

Now I will hand over the call to Mr. P. Maheshwari, CFO of the company. Over to you, Maheshwari, sir.

P. Maheshwari: Thank you Awanish ji. Good evening, and a warm welcome to all the participants to this Q1 FY '26 Earnings Call of Nitin Spinners Limited. I hope you have had a chance to go through the financial results and investor presentation available on the company's website and stock exchanges.

I will start with a brief overview on operational and financial performance for the quarter. Post that, our CMD, Shri Dinesh Nolkha ji, will give you an overview of industry and business scenario as well as company's vision and overall strategy for future.

Coming to the financial and operational performance. Total revenue for Q1 FY '26 stood at INR793 crores, a marginal decline of 1% on a year-on-year basis. Export contributed nearly 62%, whereas domestic market contributed 38% for the quarter. EBITDA for the quarter stood at INR111 crores, a 6% decline on Y-o-Y basis. EBITDA margin for the quarter is 14.02%. That's a decline of 77 bps as compared to last year same period.

Profit after tax for the quarter stood at INR41 crores, that's a 3% decline as compared to last year's same period. EPS and cash EPS for the quarter is INR7.29 per share and INR13.85 per share, respectively.

On the operational front, our spinning capacity is currently operating at over 96% utilization, while weaving and finishing division are operating at more than 90%. However, revenue

declined Y-o-Y and Q-o-Q due to lower yarn prices in line with the lower cotton prices and lower export demand as the overseas buyers were cautious on account of uncertainty of tariffs. That's all from my side.

I now request Shri Dinesh ji to share his insights about industry and business scenario.

Dinesh Nolkha:

Good evening, everyone.

Textile industry is currently going through a transient phase. Global procurement and overall shipments have been slower than expected, mainly due to ongoing tariff uncertainties and geopolitical challenges. Despite this, the Indian textile industry continues to show some steady performance.

Recently, U.S. government has announced 25% tariffs on imports from India. At the government level, talks are on, and we hope the same would settle down at lower levels, which will provide level playing field with other competing countries.

However, we at Nitin Spinners would not face any major impact due to U.S. tariffs as we have very limited direct exposure in this market. Trade agreements with major countries are also expected to improve India's competitiveness, although the full impact will unfold gradually over the next few years. Nitin Spinners already have presence in UK and EU, exporting both finished fabrics and yarn and we will try to build upon for increasing export to these geographies.

On the demand side, we believe inventory levels across brands and retailers are at historic lows. Over the past few months, the buyers were very hesitant to place large orders and instead relying on just-in-time procurements. We see this as a positive sign for integrated manufacturers like us as once the business cycle revives, we shall be in a good position to reap the benefit.

We have, at Nitin Spinners, have consistently crossed the INR800 crores revenue mark for almost last 5 consecutive quarters. And this quarter, we came just short of that milestone, which was mainly caused by uncertainty prevailing in global markets, as we just explained and reduction in yarn prices due to lower prices of cotton.

At Nitin Spinners, our well-diversified product portfolio, customer base across different geographies, focus on value-added products, optimum utilization of capacities and cost efficiencies, allow us to withstand the challenges and capitalize on the opportunities. As announced earlier, we are steadily progressing on the capital investment plans as per schedule.

To maintain our growth momentum, we are also increasing renewable power footprint by increasing capacity within our premises and also through strategic investment in hybrid power **SPV**.

These initiatives of capital expansion as well as renewable power are aimed at strengthening our market positions, expanding our product portfolios, and introducing high-value specialized

products to meet rising demand for quality fashion fabric from domestic and international brands and also lowering our cost of production.

These initiatives should improve overall margins and return ratios for the company going forward. While some short-term volatility may persist, we remain optimistic for the medium-to long-term growth.

With this, I would like to open the floor for question and answers. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Manish Ostwal from Nirmal Bang

Manish Ostwal: I have a couple of questions on the business. So first, we have an export business of 64% of sales in FY '25 and your comment on demand is low in export market, given the tariff-related uncertainty and weak consumer demand in export market. So how do you see the revenue shape up in the rest of the current financial year, whether we'll be able to get similar revenue of last year or we will see some decline? What is your assessment currently?

Dinesh Nolkha: At this point in time, we expect to reach the last year revenue for sure. Our production capacities are running at full stream, and we are having production more than what we were producing last year by about 3% to 4%. That should take care of our average revenue decline.

And as far as export sales is concerned, I think that should be compensated with the domestic sales. And further, just for your information, as with the U.S. tariffs being lowered for various competing countries to India, where we are also exporting, our exports primarily should not get affected.

Manish Ostwal: Okay. Secondly, sir, recently, the government has signed FTA with UK. So it should be incrementally positive for export demand for Indian textiles, how does Nitin benefit from it? And when we can see the meaningful benefit for the industry?

Dinesh Nolkha: First of all, since we are already at the moment, exporting some yarns as well as we are also exporting some fabrics to various brands for UK market, we should have a positive impact on this. We would try to capitalize this opportunity. We would try to increase our share of exports into this market.

Just for your information, this FTA will fructify fully by 1st January of 2027. At the moment, there will be a graded reduction in the duties, which should start to kick in from next calendar year. And I think we should have, India as a country should have a meaningful advantage in this, due to this FTA, especially in textile.

Manish Ostwal: Okay. And lastly, on check on the current realization trend compared to the last quarter, what is the moment in the realization and the raw material pricing outlook currently, what you guys have?

Dinesh Nolkha: Raw material prices at this point of time in India is higher than the international market because of a couple of reasons. Number one, we have a lesser crop this year. So that's why we

had, and there was minimum support price being taken care by the government. So, at the moment also, it is prevailing more or less near the minimum support price only.

But this minimum support price in India is higher than the international market. So, we expect the Indian cotton to remain at similar levels going forward as well. There should be no major decline here.

Internationally, also, the cotton has quite bottomed out, and there is not much scope left there. So, I feel, and for the yarns also, this is what, these levels are one of the lowest levels, which we, in dollar terms, which we have seen in last, I think, last 7, 8 years, in fact, last 1 decade, I would say.

So that is, so more or less, we feel that the downside in the prices is very, very limited. And of course, there are no triggers also for the upside. So, this should remain like this in steady state for next at least 1 or 2 quarters. And then we should see how the demand kicks in and how the things shape up.

Manish Ostwal: And very quick clarification. There's no plan of slowdown our capex program given the demand uncertainty, right, sir?

Dinesh Nolkha: Sir, at the moment, like there is no, I would not say there is a demand uncertainty. There is only the geographies are going to change. It is a transient phase where today, various brands will be relocating their all the, let's say, plans where they should source from what they should source.

And in that process, of course, we are yarn manufacturers, which are intermediate suppliers. So, we are definitely going to be present. If they are going to buy more from Vietnam or Bangladesh, we should be able to export to those countries also. So this is only a transient phase. Ultimately, demand will remain. And as I highlighted that the retailers are having very low inventory. This should ultimately kick in good demand going forward.

Moderator: We have our next question from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Sir, on the cotton prices front, our prices in the domestic market because of the higher MSPs are much higher compared to what is the prevailing rate in the global markets. So how is that expected to impact the margins of the company and the sector?

Dinesh Nolkha: So, this particular scenario is already prevailing since last 1, 1.5 years. And in that scenario, we, we have maintained our margins at these levels. So I do not expect that it should further dent our margins as such from here.

Ankit Gupta: So you expect that we'll be able to maintain around 14%, 15% margin going forward in FY '26 as well?

Dinesh Nolkha: Last, we have been able to maintain these margins for the last 6, 7 quarters, and I hope we should continue to do that.

Moderator: We have our next question from the line of Laxminarayana from Ksema Wealth Private Limited.

Laxminarayana: Sir, I just wanted to understand in our export mix, the top 5 countries which we are exporting, would you be able to provide that information?

Dinesh Nolkha: Basically, we are top 5 countries in that will be, I think, Bangladesh, that is one. Vietnam is another country. Then we have Egypt, then European Union. In the European Union, we have different 4, 5 countries where we are exporting. So these should be the top 4, 5.

Laxminarayana: Okay. Sir, is it possible to give granular the percentage mix, is it possible?

Dinesh Nolkha: No, sir. We would not like to, for competitive reasons, we'll not be able to declare on that part.

Laxminarayana: Okay, sir. Sir, my next question is, you're saying because of cotton prices are low, it is affecting our yarn prices also. I was not able to catch like what is the trigger here. Could you explain it a bit more deeper, sir?

Dinesh Nolkha: Generally, when the raw material cotton prices goes down, we see that the yarn prices also falls. And when it goes up, the yarn prices goes up, of course, with a lag or maybe sometimes in the similar period. So that is what it means. And the cotton, raw cotton prices have gone down here in India as well as in international market.

The finished goods prices have also fallen. So if you see the, we have seen that about raw material prices have fallen by about around 1.5%, 1.6% and yarn prices have fallen by about 1.7% or 1.8%. So similar, in the similar range, it is like this.

Laxminarayana: Okay. So it is not like if raw material prices fall, the yarn also, yarn will go. It's not that way, correct?

Dinesh Nolkha: No, it can. It can, of course. Sometimes it has happened that way also. But in this particular quarter, it has, both have fallen together because normally, yarn prices do not fall in a straight line. But because of the uncertainties prevailing, this has happened, particularly in this quarter.

Laxminarayana: But this is not the trend like it happens like we cannot predict like how it is going to be or somewhat?

Dinesh Nolkha: No, no, it is not that -- it is not a linear kind of thing. It changes as per the market demand and supply.

Laxminarayana: Okay. Understood, sir. Sir, last question is, could you just tell me what was the yarn spread, sir, in this quarter?

Dinesh Nolkha: So basically, yarn spread was about INR95 a kg. Maheshwari ji, am I right? It is in this range, exact number?

P. Maheshwari: INR100

- Dinesh Nolkha:** It was INR100
- Moderator:** We have our next question from the line of Madhur Rathi from Counter Cyclical Investments.
- Madhur Rathi:** Sir, I look at your investor presentation and sir, we have, we are doubling our fabric capacity and increasing our spending capacity. Sir, what would be the incremental revenue from the same?
- Dinesh Nolkha:** It will be about INR1,000 crores.
- Madhur Rathi:** And on the margin front, sir, do we expect some margin improvement from that?
- Dinesh Nolkha:** Basically, we are having, out of this INR1,000 crores, about 60% will be from the fabric business directly and fabric business normally has better margins than the yarn business. At the moment, the product mix is like 22%, 23% of fabrics and rest is yarns. In the expansion, it will be about 60% on fabrics and 40% on yarn. So technically, we should have a better margin scenario.
- Madhur Rathi:** Sir, could you give me what is the margin differential that we are currently making on our fabric versus yarn segment?
- Dinesh Nolkha:** Actually, we do not make a separate kind of balance sheet. So I'll not be able to exactly give the numbers and giving just approximate numbers would not be right on my part here.
- Madhur Rathi:** Okay. Got it. Sir, and just like one of our competitors recently mentioned that they are getting a lot of government subsidies for these capex. So are we getting some kind of PLI benefits or subsidies for these capex?
- Dinesh Nolkha:** We are not getting, we are not under PLI, spinning business and this fabric business is not under PLI. Only technical textiles and some special kind of fabrics is under PLI. However, we are getting the state subsidies. So in case of ours, we have 2 subsidies, which is there. One is the interest subvention, which is about 3% of our outstanding loans. So we get an interest subsidy from the state government. And then we have a capital subsidy on the capital expansion, which is linked with the employment and the investments. So this interest subsidy, as explained, it is about 3% of our term loans. And capital subsidy is about INR21.6 crores for next 10 years.
- Madhur Rathi:** Got it, sir. Sir, that was from my end. Sir, just a final question. Sir, what is the IRR payback that you expect for this INR1120 crores capex?
- Dinesh Nolkha:** It is in the range of about 14% to 15%. That is what we are targeting.
- Moderator:** The next question is from the line of Rina, an Individual Investor.
- Rina:** I just, could you help us understand the tariff situation, like what is the impact on orders? Any talks on the burden sharing? Anything that you would like to clarify? You mentioned government talks are on and the percentage is expected to be lower. So just want to understand

your thought process on how you'd tackle that or just how much, any update on that front that you can give on the public platform?

Dinesh Nolkha:

Yes. First of all, as I explained in my opening remarks also, that we are not directly impacted because our exposure to the U.S. is very limited. So that is one part. So directly, we have not shared or any, on the tariff part or any reduction or rebate on that part to our customers in the U.S. So that has not happened. So that is one part.

Secondly, as far as tariffs are concerned, I think the industry associations are continuously meeting the government officials, including the Commerce and Industry Minister, and evaluating the situation, how to tackle this particular tariff situation.

Earlier, as per the earlier negotiations which were happening, we were expecting much lower tariff, in fact, lower than most of the countries. So the situation has just reversed. And now we are evaluating exactly what would be the damage and how that could be mitigated.

Still government officials are very hopeful that they have some discussions on the trade deal, already happening in the middle of August in U.S. So they are expecting that they should settle. But that should take another month or so maybe. So that's why they are, they do not want to give leverage to the counterparty of backing up, backing down on that particular part.

So whatever negotiations are going to happen is going to happen going forward. So for some period of time, India will be hit by these tariffs. Our exporters will be definitely affected by these tariffs. So in the, in India, from India, we have a lot of exports of branded apparels as well as home textiles. So those particular segments could have an impact also because of this.

Rina:

Understood. Can you quantify your exposure like you mentioned it's limited? And like considering the discussions are still on, like for how long do you see this impact or uncertain impact on demand or uncertainty going to last like a couple of quarters longer than that? Just trying to understand, like for how many quarters do we expect this to continue?

Dinesh Nolkha:

Actually, in industry, we feel that whatever will happen will happen within this calendar year. So this should settle down by the end of this year. Deal or no deal or whatever impact will be there. And major impact at this point of time is on the running orders. The new orders, whatever will come, will come with tariffs.

The customers also know that what tariff they are going to pay and how that is going to be mitigated. And we, so that is going to be then accordingly norm of the business, which will start from the next, let's say, next calendar year. So whatever is going to happen is, I think this is going to continue for next 3, 4 months. The impact should last for that much time.

Rina:

Understood. Okay. Just one more question. On Slide 8 of the investor presentation, you mentioned capacity expansion for FY '27. Like can you give the bifurcation of how much would we expect in '26 and it is 20% and 88% increase. So how do we see that in '26? Like what is the bifurcation between '26 and '27.

- Dinesh Nolkha:** In '26, we are not going to have any major capacities coming up on stream. It will be all work in progress. Some modernization, which is going to be there of around INR50 crores will be spent during this particular calendar year. Rest, the major capacity expansion will come in the next financial year only.
- Rina:** Understood. So the incremental revenue we would see only in '27?
- Dinesh Nolkha:** Yes.
- Rina:** Okay. And the power saving initiatives, can you quantify on the margin front, what would be the improvement? Just a ballpark figure?
- Dinesh Nolkha:** Actually, this power capacity, what we are adding up is also going to happen over a period of time in the next few quarters. So it should start to take in some capacities from the, in the second half, let's say, from the third quarter. And then in totally, we have done agreements in the new capacity of about 20 megawatts. 18 megawatts is outside SPV and about 5 megawatts our in-house capacity we are creating.
- So this is the capacity which we are already creating here. So we should start to see some benefits going forward. In general, typically, we see that our power cost reduction for these kind of initiatives is about 30% from, so our, that's what we are expecting to happen going forward. But it is not on the whole capacity. It is on this 20-megawatt capacity.
- Moderator:** We have our next question from the line of Vikram Suryavanshi from PhillipCapital India.
- Vikram Suryavanshi:** Historically, we used to have as India decent export to China, Bangladesh in terms of cotton yarn. So is that currently restrictions are there to this market or how that is impacting?
- Dinesh Nolkha:** As there are no restrictions over there.
- Vikram Suryavanshi:** Okay. So, but India, Bangladesh yarn is happening or it is like deliberately cut down by the..
- Dinesh Nolkha:** No, it is happening as usual. There is no change in Bangladesh exports. The only cut down is that the road exports is not allowed from both the sides. So that doesn't impact the volumes as such. It is happening as usual.
- Vikram Suryavanshi:** Okay. Understood. And for utilization rates are relatively much better, but given the landscape, how is the industry utilization for India broadly?
- Dinesh Nolkha:** I broadly, industry utilization is going down only in India at the moment. As I do not have very authentic figures with me. But as we understand from various sources that about 15% of the capacity is down at the moment, and we are having only utilization in the range of 80% to 85%...
- Vikram Suryavanshi:** And we have seen significant buying by CCI this year, which has given a lot of comfort in terms of cotton pricing. But once I think the utility supply from CCI comes down, is there a chances that cotton prices in domestic market can go up and probably impact the spinning companies in India? Or how do you read that situation?

- Dinesh Nolkha:** I think as far as I am informed, CCI still has about one-third of their, whatever they have sourced out from the country, let's say, which is about more than 10% of the total production of the country. And we are left with only about 2 months of the season, less than 2 months of this season. And from October onwards, we expect the new crop to come in.
- So we are not expecting some hike in spike in prices or something like this as well as a lot of imported cotton is also coming in from the Southern Hemisphere, the crop of which has already come in. So price hikes on the front of cotton is not at all expected at the moment, major price hikes, I would say.
- Vikram Suryavanshi:** Understood. And last question about, since our exports are increasing, does it impact working capital? Or how is the working capital in export compared to the domestic?
- Dinesh Nolkha:** Working capital, I think we are adequately funded and does not have major impact on the working capital side, I think, because of this.
- Vikram Suryavanshi:** And in terms of cotton stocks, how many months we have covered?
- Dinesh Nolkha:** Normally, we do not declare the cotton stocks, and we have a flexible policy on cotton stocks, but we are reasonably covered for this season at least.
- Moderator:** We have our next question from the line of Rahul Jain from Credence Wealth.
- Rahul Jain:** Sir, first question on the industry side as the previous participant, did you mention that home textile would be one of the most affected sector with regards to this tariff thing going on? Is that your understanding?
- Dinesh Nolkha:** Yes, home textile as well as the apparel companies, which are exporting to directly to the U.S. brands in the U.S. retail sector.
- Rahul Jain:** And this is based on your reading about the tariffs or your understanding from your customers who could probably be, who are from the home textile segment?
- Dinesh Nolkha:** Actually, this is from the data, which is, which comes out regularly, how much is our exports to U.S. from the home textile companies. And also what is the, so we have a total exposure of about \$9 billion on the export side to U.S. Of this \$9 billion, majority is comprised of these 2 articles only, that is apparels and the home textiles. So they are going to have, and there, the 25% tariff is going to kick in. So that is going to impact.
- Rahul Jain:** Okay. And sir, now the question is on our company. With regards to yarn price also in your initial commentary, you mentioned we are somewhere at the lowest end in the last 7, 10 years. Is that right?
- Dinesh Nolkha:** Yes, yes.
- Rahul Jain:** So, and the spreads are around INR100 currently on the yarn and the cotton, so how have the spreads moved in last 1 or 2 years typically? Because previous to that, you had cotton which had gone up to almost more than 100,000. But in post cotton correcting, say, last 12 -- 4 to 6

quarters, how have the spreads moved up in, or how have the spreads trend been in last 4, 6 quarters?

Dinesh Nolkha: The spreads are more or less in the similar kind of range, first of all, in the last 4, 5 quarters. Now coming to our basic first part of the question that how the spreads have moved in last some of the years.

I think we would be very happy with this spread which we are having in year 2000. Since then, there is a lot of cost increases on part of wages, on part of transportation costs on part of the power cost. So that has impacted our net margin level.

Further, the capital costs have also increased. So all in all, put together, on an absolute basis, these margins look reasonable if we compare with the last 5, 6, 7 years. On dollar terms, they look quite low. And also on the capital, on the side of how much capital we invest to get these kind of margins also is relatively lesser.

So we feel that these margins should be in the range of about INR120 to INR125 to get a reasonable returns on our investments as well as on the facilities.

Rahul Jain: So do you expect the spreads of about INR100, INR105, which we have been averaging for the last 4, 6 quarters to move up?

Dinesh Nolkha: We are, on our average has been INR95 to INR100 has been our average differential.

Rahul Jain: And sir, with regards to the sales volumes. So currently, we are operating at optimum capacity?

Dinesh Nolkha: Yes.

Rahul Jain: Or is there some growth or is there some scope for volume growth this year in FY '26?

Dinesh Nolkha: Not much. We are doing some debottlenecking, some modernization. So that should, that will kick in, but that is not something major to talk about or have a major impact on the production facilities, production capacities at least. Our spinning, we've been processing all are operating at nearly top capacities at the moment.

Rahul Jain: So current year, given the current situation as we speak today, we will probably be almost at similar kind of revenue with similar margins, unless either the yarn prices move up or the spreads change. As we speak today, we should be at around 14%, 15% margins on EBITDA and probably similar kind of top line. Is that understanding right?

Dinesh Nolkha: That is your summary. I cannot comment on what is going to be, we try to do our best and a lot of it depends, a lot of uncertainties there. New crop is going to come in, how that is going to behave. If the prices there falls and benefits the Indian spinners, that is again going to have advantage. Currency also become volatile recently. So that is, if that goes, that depreciates again, it can have a different dynamics altogether. So all this, we need to look at it as it comes.

- Rahul Jain:** I do understand the kind of volatile environment we are living in, and we really don't know how things will become normal and also the time it might take. Now coming to the capex part, sir, we are doing roughly about INR1,100 crores capex. Currently, and you mentioned that in the incremental INR1,000 crores of top line, 40% will be fabrics and 60% will be the yarn?
- Dinesh Nolkha:** Reverse sir, 60% will be fabrics and 40% will be yarn.
- Rahul Jain:** Okay. So, on an overall basis, at a top line of roughly INR4,000 at today's prices, again, of everything. So, it is somewhere like INR3,300 crores is the top line of the last 4 quarters, sorry, last year. So, if we add about INR1,000 crores, so that is about INR4,300 crores. So, the overall fabric portion, which is roughly about 23%, 24% currently on the existing top line, that should move in the range of about 35%, 40%.
- Dinesh Nolkha:** That should be more than one-third at least.
- Rahul Jain:** One-third -- and what is the differential margins between fabric and yarn for us?
- Dinesh Nolkha:** It is in the range of about, if you see on the absolute basis, it is about 8% to 10%...
- Rahul Jain:** Absolute basis. Okay. So - No, no, I didn't get it. So when you say absolute basis would mean what x percentage is yarn, so fabric will be how much?
- Dinesh Nolkha:** X plus because there is investment, x plus 7%, 8%, 10% depending on kind of fabric kind of product you make, it will depend on that.
- Rahul Jain:** Sure. And with this capex coming in, that should start kicking in some kind of sales in FY '27?
- Dinesh Nolkha:** Yes, of course.
- Rahul Jain:** And typically, what kind of, or what is the time schedule of the capex being done? Should we be run through.
- Dinesh Nolkha:** We are expecting the complete capex to start in the second half of the next financial year. Should be able to complete.
- Rahul Jain:** So probably 1 quarter of capex benefits could come in FY '27? Maybe more but at least 1 quarter should be there?
- Dinesh Nolkha:** Yes, at least.
- Moderator:** We have our next question from the line of Dheeraj Thakur from Elara Capital.
- Dheeraj Thakur:** As most of my questions have been already answered, I have 2 questions left. The first one is what are the key levers or strategies that company is focusing on to improve the gross margins going forward?

- Dinesh Nolkha:** So first, there are, as I highlighted that we are focusing on value-added products, especially on the fabric side and also on the yarn side. So that is one strategy where we can, with the higher value addition, we can have better margins.
- On the cost side, we are trying to reduce our energy costs. Also, we are opting for since modernization and upgradation is going to happen. We are also going, trying to reduce our labor costs as well. So we are working on all the cost fronts, which are there and trying to improve some bips over there so that we can improve the margin.
- Dheeraj Thakur:** Understood. And currently, how much percentage of our total revenue comes from the value-added product, which would increase our margins in future?
- Dinesh Nolkha:** At the moment, in the value-added products, as you can see that 22% is our fabrics itself, which is value accretive in comparison to the yarns which are producing. And we are making some specialized yarns, which is, which could be in the range of 15% to 20%. So overall, about nearly 35% to 40% of our total sales is in higher value margin. So we are trying to improve upon that.
- Dheeraj Thakur:** Okay. So going forward, we are targeting around 50% to 60% revenue to become from the value-added products, right?
- Dinesh Nolkha:** As I explained in my earlier, in our earlier explanation also that we aspire that one-third of our revenues should be from the fabrics and the value-added portion also, if it remains the same, we should reach 50% level.
- Dheeraj Thakur:** Understood. And how does the profitability compare between domestic and export markets currently?
- Dinesh Nolkha:** Currently, at this point of time, more or less balanced. Last year, for most of the year, it was, it also depends a lot on currency part as well as the imported cottons are also when you have to import cotton, then that is again another part, which helps you in maintaining the margins. So more or less, at this point of time, I would say they are evenly balanced.
- Dheeraj Thakur:** Okay. So if we remove the forex part, then it would be on even terms, right?
- Dinesh Nolkha:** Yes, exactly.
- Dheeraj Thakur:** And could you share your view on the domestic demand environment, particularly for the woven and knitted fabrics?
- Dinesh Nolkha:** Demand scenario for the domestic market is pretty reasonable. And with the upcoming festive season coming up, we expect this to pick up also going forward. Once maybe post this rainy season, I think we will have a better demand pickup in the country itself. And we are seeing a steady growth. We are seeing a lot of brands also coming up in India, new brands as well as existing brands also doing reasonably well. So demand scenario as far as domestic market is concerned, is quite robust.
- Moderator:** We have our next question from the line of Vikas Rajpal from Growth Rally Ventures.

- Vikas Rajpal:** So my question is more on the tariff part. So from 7, since the contracts will get renegotiated because of the higher tariffs, how do you see the industry-wide volume shaping up? Because one thing would be increase in realization because of higher tariffs and second would be there will be some effect on the volumes because the offtake would be lesser. So that and plus the textile companies have to take any hit on the margins. So how do you think the demand environment will be shaping up post the tariffs come in?
- Dinesh Nolkha:** At this point of time, frankly, I would not be able to answer your question because this is a development which has happened just 3, 4 days back. How the government -- what kind of reaction government is going to do in this context, plus also with the customers, how we are going to discuss and negotiate with them.
- This is something which is still, we are just contemplating on that. So I would not like to speculate anything on that particular part. This has happened just 3, 4 days back. So we need to see and evaluate how the industry works out this kind of, this challenge.
- Vikas Rajpal:** Okay. And secondly, sir, as you mentioned that majority of the capex would be towards fabric. So how do you think that the margin profile of the company would be going ahead in FY '27 and '28? Because right now, we are at around 14%, 15% margin. So would we move to higher teens? Or will the margin profile go above 20%...
- Dinesh Nolkha:** Normally, it should. And with more value addition, the margin should improve, definitely. That is what the objective of this capacity expansion is, so definitely, it should be better than what it is today.
- And then there are a lot of other factors which are also playing out, the geopolitical factors, also the kind of fiscal factors, tariffs and other things which are happening all around the world. So, all these will impact us definitely. So, we will need to still see how it pans out going forward. But the effort is towards improvement in the margins.
- Vikas Rajpal:** Okay. And sir, lastly, your view on global cotton production and expectation of price movements if we have?
- Dinesh Nolkha:** Global cotton crop is reasonably good, and it is projected that it will be slightly higher than what it was last year. we are expecting prices to remain at these levels or slightly, I think even cotton prices internationally has also reached a level where below this, it is not sustainable for most of the countries.
- So, we are in the lower side of that bracket. But because of the sluggish demand environment all around the world and uncertainty prevailing, most of the retailers and the pipeline is getting destocked. We feel that prices should remain at these levels at least for next 6 to 8 months, till these kind of uncertainties get cleared.
- Moderator:** We have our next question from the line of Uday Kumar from UK Capital.

- Uday Kumar:** Sir, in our presentation, we see the knitted fabric production is down 15% almost Y-o-Y. Are there any specific challenges impacting this segment currently? And what is the recovery trajectory going forward in knitted fabric segment?
- Dinesh Nolkha:** Knitted fabric segment for us used to get exported into U.S. With the tariff kicking in, we had to slow it down. We are trying to, let's say, trying to spread this within, the domestic market as well as in the other geographies. So, we have to restructure this particular segment in a manner that we are able to utilize it better.
- Uday Kumar:** So we are redirecting it into other geographies or what is the plan?
- Dinesh Nolkha:** We are already redirecting it to other geographies, also increasing the domestic market. But it takes a bit of time to establish, re-establish these products. So maybe going forward in coming quarters, we will be able to improve upon this.
- Uday Kumar:** And sir, even though you don't have direct exposure to the U.S., any indirect pricing pressure from the countries like Bangladesh because you said Bangladesh has a major export percentage of your kitty. So anything from this Bangladesh?
- Dinesh Nolkha:** Already the prices have come down substantially from what it was about a year back. From there, it has already come down. Margins have also come down. So not much scope is left on the prices front unless the raw cotton prices goes down further.
- Uday Kumar:** So from here, we can say that prices will be bottoming up, sir?
- Dinesh Nolkha:** Looks like that.
- Uday Kumar:** Okay. So after taking in the renewable energy thing and the labor cost reduction, so mid-teens is achievable from FY '27, we can say that?
- Dinesh Nolkha:** Yes, of course.
- Moderator:** We have a follow-up question from the line of Rina, an Individual Investor.
- Rina:** Just want to understand a couple of more things. Are we seeing any -- like is there any scope for inorganic growth for the company? Are we seeing any corporate actions on the horizon? Also, just so that I understand better, like can we, is it right to say that considering uncertainties on the global front, do we see, or is it right to assume '26 and maybe first half of '27 would be slow on the financial performance or on the business side of things?
- Dinesh Nolkha:** First of all, let me take the second part of your question. We feel that it should remain steady. We should be able to maintain the pace what we have been maintaining for last few quarters going forward as well.
- Yes, we'll not see any major growth there; since our capacities are fully utilized and the raw cotton prices are at lower end and then there are uncertainties prevailing in the market. So improvement in margin, substantial margin is not possible. So it should remain in a steady state. This is what the understanding is at the moment for the revenue side.

Now coming to your inorganic growth kind of thing, there are opportunities coming in. Always, it keeps on coming, but it needs to fit in, in our psychology as well as our growth plans. So if something proper comes in, we are open to it. But as of now, we do not have anything on the plate.

Rina:

Okay. Understood. Also, just you mentioned about exporting geographies might change in an answer of an earlier participant. Do you have specific markets in mind for that? And I just want to understand how would it be different operationally? Maybe on the cost front, would it be very different?

Dinesh Nolkha:

No. Actually, what is happening today is we are seeing that U.S. being a very big textile and apparel market. And earlier their, duties were uniform for most of the countries, except some least developed countries. And that to the differential was only about 3%, 4%, 5%.

Now with these duties and tariffs coming in, the differential has become enlarged. There are some countries where there is only 10% tariff, and there are some countries which has 20% to 25%, 30% tariffs. So the countries with 10% tariffs will have an advantage. So we will like to divert, since it is not at all a restriction on us, so we can divert our capacities towards those countries where there is a 10% tariff.

So that's how you can reduce the impact of the tariffs and those countries will be exporting more to U.S. So this is how the whole geographies can change. So this is, and those countries may tend to buy then the finished goods from the countries like India and China. So that way because they do not have any restriction on their own domestic consumption. So this is how it can pan out going forward. And this is how the geographies will settle. The businesses will settle going forward.

Moderator:

Due to time constraint, we'll take one last question from the line of Dheeraj Thakur from Elara Capital.

Dheeraj Thakur:

Sir, I would like to understand what proportion of our exports currently go to Bangladesh? As recently, there was this news that Bangladesh may receive partial tariff exemptions from garments made using U.S. raw materials. And could you help us understand how this development might affect our demand?

Dinesh Nolkha:

Primarily it does not have any effect on our demand. As I understand, this has come very recently, I think, yesterday or a day before, that if they have 20% of the U.S. cotton content in their garments, they may get an exemption. But I think that is going to be available to all the countries, not only to one country, but this may be applicable to all the countries.

Here in India, since our cotton is expensive, imported cottons are slightly cheaper. We are already importing from U.S. cotton, and we are using, and we are supplying this to our various customers all around the world. So rather this could become an advantage for us since we are an importer of the U.S. cotton, we can supply to our customers and they can get the advantage of the tariff advantage. So this may be applicable to India as well.

I don't know this is being said that this is being made applicable to most of the countries with the, if there is a U.S. raw material content in the product, you may get an exemption. That is what it is at the moment. Now coming to your first question that what is the percentage. Overall, about 30% of our sales goes to Bangladesh. And so that is an important country for us.

Dheeraj Thakur: Understood. But sir, as I can understand, we don't export currently to USA. So if we are not exporting to USA, we won't be getting this advantage. But Bangladesh would be getting this advantage if they import cotton from USA. So that way I was thinking, will it impact our demand?

Dinesh Nolkha: They can, since there is a full traceability available, if we produce the yarn with U.S. cotton and then supply to Bangladesh, he can still take that Bangladesh person, can still take that advantage. As of now, for your information, India is importing more U.S. cotton than the total Bangladesh does.

Moderator: Ladies and gentlemen, that was the last question for today. And I now hand the conference over to Mr. Awanish Chandra for closing comments. Over to you, sir.

Awanish Chandra: Sir, before ending, just one question. Despite uncertainty, you looked very confident and you talked about that you are moving ahead with the capex and all. So any situation or any further uncertainty you can think of which can delay our capex or in any case, we will move ahead with the plan?

Dinesh Nolkha: I mean, frankly, at this point of time, I do not, we have already seen a lot of uncertainties in the last 6 months since we announced our capex. And with this, I'm very confident that, going forward, an organization which has an integrated one will have an advantage over the rest of the players.

So in that direction, we are moving ahead with a complete integration, maybe more towards the fabric. That was our approach when we started. And all these uncertainties which has been created over a period of time has further, let's say, made us believe in this that , we must go in for better and better value addition.

Yes, as on today, spinning business does not look very attractive, but rest of the things looks quite okay. So we are going ahead with the expansion as of now. And if any other challenges which may come in, we will be open to share with you all.

Awanish Chandra: Okay, sir. Thank you very much, Dinesh sir, and Maheshwari sir, for giving us this opportunity to host the call. Anything for closing comments, sir?

Dinesh Nolkha: Yes, sure. I'd like to thank everyone for taking out time to join this call. I hope we have been able to address all the queries. I would also like to thank SMIFS team and Awanish ji for hosting the call. For any further information unanswered, kindly get in touch with our finance team and our Investor Relations Advisors. Thank you once again.

Moderator: Thank you, sir. On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.