



NITIN SPINNERS LTD.



NITIN

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BSE Ltd.

PhirozeJeejeebhoy Towers

Dalal Street

Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.

Exchange Plaza, C-1, Block G,

BandraKurla Complex,

Bandra (E),

Mumbai – 400 051.

Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 04.11.2025

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 November, 04, 2025 on Operational and Financial Performance of the Company for the Quarter and Half Year ended 30th September, 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

CIN. : L17111RJ1992PLC006987

Regd. Office & Plant : 16-17 Km. Stone, Chittor Road, Hamirgarh, Bhilwara (Raj.) 311 025

Tel. : 286110 to113, E-mail : nsi@nitinspinners.com, Website : www.nitinspinners.com

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“Nitinn Spinners Limited
Q2 FY26 Post Results Conference Call”
November 04, 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 04/11/2025 will prevail.”



MANAGEMENT: **MR. DINESH NOLKHA –CHAIRMAN AND MANAGING DIRECTOR– NITIN SPINNERS LIMITED**
MR. NITIN NOLAKHA – 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 Nitin Spinners Limited Q2 FY'26 Post Results 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 touchtone 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, Samarth and thank you very much, everyone for joining this call. On behalf of SMIFS Limited, I welcome you all to Second Quarter and First Half FY26 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; Mr. Nitin Nolakha, Managing Director of the company; and Mr. P. Maheshwari, CFO. 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 the Q2 and half yearly 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 the stock exchanges.

I will start with a brief overview on the 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. Coming to the financial and operational performance.

Revenue for Q2 FY '26 stood at INR760.08 crores against Q1 '25 revenues of INR822.52 crores, a decline of 8% on Y-o-Y basis and revenue for half year '26 stood at INR1,553.40 crores against INR1,625.49 crores in first half of previous year, a decline of 4%, this was primarily due to reduced selling prices and global headwinds due to uncertainty of tariffs.

EBITDA for Q2 '26 and half year '26 stood at INR99.6 crores and INR210.8 crores, respectively. EBITDA margin for the quarter was marginally compressed for this quarter near to 13.1% level against 14% of Q2 FY '25. Net profit for the quarter stood at INR34.78 crores against INR42.16 crores of Q2 FY '25 and net profit for half year FY '26 stood at INR75.77 crores against INR84.28 crores in H1 FY '25.

EPS and cash EPS for the quarter is INR6.19 per share and INR12.82 per share, respectively. And for half year, the EPS is INR13.48 per share and cash EPS INR26.66 per share. In terms of mix, export contributed nearly 61% of revenue and domestic market 39%. On the operational front, our spinning capacity is earning over 95% utilization and woven fabric capacity at nearly 90%.

That is all from my side. I now request Shri Dinesh ji to share his insights about industry and business scenario. Thank you, and over to Shri Dinesh ji.

Dinesh Nolkha:

Thank you, Maheshwari ji. Good evening, everyone. The textile industry is currently navigating through uncertainties arising from U.S. tariff measures, leading to subdued demand and sustained margin pressures. On the raw material front, domestic cotton prices have remained consistently elevated compared to international benchmarks, placing spinners and fabric manufacturers in a challenging operating environment.

The imposition of U.S. tariffs has prompted several global customers to recalibrate their sourcing strategies. Within the textile industry, many players have deferred their orders waiting for a trade deal outcome, while some have redirected sourcing to other lower tariff countries. Yarn prices declined by 2% to 3% during the quarter, resulting in a contraction of cotton yarn spread.

However, we anticipate an improvement in industry conditions in the second half of the financial year, supported by the Government of India's temporary removal of import duty on cotton until 31st December 2025 and encouraging developments surrounding the potential finalization of the U.S.-India trade agreement. These factors are expected to stimulate demand recovery and enhance the performance of Indian textile players going forward.

Due to prevailing uncertainty, some customers or the company deferred the deliveries, resulting in lower sales. Customer retention through sustained engagement and product mix optimization has remained our foremost priority to withstand the challenges. We do not anticipate a significant impact from the U.S. tariffs on the company, given our limited exposure to the U.S. market.

Our well-diversified export presence across more than 50 countries continues to underpin our growth momentum. While with the signing of the U.K. free trade agreement and expected deal with the EU zone also, our existing foothold in this market are expected to strengthen further. And our team is actively working to enhance and expand trade opportunities in that region.

Overall, we expect the second half of the financial year to demonstrate resilience with anticipated improvement in revenue and normalization of margins. Expansion into fabric and finished products will serve as key growth drivers for the company. Our ongoing capacity expansion aligns with our global strategy to strengthen our leadership in the textile trade by progressively transiting towards value and margin-accretive products.

Our recent investment in the generation and supply of renewable energy will source around 18 megawatts of renewable power for our manufacturing facilities located in Bhilwara and Chittorgarh. This will enhance our renewable energy sourcing and optimize our power cost operations across our plants in the long run.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Riddhesh Gandhi from Discovery.

- Riddhesh Gandhi:** Just wanted to understand when you expect to see a normalization in spinning spreads? And what are the key drivers you expect to help achieve that?
- Dinesh Nolkha:** First of all, normalization of cotton spreads is something which is dependent on many factors, not only related with us, but other geopolitical factors as well. So once these issues get sorted out, once these uncertainties settle, we expect the margins to become normal. So we have today a lot of uncertainties in hand.
- And once that is -- we expect that in another 3 to 6 months' time, it should settle down. We already have a prolonged time frame where the margins have remained compressed, which is more than usual. So expectation is that we should be in a normal range going forward in one or two quarters.
- Riddhesh Gandhi:** But how -- is it in your view only the demand and the tariff uncertainty now? Or has the differential in raw material because the import duty has...
- Moderator:** Hello. Sorry to interrupt, Riddhesh. Actually, your voice is cracking.
- Riddhesh Gandhi:** Sure. No. So what I was asking was, is it only the uncertainty around tariffs, which has led to this? Because look, we've been in a low spread for the last few years actually. So just wanted to understand that even if let's say, the tariff normalizes, is that adequate to lead to normalization or do we need a few other things to happen as well?
- Dinesh Nolkha:** So here, we have two or three things which is -- which we need to understand. Why we started to first initially the margins came under pressure. Since I think third quarter of FY '23, we have started to see the margin compression, primarily due to demand destruction. So -- which happened after the Russia-Ukraine disputes.
- And Europe was impacted, which is one of our big markets. So it started with that and then it percolated. So one after another, there were many geopolitical issues, which had a demand destruction. Then accordingly, there was also a reduction in the -- a downfall in the cotton -- raw cotton prices as well.
- The cotton prices also started to fell on a consistent basis. So every time when the cotton prices was falling, the demand was also further compressed because everybody wanted to be on the hand-to-mouth stage. So now we have come down from a peak of \$1.55 per pound in '22 to about \$0.62, \$0.63 in '25, which is very near to the bottom and lower than the cost of production of many other countries of raw cotton.
- Apart from that, geopolitical tensions also seems to be settling down like Israel, Hamas has settled down. Russia, Ukraine is also under discussion. And also then the tariff war unleashed by the U.S. must also settle down another 5 to 6 months. It is getting settled with various countries, and I hope with India as well will get settled in another 3 to 6 months' time.
- So once all these things are settled and there is a pipeline which is definitely empty all across the system, there should be a reasonable demand pickup going forward. Major cause demand, not anything else, I would say.

- Riddhesh Gandhi:** Got it. And the other question is that given it's been a reasonably long downturn in spinning, have we seen a lot of smaller people's capacities [inaudible 0:12:06] and people closing down as well or [inaudible 0:12:10] in that kind of environment?
- Dinesh Nolkha:** Yes, of course. There are capacity -- a lot of capacities have gone down. As per our information, nearly more than 10 million spindles have been stopped during this last 2, 2.5 period out of the total 5 million spindle, can you hear me?
- Riddhesh Gandhi:** If you could repeat the number again?
- Dinesh Nolkha:** Yes. Nearly 10 million spindles have stopped during last 2.5, 3 years period, which is nearly 18% to 20% of the total installed capacity during the -- and most of them are of the smaller sizes.
- Riddhesh Gandhi:** Got it. Sir and the other question was except for -- are we...
- Moderator:** Sorry to interrupt, Riddhesh, actually your voice is cracking a lot.
- Riddhesh Gandhi:** You can hear me [inaudible 0:13:07].
- Moderator:** No, sir. Actually, it's breaking a lot. Could you please rejoin the queue?
- Riddhesh Gandhi:** It is clear now?
- Moderator:** Yes, it is loud and clear now. You can continue.
- Riddhesh Gandhi:** Okay. Yes. Sir, the other question I had for you was with regards to spinning -- spreads in spinning. How is the fabric margin?
- Dinesh Nolkha:** Fabric margins are, I would say, normal since the yarn prices are down, overall, if you see -- we have to see the overall margin. So overall margins are down, plus, of course, from yarn to fabric is normal.
- Riddhesh Gandhi:** Got it. And the other question was that given this import duty waiver is there until December, are you guys hearing that it's going to get extended beyond that or are you stocking up on inventory right now given there's a window with no import duty or how are you looking at that?
- Dinesh Nolkha:** As far as I am informed, the duty is not going to be extended. It is there till 31st Dec. Government will review it maybe in the next budget, not before that at least. So this is as per my own information. Secondly, as far as stocking is concerned, there is no need for stocking the cotton as of now because Indian cotton is also more or less now equal to reaching -- the new crop has come in and the prices of the new cotton crop is also more or less similar to what the imported cottons are.
- Riddhesh Gandhi:** So the MSP is not higher than the imported...

- Dinesh Nolkha:** MSP, government cannot procure all the cotton. So when the cotton season starts because of various demand supply factors, cotton prices are now more or less -- imported cotton and Indian cotton are more or less at par at the moment.
- Riddhesh Gandhi:** This is even adjusted for the quality of the cotton, right, we're talking about?
- Dinesh Nolkha:** Yes.
- Moderator:** The next question is from the line of Prerna Jhunjunwala from Elara Securities.
- Prerna Jhunjunwala:** Yes. Am I audible?
- Moderator:** Yes, you're loud and clear. Now please continue.
- Prerna Jhunjunwala:** Just wanted to understand the impact of this falling prices on the margins in the near-term, how it will play out if the prices remains -- yarn prices remain same? What is the endeavour, whether yarn prices are being also corrected in line with cotton prices and spreads remain stable or spinners are trying their best to keep the -- keep some portion of margins? How are the things right now?
- Dinesh Nolkha:** As far as -- in this falling prices, definitely, cotton prices have fallen more than the yarn prices. In fact, yarn prices preceded the fall of cotton prices in the last quarter itself. So after this -- the new cotton crop has come in, there has not been much change in the yarn prices. So I think this will -- if you compare quarter-on-quarter basis, maybe some betterment will only be there in the margins.
- Prerna Jhunjunwala:** Okay. And as you mentioned that the government may not go ahead with December 31 deadline on import of cotton to be allowed at duty free. So how do you see the yarn business then behaving because U.S. tariff continues even now. There is no deal in sight in the near-term. So -- and order cancellations are also happening. So is the domestic market also weak that volumes cannot be supported or do you move towards domestic market to fill in the utilization gap?
- Dinesh Nolkha:** First of all, in the yarn business for us, the direct exposure to U.S. has been very, very negligible. So for that matter, the impact of U.S. was not there. There was no substantial impact on that side. As I also stated in my commentary that direct exposure is not there. So we are anyway trying to -- yes, of course, the demand in domestic market for our customers who are supplying to U.S. directly is definitely low and definitely down in comparison to what it was.
- This is for yarns as well as fabrics as well, both. So yes, -- so we are trying to diversify our customer base, trying to engage with customers and trying to see where to start the business with the low tariff countries and increase our business in the areas where we are already present, accordingly, trying to see that we are able to push the sales to them.
- Yes, definitely, there is a situation where we are -- because of this situation, more or less exposed to U.S. There is a certain excess supply in the market and due to which the lower

efficient and spinners who are not able to sustain the cost or bear this kind of margin compression are getting out of business. And this will create an equilibrium going forward as well.

Prerna Jhunjunwala: Okay. So if I look at even the knit fabric business, there also, we are continuously facing the utilization not being improved. So that was largely supply to domestic market, right? So is there a challenge in the knit market as well in the domestic space?

Dinesh Nolkha: In knit business, our -- there was a direct exposure to U.S. market as well. We were exporting directly to U.S. also. One of the reduction in the production is resultant of that as well because our direct business to U.S. has completely stopped where we used to give to U.S. Also in the domestic market, we are seeing that the knit customers are -- especially the basic product customers are facing a lot of challenges, and they are not able to export to U.S. and that is one of the reasons why the utilization has come down.

Prerna Jhunjunwala: Understood. And sir, how will this power savings support our margins or eventually, we will have to share this in line with industry because the entire industry is going towards green energy. So especially the larger players. So how do you see the power savings, whether it gets passed on as the price competition continues in the industry due to weaker demand? Or we'll be able to keep this as a margin in our business?

Dinesh Nolkha: We are expecting that we should be able to keep the margin. Not everybody will be able to put it. Only companies with deeper pockets will be able to do it. So we expect that the margins to remain with the company.

Prerna Jhunjunwala: And what kind of savings will be there because of this green power investments?

Dinesh Nolkha: Green power investments, our -- we should be able to bring down our power cost by about 5%. Whatever initiatives till now we have taken that should bring down our power cost by around 5% at the moment.

Moderator: The next question is from the line of Divyansh Thakur from Finterest Capital.

Divyansh Thakur: Am I audible?

Moderator: Yes, you're loud and clear. Please go ahead.

Divyansh Thakur: Sir, congratulations on the results. I see that the revenues for the last few quarters have been stagnating. So if you can get us a perspective on, how are we looking to increase our revenue in the coming time and drive efficiency in the company?

Dinesh Nolkha: We have already envisaged the capex plan of about INR1,100 crores, wherein we are going to increase our capacity by around -- in the spinning segment by around 25% and the fabric division by more than 50%. So this will help us in increasing our revenues in the next financial year, partly in the next financial year and fully in the FY '27, '28.

Divyansh Thakur: Sir, if I can follow-up on this. Sir, I see that the debt levels have grown over the last few years. So sir, what is the trend that we are looking at in the coming 2 to 3 years increase, decrease or remains the same?

Dinesh Nolkha: In fact, if you see from the size of our balance sheet, our debts have not increased. Rather they are -- at this point of time in the half year balance sheet, it is one of its -- at its lowest. It is -- the long-term debt to equity is nearly at about 0.5 or 0.6 levels. So this is -- this has been -- the September '25, it is 0.53 levels to be precise.

So I think it should not be a concern as such looking to the size of our balance sheet. I have reiterated many times that for growth, we need to add capacities. And for that, we need to also take some debts, which are at a very cheaper cost. So in considering that, we are following a prudent policy of keeping the debt-to-equity ratio below 1:1. And accordingly, without increasing any specific burden on the company, we are on a prudent path for growth as well as managing the leverage.

Moderator: Thank you. The next question is from the line of Tanishk from Antique Stock Broking.

Tanishk: Just one question. What are your plans going forward for sales volume growth? Because based on our understanding, lower sales volume has led to decline in EBITDA margins. Additionally, I would like to know your thoughts in case the trade deal between the India and U.S. does not get materialized?

Dinesh Nolkha: So basically, there is no -- not a major reduction in the quantity of the sales as such. If you see the quantity which we have sold is slightly less than what we have produced in this particular quarter, primarily due to the deferring of the orders by some of our customers. This will be definitely fructified during the current quarter and ongoing quarter.

So as far as quantity of sales is concerned, we do not expect any issues in the yarns as well as in the fabrics. So that should continue as it is. And then we have the growth plans also going forward, which will increase our capacity. So this should be take care of our overall sales growth going forward.

As far as U.S. tariffs are concerned, as you said, we are trying to diversify into various markets since we are an industrial , B2B suppliers, we need to look at markets where there is low tariff, and we can supply our yarns as well as fabrics in those markets, which can then in turn supply to U.S. as well.

Moderator: The next question is from the line of Lakshmi Narayan from Tunga Investments.

Lakshmi Narayan: I want to understand what is your mix of cotton in terms of imports as well as local. And the duty benefit -- import duty reduction benefit, how much has been factored in?

Dinesh Nolkha: First of all...

Moderator: Sorry to interrupt Lakshmi Narayan, please could you self-mute yourself when the management is speaking?

Lakshmi Narayan: Yes. My question is that in terms of your cotton procurement, what is the percentage of imports versus local? And has there been any positive effect of the duty reduction? That is my first question. Second is that when you actually export, I just want to understand your mix of exports as well as domestic in terms of yarn. And the third question is that what percentage of our exports are -- is based on nomination where we have nomination with brands? And how much is sold purely in the bulk market by our agents?

Dinesh Nolkha: So let me answer your questions one by one. Normally, we do not share what kind of raw cotton imports and because this is in normal -- it is not that because of duty removal, we are importing. We are already importing under advanced license on a continuous basis as per the requirements of the customers because of non-duty, it has increased -- definitely, it has increased from the previous period.

But as of now, we have not been able to quantify how much we have been able to use. So that is one part. Duty benefit, since we do not -- we were not paying any duty earlier also, so I cannot say any duty benefit directly accruing to the raw material side. Your second question was regarding the exports.

We are -- our exports is nearly -- during this quarter, it is about 61% as against 63%, 64% in the previous quarters. So we have been able to literally maintain our export percentages. And third question was regarding the nominations. Nominations was about -- in our case, we have nearly 30% of our sales exports as well as local sales, which go towards -- via nominations and balance 70% goes towards the direct business as well.

Lakshmi Narayan: Got it. Sir, another question, we have close to, I think, 4 lakh spindles or thereabout. Just want to understand broadly how many companies in India you think would actually be higher than you in terms of spindleage capacity? And the reason I'm asking is that I have been told that a lot of smaller spindleage capacities are winding down because it's uneconomical or whatever, right?

So I just want to understand -- how do you put a pyramid saying that what is the -- how many of them are actually more than 4 lakh spindleage and how much are there between 1 lakh to 4 lakh? And do you see any industry consolidation happening? And therefore, do you think you can actually acquire something ready-made versus setting up a greenfield altogether?

Dinesh Nolkha: The answer of this question will be very, very long. It may take a lot of time. But just to brief, there would be more than 5 lakh spindles. I think under one company name, we should be -- in India, we should be having about 10 to 12 companies at the moment. And from 1 lakh to 5 lakh, I think there are about 25 companies, around 25 to 30 companies, ballpark figure.

And then most of the spindles, which has closed down are in the range of with an average size of about 10,000 spindles, which may -- minimum of 2,000 to 25,000, 30,000 spindles. As far as consolidation, it is already happening in the industry. Acquisition is something which is -- which we need to look -- depends on the kind of opportunity, which is coming your way, along with the benefits which is there.

In this industry, with technological obsolescence happening, also a lot of -- there are -- with the new projects which comes in, there are a lot of incentives given by the states. So considering all these factors, older spindleage normally is not that -- acquiring older spindleage is not that beneficial unless they are of size and they are of strategic importance to you.

Lakshmi Narayan: Got it. Sir, what is the average cost of debt we actually have? And is there -- are there any specific states you want to actually put your capacity so that your cost -- as well as your cost of debt/your taxation can actually come down?

Dinesh Nolkha: Our average cost of borrowing is net of the interest incentives and others which we get is about -- for our long-term loans is about 5.7%. So that is where it is. At this point of time, we are not evaluating to put any additional -- already an expansion is happening in Rajasthan, and we are not evaluating for any new additional capacity. So cannot comment on the policies of various states. We do -- whenever we need to grow for a -- go for an expansion, then we look at various states. And there are incentives being offered by nearly 6, 7 states in India for textiles.

Lakshmi Narayan: Got it. Sir, one last question, if I may squeeze in. See, I've been told that manpower -- quality manpower is actually getting very difficult to get, especially in some of the states, right? So is it a bother for you? And how are you planning to do it? Is it that you -- whatever you're setting up have higher level of automation?

Dinesh Nolkha: We are already embarked on this journey 5 years back only for more and more automation and reduction on the number of people. Wherever there is a -- we need to -- automation is available, we are going forward with that. Today, as on date, at least, we are not facing any of the problems of availability of manpower.

Since we are seeing that there is not much growth in the textile industry happening. So availability of manpower has not been a challenge for last 1, 1.5 years at least, and we do not foresee also going forward. However, more and more hard work jobs are being getting outsourced through automation at the moment.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: I wanted to understand this 10 million spindles that are likely to -- that have stopped production during the past two -- last 2 years. Sir how much have actually gone out of the market versus the ones that have stopped production and whenever yarn spreads are favourable, they will come back. Sir, if you could help us understand on that?

Dinesh Nolkha: Cannot exactly quantify. But as we understand, the spindleage which has gone out are very of the smaller size and older versions. So all the capacity with higher energy costs, higher labor costs and older vintage machines, they may not come back only. Only something with reasonable size with some reasonable equipment may come down, which may be -- which are less in number. Most of these units which are of reasonable size and are sold out to other companies or maybe get consolidated with others and may start operations even before the others may start up.

- Madhur Rathi:** Got it. So for us -- so how much of our current capacity do we require to -- what would be the maintenance capex for our current capacity to like to mitigate this technological obsolescence which spends every year expected over the next 2 to 3 years?
- Dinesh Nolkha:** We are already modernizing all our plants, continue to modernize. There's nothing like maintenance -- whatever maintenance expenditure is being done, that is added to revenue in our books of accounts. We continuously upgrade -- if there is a major modernization happening, that is change of machinery in the plant, that is only getting capitalized. And that we have been continuously doing.
- We are already in the process of modernizing our plants of up to 2005 that has been considered in the expansion on modernization project, which we have already undertaken. We would be spending around INR45 crores to INR50 crores for our existing plants in 1.5 to 2 years now.
- Madhur Rathi:** Got it. Sir, the renewable investments we have done on the 18-megawatt power purchase agreement and the 11 megawatts that we own, sir, what was the investment that we did here?
- Dinesh Nolkha:** The investment is INR17.9 crores.
- Madhur Rathi:** Okay. And sir, is it a fair assumption that our power cost was INR280 crores in FY '25, so 5%. So INR14 crores cost savings can we expect from FY '27 onwards?
- Dinesh Nolkha:** It's power and fuel cost. INR280 crores is power and fuel cost, which is inclusive of our coal and -- coal, which we use for boilers and others. So the saving is in the range of about INR10 crores, I would say, and on an annual basis, INR10 crores to INR12 crores on an annual basis.
- Madhur Rathi:** Got it. Sir, just a final question from my end, sir. With the -- are the fabrics and the new spindle addition getting commercialized next year? Sir, what kind of working capital requirement will be required? And sir, is it a fair assumption that our revenue potential will be closer to INR4,500 crores at current yarn realizations?
- Dinesh Nolkha:** At current yarn realization, this should be in the range of about INR4,200 crores. We should be able to add another INR1,000 crores of revenue with the new this thing. And what was your second question?
- Madhur Rathi:** Sir, what would be the working capital requirement at those levels of revenue?
- Dinesh Nolkha:** Normally, we are well provided with working capital and maybe we may need another INR200 crores additional -- INR200 crores to INR250 crores additional working capital.
- Moderator:** The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.
- Abhishek Shah:** Hi, sir. Thank you for the opportunity. Sir, just wanted to get one clarification was the capex that you mentioned, partially it will be coming in FY '27 and the rest will be coming in FY '28 and the full benefit will come in FY '28. Sir, partially, when -- is it coming in the second half next year? And can we assume about INR400 crores of incremental turnover coming in FY '27 for the new capacity?

- Dinesh Nolkha:** I think we should be – second -- we should be able to complete -- the tentative completion date is third quarter of next year. But partially, we'll start producing from the September itself. September to December is the period where we should be able to complete 1 year from here. So I think INR400 crores could be a fair assumption.
- Abhishek Shah:** Got it. Sir, second is very impressive to see that we've managed to -- our working capital requirement has reduced by about INR189 crores in the current end of -- September end balance sheet. Just want to understand, is it sustainable or this is just some seasonality, and our working capital requirement might again increase closer to March end quarter?
- Dinesh Nolkha:** This is always -- if you -- this has been a seasonality. At the end of the cotton season, we try to finish up all the old cotton and then the new cotton starts to arrive and then we have reasonable stocks by the March of this year. So if you see both the balance sheets for continuously for 2, 3 years, the same seasonality effect is there. However, we were able to reduce our -- we have tried to keep a control on our debtors and on the receivable side, that is also a control and other financial assets have been also controlled. That is a separate drive which we have gone for.
- Abhishek Shah:** Got it. Sir, lastly, more on your thought process in terms of investing or adding significant amount of capacity at a time when the industry is pretty much hitting rock bottom at a time when no one is adding capacity. I understand economics at play, but just want to understand your thought process and the capacity for us to suffer if times -- if bad times continue for a long period of time?
- Dinesh Nolkha:** The basic thought process is that we have -- if you see our capex plan, we have 2 major phases here. One is the investments on the fabric side, which is for increasing our capacity. And one is on the -- yes, and the smaller is on the yarn side. All -- if you see all the total capacity which we are adding in spinning is basically for our fabric division only.
- We are not adding any yarn sales per se capacity addition. More or less 85% to 90% of the new production of yarn will go in our fabric. So this expansion will be basically happening plus some -- definitely a new stream will be added. This yarn addition will be sold as dyed yarns. We are trying to add a new line of business where dyed yarns will be sold. So again, that is a value addition happening over there.
- Our thought process has been that we need to go up the value chain so that the overall margin, it becomes a margin-accretive business. Rather -- as you can see, there is always some inflation happening and it increases our costs. And so we need to work up the chain, increasing our margins as well. So that has been the thought process. In the fabric business, we are yet still very in a smaller size, and there is a lot of scope to grow up there. There is a lot of bigger market available over there. So there, we have tried to increase our capacities.
- Abhishek Shah:** Got it. And sir, lastly, what will be our maintenance capex? I understand the bigger capex is about INR1,100 crores, but annual maintenance would be?
- Dinesh Nolkha:** So it is already debited to our revenue account. We do not have any maintenance kind of capex, which we are capitalizing. There is nothing like that. Maybe very small, miniscule amounts are being spent on that side. Otherwise, it is debited to the revenue only.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from KSEMA Wealth Private Limited. Please go ahead.

Lakshmi Narayanan: Sir, just one question. Could you just throw some light on how the tariff scenario has impacted the markets which we export, sir?

Dinesh Nolkha: If you see today, the exports to U.S. from India is about \$11 billion. Our total textile economy is about \$175 billion to \$180 billion. So exports to U.S. is about 7%. With 50% tariff on textiles, I mean there is literally no possibility to reach that -- to export to U.S. The only means we can sacrifice the margins. If you see our -- in the whole chain, you are already seeing what kind of margins we have. So whatever -- even if we sacrifice all our margins, still the exports will be very difficult to happen.

So at this point of time, for initial first 2, 3 months, most of the companies are trying to see that they are able to retain their customers, sacrifice their margins and also requesting their customers to bear some of the custom -- bear some of the -- basically the tariffs. But this cannot -- until and unless this is sorted out, this kind of arrangement cannot continue for long. This may continue for two, three, four, maybe one or two more quarters as such. But beyond that, this kind of arrangement cannot continue.

So if this tariff issue is not resolved, we may all have a vacuum of U.S. exports in our Indian textile industry, and we'll have to search for some alternative markets. So until that time, there will be an oversupply situation, and which will compress the margins as well. So we need to look at in an overall situation that this kind of situation will -- U.S. tariffs will continue to have an impact on us.

Lakshmi Narayanan: Sir, in alternative markets also, we'll have the compressions, right? So everyone would be going for that also, right?

Dinesh Nolkha: No, everyone will not go for that because there are tariffs -- there is a lower tariff for many countries, likes of the competition is trying to push there. U.S. -- let's say, U.S. has a pie out of which if India comes out, somebody else will have to fill in. And then those -- if the capacity until and unless they also add the capacity to cater to U.S. only, then only this will be there.

So it's a -- let's say, global chain where we will come out of U.S. and maybe we'll get in somewhere else. So if we have an advantage or, let's say, trade agreement with EU or with U.K., that will help our exports going forward. So we will be able to replace our -- whatever exports we are giving to U.S. into these markets.

Moderator: Thank you. The next question is from the line of Maitri from Sapphire Capital.

Maitri: Yes. Hello. Am I audible?

Dinesh Nolkha: Yes.

Moderator: Yes. You are loud and clear. Please go ahead.

- Maitri:** Most of my questions have been answered. Just a few clarity. So do we see our margins compressing further in the second half of this year because we don't see any U.S. FT agreements happening around the corner or are we guiding for sustaining this 13.10% margins?
- Dinesh Nolkha:** Basically, you rightly said that the U.S. tariff issue is not yet resolved. But the government of India has relaxed this custom duty -- custom duties on the cotton, which has actually resulted in the lower cotton prices. So that should be -- we should be able to sustain the margins with the help of that.
- Maitri:** But as you previously mentioned, we already didn't pay duties on imports. Is that correct? Or we used to do that?
- Dinesh Nolkha:** No. But basically, when you are looking at the landed cost of cotton, the landed cost because of duty removal, Indian cotton costs have also come down. And because of the sentiment issue, Indian cotton prices have also come down. That will help us. I'm not only talking about imported cotton.
- Maitri:** Yes. Got it. Secondly, previous participant mentioned that at the current yarn realization, we could do about INR4,200 crores. So this is including the additional capacity or excluding the new capacity that we are adding in fabrics and yarn?
- Dinesh Nolkha:** No, this is including the new capacities. We are running at top capacity. We are at -- the present capacity is running at top level. So we do not have the scope to increase the volumes over there.
- Maitri:** Okay. So INR4,200 crores is the peak revenue we can reach at current realization from the additional and the existing capacity?
- Dinesh Nolkha:** Yes.
- Maitri:** Okay. Secondly, what market are we targeting in the fabric side because we are doubling our capacity in next 2 years. So any other markets other from the domestic and the U.S. that we are targeting going forward?
- Dinesh Nolkha:** So in this particular -- first of all, we are adding our -- we are increasing our horizon in the fabrics division. Already we are -- our existing product basket will be increased. So we'll be able to increase our supply to our existing customers here in India in domestic markets and domestic brands.
- Plus as far as the international market is concerned, we are targeting U.K. and European Union customers and the brands, which are already -- which -- with them, we have already started in a small manner at the moment. Due to constraint on capacity, we are not able to increase much volume with them, which will be increased going forward.
- Maitri:** So currently, how much is our export to U.K. and EU from the fabrics and how should we see the scale up happening in the next 2 years?

- Dinesh Nolkha:** The export to U.K. and EU is about maybe in the range of 5% to 7% only and this may scale up going forward. It is at the moment, about 6% to 7% only, I must say, of the fabric sales, but that will go up going forward.
- Maitri:** Okay. Yes. And next year, so there -- as you said that in 2 quarters, we might see a normalization of margins happening and then we also have capacity additions. So the ramping up will take time. So what sort of margins are we targeting for FY '27? And any sort of guidance on the revenue for FY '27 as well?
- Dinesh Nolkha:** Margin, normally, we do not guide for the margins. So that is -- I cannot comment on that part. But as far as revenue is concerned, I've already told that we should be looking for an additional revenue with our expansion project of nearly INR400 crores. So accordingly, that should be the ballpark range where we should be there.
- Maitri:** And FY '26, do we have a guidance for that?
- Dinesh Nolkha:** Not. Normally, we do not give any guidance. In the past also we never give guidance. We just give you a picture of the -- what is happening of the conditions.
- Maitri:** But do we expect to grow more than what we've done in the first and the second -- the first half?
- Dinesh Nolkha:** No. In the first and second half, we have degrown. If you see our sales have come down.
- Maitri:** Are we expecting...
- Dinesh Nolkha:** We are trying to see that we at least reach the level of last year. That is what we are targeting at the moment.
- Moderator:** The next question is from the line of Reena Kashyap as an Individual Investor.
- Reena Kashyap:** I have a couple of questions. You mentioned incremental revenue from capex plans of around INR1,000 crores. Do we see any -- do we anticipate any changes in these capex plans going forward? That's my first question. The second one is you mentioned exploring new markets. Again, any -- like I want to understand your thoughts on do we see any challenges coming up in this fleet? And lastly, in terms of knitted fabrics, you mentioned an adverse impact from the U.S. exports. How do we -- like do we have any strategies in place to sort of remedy this? Yes, those were my questions?
- Dinesh Nolkha:** So your first question was regarding the changes in the capex plans. They are already on the way. So maybe marginally small changes, which happens as the project comes in is going to happen, but nothing major on that side. Secondly, you had asked about the knitting fabric business. You are very right that knitting fabric business has been the worst impacted due to this U.S. tariff impact for us.
- Along with that, our customers in India to whom we used to domestically supply were also supplying to U.S. brands. So that has also impacted our business. So now we are trying to, in

fact, find alternate customers and alternate markets for this. And definitely, U.K. and EU is another destination. Plus we are also exploring it to directly export to the African continent.

So we are trying to see that we are able to increase our footprints in the newer markets. There is a limitation also in this -- in the fabric -- in the knitted fabric business since we are supplying only the greige fabric. So that is also one of the limitations, which is restricting us for increasing this substantially as well. What was your...

Reena Kashyap:

Yes. The third question was regarding any challenges in exploring new markets?

Dinesh Nolkha:

Definitely, there will always be challenges once we increase and double our capacities from the existing ones, there will be challenges. And to mitigate that, we are trying to increase our product basket. We are trying to add new products in our yarn business as well as in the fabric business, trying to work on blended yarns as well and many other value-added yarns trying to increase the footprint in those markets where we are not already present.

Moderator:

The next question is from the line of Aditya from UK Capital.

Aditya:

So while the yarn demand remains subdued due to the U.S. uncertainties, are you seeing any stronger traction from other geographies like Bangladesh and Turkey and all? And what is your largest export destination?

Dinesh Nolkha:

Definitely, there was never direct exports of yarn at least to the U.S. market. It was always indirectly through various exports in domestic market and also in the other geographies. So as far as our exports is concerned, we have more or less maintained our exports. And Bangladesh has been one of our biggest markets and still it continues to be the biggest market for us. And we try to explore various geographies all around, even in Europe as well as in African continent as well.

Aditya:

And sir, the inventory levels among the brands and the retailers were also at historical low, as you mentioned in the last quarter. Sir, do you expect any rebound from here, which will benefit the company?

Dinesh Nolkha:

We are definitely expecting a rebound. It has further gone down because of the tariff issues. Most of the brands have restricted their purchase also because they are -- most of them are expecting a trade deal to happen. Nobody wants to buy it right now because then it will be additional cost for them. So that is one of the reasons. And we are -- if you -- whatever news which is coming out from U.S., a lot of their retail stores are running with very, very low inventories and some have also run out of inventories on the basic products also. So we hope that there is a revival comes soon.

Aditya:

So this is the bottom -- inventory can bottom out from this level, sir? That's not...

Dinesh Nolkha:

We expect that. That is our expectation.

Aditya:

And sir, on the -- last on the crop season, it has just begun. How do you see the arrival trends and the quality as compared to last year?

- Dinesh Nolkha:** Arrival trends have been normal in comparison to last year. In fact, they are better. But quality because of the rains coming in between -- unseasonal rains coming in, there has been some damage to the quality because whatever the already cotton, which has been picked up and lying in the open area had some water damage or something like that. So there has been a partial impact on the quality. But quantity-wise, we do not expect any major surprises.
- Moderator:** The next question is from the line of Yash Bajaj from Lucky Investments.
- Yash Bajaj:** Am I audible?
- Moderator:** Yes, you're loud and clear. Please go ahead.
- Yash Bajaj:** Sir, just one clarification. You mentioned that the additional capex, which we are doing capacity expansion in our fabric division where we are doubling it. So you mentioned that INR1,000 crores of revenue will be added to this. And then you also mentioned this is the cumulative number, INR1,000 crores or why I'm asking this is because you also mentioned a INR400 crores number, which is to be added next year. So can you help us understand, suppose like on a fully utilized -- yes.
- Dinesh Nolkha:** Yes. On the fully utilized expansion, the revenue generated will be about INR1,000 crores on an annual basis. Next year, since we are expecting the capex to come in the second half of the year, capex is going to fructify in the second half of the year. So for next financial year only, we are expecting about INR400 crores revenue.
- Yash Bajaj:** Okay. Understood. And just a follow-up on this, sir. So previous year FY '25, on a 40 million meters capacity, we have generated INR700 crores of revenue, right? So -- and now since we are doubling it, ideally, this could have been a higher number, right? This could have been a INR1,500 crores, INR1,600 crores number. So what is this deviation, this gap?
- Dinesh Nolkha:** We have not yet basically -- out of the 40 million capacity, we are running nearly at 34 million, 35 million capacity and the revenue generated is about INR650 crores to INR700 crores at this moment also. This new capacity is going to come next financial year. So next financial year, once that capacity comes in, then our revenue will increase to INR1,300 crores, INR1,400 crores, not now.
- Yash Bajaj:** Okay. Right. Once it is fully utilized, probably FY '28 onwards?
- Dinesh Nolkha:** Yes, exactly.
- Yash Bajaj:** We can see INR1,300 crores, INR1,400 crores kind of revenue potential from the total capacity?
- Dinesh Nolkha:** Yes.
- Yash Bajaj:** Okay. Understood. And sir, second question was that since we are doing such a major CapEx in fabrics and you briefly touched upon that you kind of get a benefit of like taking the entire basket to the customer, which is yarn plus fabric. So just trying to understand that how will you penetrate the customer wallet or the market itself, considering it is a relative -- I mean, it's

a very mature industry and highly competitive in terms of pricing. If you can help us understand a few factors where you can win more business in fabric division itself?

Dinesh Nolkha:

As far as fabric division is concerned, we have -- I have highlighted that we are going to add many products in our basket going forward. At this point of time, we had -- with this capacity, we were limited to certain products. We are going to add a lot of low weight products, a lot of products which are made for ladies as well and kids as well.

So we will be able to increase the footprint there. Industrial use products like also are going to be like for the various uniforms, various armies, also some coated fabrics, technical products. So all this is going to add -- a lot of products are going to be added. So we are going to penetrate those markets, those customers as well.

Plus we are -- to the brands today, we are just supplying, let's say, one of their many products. Let's say, we are supplying today fabrics only for the trousers or maybe shorts. And then if we are able to give them designs and products which are suitable for their top weights for the shirts or the, let's say, jackets, then that will increase our footprint in those brands as well. So it will be both ways, horizontal as well as vertical expansion of our product range that will help us in penetrating the customer.

Yash Bajaj:

Okay. Got it. And just a final question...

Dinesh Nolkha:

And as far as competitiveness is concerned, we -- our operational -- our -- basically, we are quite competitive. And also large -- the size of this industry is very large. The kind of expansion which we are doing is not something which may impact the dynamics of the whole industry. So that will not impact negatively as well.

Yash Bajaj:

Understood. And just one final question, sir, is what would be the incremental suppose this capex, which we are incurring today? What kind of return expectations do we have from this capex expansion, which we are doing? And how would that compare with our existing capital employed for the company?

Dinesh Nolkha:

Normally, in the textile, we target -- whenever we go in for textile, we try to do -- look at, at least an IRR of 15% while going in for capex and others. So this has been the philosophy in the past as well and we'll try to follow the same as well going forward. Our existing -- if you see our existing IRRs are in the range of about -- with the compressed margins also are in the range of 12% to 13% at the moment. So we expect that IRR to remain for the new capex also in the same range.

Yash Bajaj:

Okay. Understood. I mean I'm just asking from the point of view of that -- my understanding was that fabric division would be a higher-margin business. So probably it will be still better in terms of return profile versus yarn?

Dinesh Nolkha:

The investments are also higher. So it's a two-sword edge, two head sword because we need to look at the investments as well as the return. So we try to work out on an IRR basis, which helps us in making the right kind of decisions.

- Yash Bajaj:** Understood, sir. That's all from my side. Thank you and all the best.
- Moderator:** Thank you. Due to time constraint, that was the last question. I would now like to hand the conference over to Mr. Awanish Chandra for closing comments. Thank you and over to you, sir.
- Awanish Chandra:** Okay. Sir, before ending, just one question. So far, whatever spindles numbers were announced despite odd U.S. tariffs and talk, volume-wise everything looked okay. So do we see things improving from here on both volume -- anyway, we are working at top volume on the margin side because even in difficult situation, numbers are not looking that bad, especially for the spinning and fabric companies?
- Dinesh Nolkha:** So basically, what we are saying that the more pain is on the smaller capacities. Most of the larger players and the reasonable size players have been able to push through their products at a reasonable cost and that was aided by the lower raw material costs, lower -- due to reduction in the duty, which was announced in middle of the last quarter and that helped to reduce the -- our raw material cost also slightly in the last quarter. So that has actually helped us to maintain and sustain this kind of operation. I expect once the normalization comes in, this will help in improve margin improvement going forward.
- Awanish Chandra:** Okay, sir. Thank you very much, Dinesh sir, Nitin ji and Maheshwari sir for giving us this opportunity to host the call. Anything for closing comments, sir?
- Dinesh Nolkha:** Yes. I'd like to thank everyone for taking the time out to join the call. I hope we have been able to address the queries. Also thank the SMIFS team and Awanish ji for hosting the call. For any further information, you can get in touch with our finance team and Investor Relationship SGA. Thank you once again and hope to see you all again in the New Year in the next conference call.
- Moderator:** Thank you. On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.