August 01, 2025

श्रावण– शुक्ल पक्ष, अष्टमी
विक्रम सम्वत २०८२

National Stock Exchange of India Limited
"Exchange Plaza"
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Code: GHCLTEXTIL

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring, Rotunda Building,
P.J. Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Code: 543918

Dear Sir/Madam,

Subject: Filing of Transcript regarding Investors' conference held on July 29, 2025

In continuation to our earlier communication dated July 29, 2025 regarding Investors' conference and pursuant to requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of the transcript regarding said earning conference call by Company's senior management held on July 29, 2025 for your reference and record.

Please note that copy of this intimation is also available on the website of BSE Limited *(www.bseindia.com/corporates),* National Stock Exchange of India Limited *(www.nseindia.com/corporates) and website of the Company (www.ghcltextiles.co.in).*

You are requested to kindly note the same.

Thanking you

Yours faithfully

For GHCL Textiles Limited

LALIT NARAYAN DWIVEDI
Digitally signed by LALIT NARAYAN DWIVEDI
Date: 2025.08.01 17:04:24 +05'30'

GHCL TEXTILES LIMITED

Lalit Narayan Dwivedi
Company Secretary and Compliance officer
Membership No.: FCS10487

Encl: as above

“GHCL Textiles Q1 & FY ‘26 Earnings Conference Call”

July 29, 2025

MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
MR. MARSHAL SONAVANE – CEO
MR. PARASURAMAN M. – CFO
MR. MANU JAIN – HEAD INVESTOR RELATIONS

MODERATOR: **MS. GARIMA SINGLA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to GHCL Textiles Q1 FY '26 Earnings Conference Call Hosted by Go India Advisors.

As a reminder, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*", then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Garima Singla: Thank you. Good afternoon, everyone. A very warm welcome to everyone attending the GHCL Textile Quarter one Financial Year '26 Earnings Conference Call.

Today on the call, we are joined by Mr. R.S. Jalan – Non-Executive Director, Mr. Raman Chopra – Non-Executive Director, Mr. Marshal Sonavane – CEO; Mr. Parasuraman M. – CFO; and Mr. Manu Jain – Head (Investor Relations).

Please note that the discussion on today's call may include certain forward-looking statements. Therefore, they must be, therefore, viewed in conjunction with the risks that the company faces.

I now hand over the call to Mr. R.S Jalan for his "Opening Remarks". Thank you, and over to you, sir.

Ravi S. Jalan: Thank you very much. I would request Mr. Marshal to give the opening remarks.

Marshal Sonavane: Good afternoon, everyone and a warm welcome GHCL Textiles 1st Quarter FY '26 Earnings Conference Call. I am Marshal Sonavane and as the CEO, I am pleased to address you today.

As the operator mentioned, I am joined here by my leadership team and our Investor Relations team. Our detailed results and investor presentations are available on the stock exchanges and our company website. I will begin with an overview of the operating environment and our performance, followed by key updates on our strategic projects.

On the cotton front: Domestic prices remained stable for several quarters but have recently formed up to around 58,000 per candy mark. Global cotton markets continue to see volatility due to ongoing trade tensions. Demand for yarn was mixed. While the weaving segment remained stable, the knitting segment continued to face headwinds. Overall market sentiment was weakened by the U.S. tariff discussions, which limited customer offtake to only essential and short-term orders. As a result, yarn pricing and margins remained under pressure across the industry, and we face the same.

Now turning to our performance for the quarter: Our revenue was impacted by the tough market conditions. Revenue stood at Rs. 270 crores, seeing a decline of 6.5% year-on-year due to reduction in sales yarn volume. Despite this, EBITDA increased by 10.5% year-on-year to Rs. 32 crores and PAT increased by 15% Y-o-Y to Rs. 14 crores. This is due to operational efficiency and savings in cotton cost. Our ability to maintain the profitability despite these challenges, highlights the strength of our operations and the trust of our key customers.

Beyond the numbers, I want to focus on our strategy and its execution. Since a few years, we have embarked on the journey of spindles expansion and vertical integration. I am delighted to report the successful commissioning of our new state-of-the-art 25,000 spindle unit.

1. Production has commenced on schedule, a testament to our team's excellent project execution capabilities.
2. The yarn produced is of exceptional quality and has already received very positive feedback and acceptance from our customers.
3. We are in the process of scaling up operations and expect a full ramp-up by the 3rd Quarter of this fiscal year.

Following this will be our vertical integration into knitted fabrics. With installation of 15 machines from October onwards, we should see a full-scale execution of this from Q4 FY '26. These projects are a direct reflection of our long-term vision and commitment to value creation. Our focus remains firmly on key strategic priorities, which consists of broadening our value-added product portfolio, enhancing operational excellence and strengthening vertical integrations. These priorities directly guide our capital allocation strategy as well.

Our committed investment plan of over Rs. 1,000 crores remains firmly on track, out of which we have invested Rs. 570 crores so far, with the remaining capital being deployed towards further vertical integration opportunities in weaving and processing. Our goal remains to become a premium ready-to-cart fabric manufacturer, targeting a top line of 2x of what we achieved last year, a double-digit ROCE, and an EBITDA margin of 15% to 18% over the next four, five years.

Backed by a strong balance sheet and a highly capable team, we are confident in sustaining our growth momentum and delivering superior value to all our stakeholders.

Thank you for your continued support. We would now be happy to take your questions.

Moderator: Thank you very much. We will now being the question and answer session. The first question is from the line of Jatin Damania from SVAN Investments. Please go ahead.

Jatin Damania: Good evening, sir. Thank you for the opportunity. Congratulations on the decent set of numbers in the tough environment. Sir first, just wanted to understand on the expansion part. Now our 25,000 spindles of commissions probably which will give us an incremental revenue of Rs. 250 crores. Now when we move to a knitting where we are setting up a machines in two phases, so can you help us understand what is the CAPEX that you will be doing for knitting? And what sort of revenue and margin one can get from a knitting side?

Marshal Sonavane: Hi, Jatin. So, basically, overall CAPEX for the knitting, 40 machines, is about Rs. 38 crores, including plant building. And I think this Rs. 38 crores would generate additional revenue of about Rs. 80 crores. Rs. 75 crores to Rs. 80 crores is what additional revenue would be generated. And I think on an overall basis, on the fabric, on the yarn which we will convert to fabric, right, from end-to-end, from cotton to fabric, the margins would be in the range of about 14% to 15%.

Jatin Damania: So, 14% to 15% on the knitted. So, that means incremental revenue for FY '27, which will see Rs. 250 crores coming on from the yarn and near about Rs. 75 crores-odd coming from the knitting. So, Rs. 325 crores of the incremental revenue on the base of FY '26?

Marshal Sonavane: Correct. Yes, your voice broke in between, but yes, I understand that you are asking whether you are correct on these numbers. Yes. I think that is what we are projecting as well.

Jatin Damania: And sir, on the griege fabric front, how do we see because our revenue, I mean, if you look at the volumes are increasing on quarter-on-quarter compared to last year, definitely sequentially turned downside, but are we increasing our outsourcing on a griege fabric? And how should we look at the revenue contribution on that front?

Marshal Sonavane: So, currently if you see, this quarter our total fabric as a percentage of revenue was about 9.3%, almost at a similar level last quarter, right? So, I think this number, we are sort of working on improving further. What we are expecting that probably by year-end we would be about 12% to 15% on our outsourced fabric.

Jatin Damania: Okay. And in terms of the CAPEX that we spent last year, we are not seeing any significant increase in the revenue in the 1st Quarter. So, is it that because of a realization or because of a lower demand, volume was on the lower end and probably we could see a pickup in second half?

Marshal Sonavane: The new 25,000 spindles commissioning happened in June, right? So, of course, this quarter, there will be a ramp-up phase for this new investment. I think the full value of 25,000 spindles can be realized from Q3 onwards.

Jatin Damania: Okay. And sir, more on the strategic and vision front. So, as a company, are we intend to remain focused only on the ready to cut fabric or we are probably looking at one step higher in going to our garmenting also.

Marshal Sonavane: As of now, our sort of vision is to become a premium ready to cut fabric supplier. I think, of course, if there are opportunities available in garmenting, we, as a company, are always open to it.

Jatin Damania: Is there any other expansion which is lined up in the yarn space, whether it's a die yarn or a premium yarn?

Marshal Sonavane: For at least the next two, three years our idea is to go stronger on our vertical integration journey. So, as we have done in knitting, we probably will explore more on weaving segment as well.

Jatin Damania: Last question on the solar power and solar energy, definitely we are focusing more on the renewable power. So, what sort of cost benefit one should see coming in from second half of FY '26 and full year of FY '27 that will help the entire company to improve on the margin?

Marshal Sonavane: You basically want to ask about our new investment in rooftop solar, is that so?

Jatin Damania: Yes.

Marshal Sonavane: So, basically, what we are projecting is that because of our additional demand happening out of our 25,000 new spindles, the solar and few other arrangements, which we are doing on power would help us save about Rs. 1 or Rs. 2 per unit, which probably would translate to about an additional benefit of about Rs. 4 crores because the new unit would consume about Rs. 2 crores, Rs. 2.5 crores units.

Jatin Damania: Sure. That’s all from my side. I will come back if I have more questions. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Param Vora Trinetra Asset Managers. Please go ahead.

Param Vora: Hello. Good afternoon. And thank you for taking my questions. So, what I wanted to ask was, how was the order book of the company evolved in the last quarter, especially from export markets, due to ongoing geopolitical instabilities? So, are there any strategic efforts underway to reduce dependence on specific geographies?

Marshal Sonavane: So, I think we have given the export number in the earnings presentation as well. Our export for this quarter particularly were about 6% of our overall revenue, right, while last quarter it was almost at about 11%, right? And overall, last year, we clocked about 18%. Yes, I think you got it right, yes, from a geopolitical perspective I think Q1 was extremely challenging. And that is the reason why the sort of dip in exports which primarily came from the European markets where we saw particular sluggishness.

Param Vora: Thank you.

Moderator: Thank you. We move onto the next question. The next question is from the line of Raman K.V. from Sequent Investments.

Raman K.V.: Sir, in the opening remarks, you mentioned that the domestic cotton prices was around Rs. 58,000 per spindle, which has increased over the previous quarter, which you mentioned Rs. 55,000. Is that right?

Marshal Sonavane: That's correct.

Raman K.V.: So, I just wanted to understand that you said your EBITDA and PAT improved mainly because of cotton cost. So, I did not understand this bit, the average domestic cotton prices have increased, but your EBITDA and PAT margins are --

Marshal Sonavane: Yes, I think your understanding is correct. When it comes to the cotton prices, it moved up from Rs. 55,000 per candy to about Rs. 58,000 per candy. From our operational standpoint, we have been able to reduce our rupees per kilo cost for our cotton, right? I think that is what we alluded to when we said because of our operational strength, we have been able to sort of, our rupees per kilo on our final output has gone down. I think that is cotton cost as a percentage of final cost.

Raman K.V.: Sir, my second question is with respect to the working aspect what is the current spread? And do you expect any improvement in FY '26?

Marshal Sonavane: Our current cotton spread in our cotton spread in Q1 FY '26 was Rs. 130 per kilo. Q4, it was Rs. 132.

Raman K.V.: Yes, sir.

Marshal Sonavane: Hello. Can you hear me?

Raman K.V.: Yes, yes. You said your current cotton yarn spread is Rs. 130.

Marshal Sonavane: Rs. 130 in Q1, and current it is about Rs. 119.

Raman K.V.: Rs. 119 in Q4, right?

Marshal Sonavane: In Q4 FY '25, it was Rs. 132. In Q1 FY '26, it was Rs. 130, right? And current as in July, we have seen it at about Rs. 119.

Raman K.V.: So, the realizations have increased?

Marshal Sonavane: Yes.

Raman K.V.: So, can we expect margin to be get impacted come into Q2?

Marshal Sonavane: So, as of now, I think July has been a tough month. And we foresee that Q2 would be a challenging quarter, particularly when it comes to no clarity on U.S. tariff. I think that is primarily the reason why we see a lot of demand getting pulled back, right? And which is obviously, the cotton prices are going up and demand being muted, there is definitely a pressure on margins.

Raman K.V.: Sir, with respect to your fabric, what is your average realization for fabric?

Marshal Sonavane: We are primarily in the outsourced model, right? So, there are different sort of margins for different fabric, right, when it comes to knitting and weaving. So, I think there are different sort of margin profiles here, depending on the product.

Raman K.V.: Yes. So, can you at least, given how the revenue with respect to knitting and weaving?

Marshal Sonavane: So, at this point of time, since it being on an outsourced model, I think we have not started giving out the numbers on our fabric side. I think it would be much better to talk about our margin profile on fabric once this capacity is inside. We are expecting our knitting machines to be in-house by about Q3. And in Q4, we should have them up and running. And I think that point of time, it would be much better to talk, and we would be in a much better position to explain as well what would be our margin profile on fabrics.

Raman K.V.: Sir, I have one last question. Sir, with respect to the new capacity coming of 25,000 spindles, you said we can do an additional of Rs. 250 crores at optimal utilization. So, can we expect Rs. 40 crores to Rs. 50 crores run rate from Q2 onwards, additional run rate?

Marshal Sonavane: So, Q2 is difficult because there is a ramp-up period but definitely you can expect from Q3 onwards.

Raman K.V.: What I understand is there will be additional Rs. 100 crores of revenue this year from the new capacity?

Marshal Sonavane: Yes. I think that is a fair assumption to make.

Moderator: Thank you. The next question is from the line of Amey Chheda from Banyan Capital. Please go ahead.

Amey Chheda: Thanks for the opportunity. Sir, just wanted some clarity on the spreads. So, you mentioned that in Q1 the spreads were Rs. 132, right? And this quarter, it was Rs. 130. I think on a previous con call you mentioned that the spreads were Rs. 119 that was in May.

Marshal Sonavane: So, I think Rs. 119 when it was mentioned in the last call must have been the current spread for that month. But what I can tell you right now is for our Q1, for the entire quarter, our spreads were at Rs. 130 per kilo on a sort of quarter average basis. While in Q4 FY '25, they were at Rs. 132.

Amey Chheda: Okay. Got it. And just one more question. So, you mentioned that out of the Rs. 1,000 crores CAPEX that you have planned, Rs. 570 has already deployed, right? So, I wanted some details on the Rs. 430 crores of which segments are you planning to build the CAPEX into? And what would be the revenue potential from that?

Marshal Sonavane: So, the rest of the Rs. 430 crores would be sort of spent on our vertical integration journey in weaving, knitting and processing. We expect that this would further result into minimum revenue upside of about Rs. 600 crores to Rs. 700 crores.

Amey Chheda: And what would be the margins on this, sir?

Marshal Sonavane: On an overall basis, I think once we become an integrated player, we expect our margins to be in the range of 17% to 20%.

Amey Chheda: Okay. And this will take around three years from now, right?

Marshal Sonavane: Yes, three to four years is what we are projecting.

Amey Chheda: Okay. Thanks a lot, sir.

Moderator: Thank you. The next question is from the line of Aman Jain from Arihant Capital. Please go ahead.

Aman Jain: Sir, like do you expect yarn demand in India to pick up in FY '26? And like, are there some early signs for it?

Marshal Sonavane: So, I think as of now in July, we think the next quarter is going to be very challenging. Our expectation is that by then, right, by Q2 end, at least the situation between the overall macro in terms of tariff and everything should be resolved. And if that happens, I think H2 definitely would be much better than H1. Now, I do not think there are early signs sitting in July.

Aman Jain: Thank you, sir.

Moderator: Thank you. The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti: My first question is regarding, how much of the company's U.S. exposure? Because I keep hearing that we are looking for the tariff relaxations. So, how much is actually the company's exposure in terms of the previous year's sales as well as supply to companies who have a significant exposure to U.S. exports, how much is it?

Marshal Sonavane: We do not have a definitive number on this because we do not look at our sort of customer base in that direction. So, obviously, our direct exposure is minimal, right? But when it comes to indirect exposure, I think it's difficult to estimate but probably around 25%, 30% is what we have.

Deepesh Sancheti: 25%, 30% of your total sales?

Marshal Sonavane: Yes. I do not have a definitive number on this, but I would assume that because India exports a lot of apparel to U.S., right? And in that proportion, we would also have an exposure indirectly.

Deepesh Sancheti: So, if last year there was no exposure to U.S., I mean, if there was minimal exposure of U.S., how would actually a U.S. tariff relaxation or otherwise would affect the company in a very significant way?

Marshal Sonavane: I think the effect comes from the overall demand stabilizing, right? For example, while we do not have an exposure to U.S., our competition definitely has. And if that demand goes away, then definitely wherever, let's say, domestic pressure on both volume and margin increases, I think that is how it affects us.

Deepesh Sancheti: Okay. And how do you see, I mean, you have a slide in your presentation about the U.K. trade deal which India got a free access. When do you think the 0% duty comes into effect? And how significant it will be for the company?

Marshal Sonavane: I mean, the details are still emerging on that in terms of when does the effect take place. But whatever literature we have one through, I think there is an immediate benefit on textiles, which is supposed to be given. I am sure the rules are to be notified for the FDA to take into action, not sure when it would be done. But yes, whenever it is, there is no sort of a lag in terms of reduction of duty from India to U.K.

Deepesh Sancheti: So, once this comes into effect as well as the U.S. tariff, we have some light on the U.S. tariff, do you think, because we had a significant fall in exports some about Rs. 60 crores. I mean, how much do you think that the export would contribute later on?

Marshal Sonavane: We are expecting that, last year we clocked about 18% on our export, I hear about that. I think we will be maintaining the same number or maybe increasing by another 1 or 2 percentage points.

Deepesh Sancheti: So, this quarter, you went around 6%? So, you think it will come back to around 18%, 19%?

Marshal Sonavane: Yes. So, let me just explain it. We saw a significant reduction in Europe as a market, while our other markets have performed approximately the same or maybe there is some reduction here and there. But definitely, we see the demand coming back on that front, at least in the latter half of the year. So, as of now, we think we will be able to do the same percentage points or percentage of our revenue on our exports as we did last year.

Deepesh Sancheti: Okay. And you mentioned about your expansion of about 25,000 spindles. Now that comes to the total capacity, it will become 250,000 spindles, right?

Marshal Sonavane: 225,000.

Deepesh Sancheti: 225,000 plus 25,000 or 225,000 inclusive of the 25,000?

Marshal Sonavane: No. Earlier it was 2 lakh spindles, another 25,000. So, the total capacity comes to 225,000.

Deepesh Sancheti: So, when you say that the implication of expecting to generate a revenue of about Rs. 250 crores that is an additional revenue or that is a revenue with the overall spindle capacity?

Marshal Sonavane: That is additional revenue.

Deepesh Sancheti: Additional revenue per year, which will actually commence by Q3, right?

Marshal Sonavane: Correct.

Deepesh Sancheti: Okay. And is there any future CAPEX also lined up?

Marshal Sonavane: So, we had commented Rs. 1,000 crores of investments, out of that Rs. 570 crores, as I mentioned in the note as well, Rs. 570 crores is done, another Rs. 430 crores is what we are going to invest in our vertical integration journey.

Deepesh Sancheti: And how are we going to fund this?

Marshal Sonavane: So, primarily internal accruals, and of course, as and when the debt is required.

Deepesh Sancheti: So, right now, our debt to equity is very low. So, we have quite a significant, I mean, we can take a leverage. Just last question on the ROE, why is the ROE so low? I mean, that was just low single-digit ROEs. Where do you see this going? I mean, do you think that in the next one year or two years after this capacity, I mean, what are we doing on increasing the ROE?

Ravi S. Jalan: This is Jalan here. You see basically, historically, if you go, because right now at this point of a time, you know the spinning per se or the textile per se, the margins are very low. If you look at our journey of last 20 years, every segment of four, five years, last five years our EBITDA margin was around 14%. If you look at 10 years, my EBITDA margin was also again 14%, 15%. Even if I look at 20 years also, you will find that our EBITDA margin was, including this 2.5 years which has been very difficult, our EBITDA margin has been 14% to 15%. So, first and foremost we are assuming this EBITDA margin or this bad period of this textile will go away and we will come back to this 14%, 15% of EBITDA margin soon, number one.

And if that happened, automatically, your return on equity will also go up. Our return on capital employed will also go up, and it will definitely be a double-digit. Historically, also our return on capital employed was double digit, so we will come back to that double digit in any case. And over and above this, since this is vertical integration we are doing, this will further enhance our return on equity or return on capital implied. And we are expecting this will be a kind of a 14%, 15% of the return on capital implied we will be able to achieve in a medium-term thing.

But one more thing I just want to clarify, when you ask about this U.K. benefits or the U.S. benefits, the duty advantage. See, basically, what will happen is this duty advantage to the U.K. or to the U.S. or to any part of the world, even Europe which we are also expecting Europe will also happen soon, this will create a kind of a big boost to the textile industry per se in India. And we being the core producer, we will be benefited because of that. It is not because of that we will be able to export more. It is because of the domestic demand of the yarn will go up because of the overall demand upside into the garments at the home textile, this will benefit to the people like us also.

Deepesh Sancheti: That's exactly I asked, how much is your exposure to people who are exporting the U.S., how many of your clients? I mean, if you could just, for your analysis only, but if we can have a difference, let's say, 25% of our customers are actually core exporters or something like that. It will be very helpful for you also to analyze and for us also to analyze that how much would actually the U.S. markets benefit you?

Ravi S. Jalan: No, no, let me clarify this point also. See, overall, when the industry situation improves, either because of that more export to the U.S. or more exported to the Europe or more export to the U.K. Overall, this will help the overall demand per se in India will increase, including the domestic demand. Though domestic demand will not improve, but supply restrictions will happen. And this will improve your overall pricing of the yarn also.

So, it is not that, okay, since our exposure to the U.S. is 20%, and therefore we will get an advantage or if we have an exposure on the U.K. 20% and therefore we will get an advantage. Overall, textile per se, we will get an advantage. So, of course, like you rightly said, we should do the monitoring of this. But this benefit will not be because of that export to the U.S. or export to the Europe or our exposure to those markets will help us. This will help to every textile industry per se.

Deepesh Sancheti: Yes. My follow-up questions are regarding your margins. You said that the margin you are planning to increase it from 9.5%, 10% to 15%. What measures are we taking for increasing your margins?

Ravi S. Jalan: See, two things here. So, one, like I said that overall, historically, the margin in the spinning of our, at least I would say that 14%, 15% has been there on a longer period of time. If you look at our five-year data, you will find that our EBITDA margin was 14% to 15%. The first and foremost, we are assuming this scenario of two and a half years of the bad period of spinning or the textile will go away soon because of the certain, I would say, tailwind which is likely to happen, U.S. tariffs, U.K. tariff and the Europe tariffs.

The second is that, like what our CEO said, that vertical integrations are the margin enhancers, which will happen. This journey has been started on the knitting side. And gradually, in the next five years, we have a plan to vertically integrate and offer to the customers the ready-to-cut fabric. And all these things will have two advantage. One advantage is, my capital turnover ratio will be better. And the second is margin, there has been kind of an additional margin on this. And this both put together, we are talking about the margin which we have projected. So, we are very confident of achieving those margins on a medium-term basis.

Deepesh Sancheti: In the medium term, what does medium term mean, one year, two years?

Ravi S. Jalan: Medium terms mean, I would say that maybe '26, '27 when you see the numbers. And maybe just tomorrow, support this tariff for clarity comes from the U.S., probably in the 3rd Quarter itself, you will see that improvement will start happening. You see, one thing definitely we must understand, and historically if you are tracking this company, you will realize, that historically, textile, particularly for the spinning such as, I would say, headwind of two and a half years has never been seen.

Historically, I have seen this industry for almost 20 years now. I have seen that maybe six months to one year, there is a headwind and after that, there is a recovery there. This is the first time this long period. But definitely this headwind is going to be over. So, hopefully, I would say that the second half of this year onwards, things will start improving. Once this clarity of the U.S. tariff gets clear, definitely, you will start seeing the improvement in the overall spinning per se, industry per se.

Deepesh Sancheti: The problem is, sir, we do not have the historic numbers because the company has just, after a corporate action, it has come into the stock exchanges. So, we have very little historic numbers. But I appreciate that you said that this two and a half years has been difficult, and you are hoping for better numbers. And if there are any other further questions, but I really feel that you should work on your ROE. Thank you so much.

Moderator: Thank you. The next question is from the line of Ritesh Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Hi, sir. Sir, I just wanted to understand, given what's happening with the MSPs given what's happening with U.S. cotton prices and the listed discrepancy between India and the U.S., is it that the major cause you think of the slightly lower margins, which have been ongoing for an extended period of time? And how does this get resolved in your view?

Marshal Sonavane: So, Ritesh, I think that is one of the key reasons, of course, because the cotton prices, of course, are on an upward trend. The other part is also on demand. While the cotton prices have been going up, on the demand side there is no capacity to sort of accept the increased cotton prices. So, obviously, the processing cost, manufacturing cost is almost remaining the same, right. Of course, there will be an improvement based on operational excellence. But ultimately, if your demand side does not have the capacity to take up the additional cotton cost, definitely the margin will be in pressure. And yes, the disparity between global cotton prices and Indian cotton prices plays into it as well, specifically for Indian spinners.

Ritesh Gandhi: So, how does this actually rectify over the next few, let's say, quarters or whatever it may be?

Ravi S. Jalan: Ritesh, what is our expectation, let me tell you one. First and foremost, the U.S. tariff clarity. We are expecting, I would say, when we are saying we are not seeing GHCL textile, the entire textile industry is expecting a very favorable tariff for the U.S. vis-a-vis the Bangladesh or the Vietnam. So, that is the one figure point that will be there, number one.

In terms of the cotton, see, we are expecting, again, these are all wishful thinking. I will say that likely may happen or may not happen also. Once the U.S. tariff gets finalized, maybe at the time that there can be some kind of a rethinking of the government on the cotton duty as well in the negotiation. Industry is presenting to the government on this duty and probably this tariff negotiation probably can bring some relief on the tariff of this thing. But once this U.S. tariff gets clarified, I think demand upside will happen that will support the price, and that will improve the margin.

Ritesh Gandhi: Got it. Okay. Sir, and the other question was given the extra Rs. 250 crores of revenue from the new spinning capacity which we are adding, that I am assuming, would be even more incrementally accretive to margins, right? So, I mean, that would be at how much EBITDA margin, if we can say?

Marshal Sonavane: So, I think the new unit is definitely a state-of-the-art unit, right? And assuming if some demand stabilizes, definitely it would be minimum 1 to 2 percentage points higher on our EBITDA margins compared to our other units.

Ritesh Gandhi: Okay. All right, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Co. Please go ahead.

Saket Kapoor: Namaskar, sir. And thank you for this opportunity. Sir, firstly, the scenario for the cotton prices moving up and the depressed yarn prices correlation is the flattening demand. That is the only reason why these spinners are unable to pass on the impact of higher cotton prices and the spreads going down?

Marshal Sonavane: Yes, I think your understanding is correct. While the cotton cost is going up, there is no capacity on the demand side to accept additional prices. And hence, the spreads are getting compressed.

Saket Kapoor: Okay. And there is also a differential between, as the earlier participant was mentioning, the differential between the U.S. cotton and the MSP support that we have domestically. So, what is the arbitrage when we compare the international landed prices and the MSP being protective for the domestic producer?

Marshal Sonavane: See, on a pure play prices basis, yes, Indian cotton and U.S. similar quality cotton is at similar price levels. The problem or maybe the difference is just the import duty. With the import duty, I think the difference sort of goes away. So, as of now, at a 56,000 level, I think all the cottons are at a similar price on a landed basis. But yes, with the MSP increasing and the expected price increase in the Indian cotton, there will be a difference. And sort of Indian cotton will become expensive in a way.

Saket Kapoor: Come again, sir. The large point, I missed it.

Marshal Sonavane: So, with the additional MSP increase and assuming, and that's a big assumption that the cotton prices goes in the same proportion increase as the MSP, and the U.S. cotton remains same at the current level, on a landed basis, the U.S. cotton would become cheaper than Indian cotton.

Saket Kapoor: Okay. And what should be the differential in percentage terms?

Marshal Sonavane: Yes, I think it would be 8% to 10%. I think that is what the difference would be.

Saket Kapoor: Sir, in your presentation, Slide 9, you did mention about quarter inventory at 10,000 MT sufficient to ensure production continue to benefit from adverse pricing trend into Q2 FY '26. So, taking into account the dip in the realization and the inventory gain out of the existing cotton inventory, will this keep the margin stable? Or this 5% dip which we have seen in the month of July will take a hit on the realization and hence the bottom line?

Marshal Sonavane: I think this cotton inventory of 10,000 tonnes is probably one and a half to two months of our inventory, right? So, any additional inventory which will come in would come in at a higher price only, right? So, while, yes, to some extent there will be a protection on our cotton prices, but unless and until the demand scenario improves, definitely the Q2 would see a tough challenge on maintaining profitability.

Saket Kapoor: Sir, when we look at our employee benefit expenses, that has also moved up Q-on-Q also and year-on-year also, the number being Rs. 20 crores for this quarter, previously it was Rs. 17.30 crores, and last quarter it was Rs. 18 crores. So, this incremental of 10%, what has led to this? And what should be the number we should look for the entire year?

Marshal Sonavane: So, this is made up of two things. One is your annual increments, which happens, right, for both wages and salaried manpower. The second is that, as you know that we have added another 25,000 spindles, and sort of the operators linked to it and the manpower link to it would get added in Q1 because definitely there will be a time of training as well, which will be included. But on a per tonne basis, right, mandates per tonne basis, I think there isn't much increase.

Saket Kapoor: Sir, you mentioned about Rs. 435 crores being the balance amount which is to be spent as our CAPEX, so where will this money get deployed? If you could give the segment, how much will go to addition in the spindle capacity? How much will be knitted? How much to the renewable energy? If that ballpark number you can provide.

Marshal Sonavane: So, I can give you an overall, as in a directional comment on your question. We are going to spend primarily on our vertical integration journey, right, which includes knitting, weaving and processing because the overall vision is to become a ready-to-cut fabric supplier. Our second pillar on that is that we want to have about 65% to 70% of our power coming from renewables. So, whatever necessary investments, which would be required on renewables to maintain this proportion. I think that is what would be done.

Saket Kapoor: Okay. Sir, as we move into the value chain of the dyes, yarn and fabric, there will be additional requirement for us in terms of the chemicals also. So, what percentage of our cost will go into the dyed chemicals? And what are the chemicals required? Is it only caustic soda or soda ash requirement is also there?

Ravi S. Jalan: So, Saket ji, chemical requirements are going to be very minimal. I do not think that is going to be very relevant, like even if the caustic soda is required, that is not going to increase the demand of soda ash, do not worry, okay? So, I think chemicals will be required and various type of chemical, caustic soda, soda ash and other chemicals will be required when we go for the processing side, right? But that is not going to be very significant.

Saket Kapoor: Okay. But Slide 6, Marshal sir, if you could just explain me, when we look at the yarn number for this quarter, it is 8.4 metric tonnes. When we look at the knitted fabrics that has moved up from 146 to 247. If you could just explain this correlation that when the volume for knitted fabric has moved up but that is not commensurate to the revenue, so how should one read this line?

Marshal Sonavane: No, I think the yarn sales volume is about 8,400 tonnes, right, while last quarter it was 8,900 tonnes. And you can clearly see that from our fabric, we derived about Rs. 25 crores of revenue this quarter, which is about 9.3% of our overall. So, obviously, you have to understand we work on an outsourced model on our fabric, right? So, 8,400 tonnes for the overall yarn sales and knitted fabric sale was only 247 tonnes.

Saket Kapoor: No, sir, Q-on-Q the number looks from 146 to 247, whereas the revenue has gone down.

Ravi S. Jalan: I am looking at the numbers, 8,900 tonnes we have sold, right? Fabric, we have done from 146 to 247 correct? So, that means the fabric sale has increased significantly. There is no co-relation between then, both these are independent. There are certain knitted fabric even we source the yarn from outside also, okay? And this Rs. 8,900 crores, out of this Rs. 8,900 or Rs. 8,400, from there also we are using the yarn for the knitted fabric also.

Saket Kapoor: Sir, my question was, we had Rs. 28 crores of revenue with 146 metric tonnes, now revenue is Rs. 25 crores revenue with 247 metric tonnes, so this incremental increase which is there--

Marshal Sonavane: Mr. Saket, let me just clarify, the fabric revenue which we write on the down, right, it is including both knitted and woven fabric, trade fabric, right? So, the Rs. 25 crores is derived from 247 tonnes of knitted fabric and 36 lakh meters of trade fabric.

Ravi S. Jalan: The volume has dropped significantly from 46 lakh meters to 36 lakh meters, there been a drop of 10 lakh meter in griege fabric sales, whereas knitted fabric volume tonnage has increased from 46% to 47%. So, that has not increased significantly, but the drop in griege fabric has a significant fabric.

Saket Kapoor: And how should we look at the drop in tonnage for griege fabric, what's the reason behind this?

Ravi S. Jalan: It's basically because of demand.

Saket Kapoor: Because of demand, is it?

Ravi S. Jalan: Right.

Saket Kapoor: Correct. Thank you for the clarification. And thank you for this revamped investor presentation also, you have explained the points very well, we hope for the continuity of the same.

Ravi S. Jalan: Thank you, Saket.

Moderator: Thank you. The next question is from the line of Raman K.V. from Sequent Investments. Please go ahead.

Raman K.V.: Hello, sir. Thank you for allowing me to ask you a follow-up question. I just wanted to understand, currently in terms of the entire market, what's the contribution of knitted cotton to the total raw material used in the domestic market.

Marshal Sonavane: In the domestic market?

Raman K.V.: Cotton usage in the domestic market.

Marshal Sonavane: Are you asking from a GHCL perspective or overall?

Raman K.V.: Overall as well as from the company perspective.

Ravi S. Jalan: See, if I have understood your question rightfully, what you are saying is that how much India is consuming the Indian cotton and how much is the import cotton they are using? Is it right understanding of your question?

Raman K.V.: Yes.

Ravi S. Jalan: India is producing around Rs. 3 crore bales, and this is largely, I would say that 80% of this gets consumed into the domestic market alone. And the import of the cotton this year has been around 30 lakhs, 34 lakh tonnes. So, in a way you can say that the percentage of the imported cotton in the overall textile per se is around 10%, 10% to 15%, right? And this also primarily, I would say, that it is more of a premium cost like Egyptian cotton, Australian cotton, your Pima cotton. High quality of the cottons are getting imported. Some of the cotton this time has been imported from Brazil and other parts of the world also. But primarily, these are all special type of cottons have been consumed.

If you look at, in our case, I would say that similar kind of a percentage will be there. We only import the three special kind of a cotton, one is our salient cotton which we impose in a large volume, and American cotton which is Pima, and your Egyptian cotton which is Giza. So, these are the three cottons. In terms of the percentage, my understanding this will also be around 10% of the overall consumption of what we do. In the overall 10% to 12% kind of a number.

Raman K.V.: Yes. Sir, I just wanted to understand that with respect to if and when India and U.S. finalized their trade deal, the duty on imported cotton from U.S. will reduce significantly. So, this 10% share of imported quarter, will it increase to 15% or 20% in the coming years for you or not?

Ravi S. Jalan: You see, again, the cotton is such a commodity. It all depends on the competitiveness of the price; how the Indian crop happens? What is the price of the Indian cotton? And what is the U.S. cotton excluding the duty? So, all it will depend on the advantage overall in terms of the landed cost. But yes, logically, if you ask me, if that duty goes down or if the duty gets removed, at least the Indian spinning industry or the textile industry per se will become more competitive, and the chance of bringing more imported cotton will likely to happen.

Raman K.V.: Okay, sir. And sir, my final question is with respect to, again, the capacity addition. Can we expect this spindle to contribute fully in FY '27? Like additional incremental revenue of Rs. 250 crores in FY '27? And additional revenue of around Rs. 50 crores from the knitted facility which will commence in Q4, because it will be a first full year of operations, right? So, around Rs. 300 crores of incremental revenue on base revenue of previous year FY '25, can we expect that?

Ravi S. Jalan: So, you are 100% right. And let me just add here is that in the 3rd Quarter of this year itself, you will start getting the benefit of this new unit of Rs. 250 crores, which is approximately around, I would say, Rs. 60 crores of the per quarter benefit. So, that should start happening, in the 3rd Quarter you should have that Rs. 60 crores, and then in the 4th Quarter also you should have Rs. 60 crores. Even in the knitting side also, you will get an advantage in the 4th Quarter of knitted because by the time the unit will start running. And in the 4th Quarter of this Rs. 50 crores divided by 4, the benefit you will get in the 4th Quarter of this year itself. '26, '27 definitely you will get the entire advantage, even in this year also you will get an advantage.

Raman K.V.: Okay, thank you sir.

Moderator: Thank you. The next question is from the line of Jatin Damania from SVAN Investments. Please go ahead.

Jatin Damania: Thank you for the follow-up. A couple of questions. Now looking at the current cotton prices as compared to the imported prices, the decline in the strength that we have seen from last three quarters, majority of the capacity must be in the stress and they would be reporting a loss. So, given our balance sheet's trend where we also want to expand and go for a diet or value-added yarn product going down the line, are we looking at any acquisition of the stressed asset over the next couple of years?

Ravi S. Jalan: I do not think we are right now looking at any such kind of express asset, because see, coming around the express assets itself is a Herculean task. So, we are not looking at any such kind of a stress asset to acquire in the near future. But of course, we are always open if something really comparing is coming and the size is coming, which size compels us to kind of look at, we will look at it.

Jatin Damania: Sure sir. And next question now since we are only will be into a ready-to- cut traffic, so are we any point of time, probably 12 months, 18 months down the line, looking to expand ourselves into a technical textile front where we can get a better profitability, better margin?

Ravi S. Jalan: See, Jatin ji, again, right now we do not have any such kind of a plan on table, but we will always be open to kind of look at some opportunities which comes. Right now, like our CEO said, our plans are very clear, we want to first go into the vertical integrated unit ready-to-1 cut fabric delivered to the customers. That is the first priority we have. Because we believe that if you have a consistency in the plan and you do not switch here and there and probably work on a very clear focus, you would always be able to return a better capital, a better return on your capital. But yes, we will keep our options open if we get some kind of an opportunity of some kind of a unit which helps us to kind of take a forward, I would say, few steps ahead of the curve, we will look at that possibility.

Jatin Damania: Thank you, sir. And sir, last bookkeeping question. I mean, just to sort it out, can you help us understand the broadly realization of the netted fabrics in a per tonne basis and griege fabric or a proven for fabric on a like meter basis, the broad realization?

Ravi S. Jalan: See again, here, I would just want to jump in and say that see, right now, we are in an outsourced model, right? In the outsourced model, the consistency of the product basket is not there. Sometimes we are producing closer count. Sometimes we are producing the kind of medium counts. So, therefore, at this point of a time, talking about a consistent, what we call per meter will be kind of a misleading picture. But Marshal rightly said, our CEO rightly said, once the kitting fabric, which is the units which we are installing, once this gets commission. At that time, you will get a clear picture of how the per meter realization, that will become a more comparable order, it will be more making it more relevant for you.

Jatin Damania: Thank you, Jalan ji, for the answers. Thank you and all the best to the team.

Moderator: Thank you. The next question is from the line of Vipin Chahar, an individual investor. Please go ahead.

Vipin Chahar: Hello, sir. My question has been answered, but just wanted to confirm. In the investor presentation you have said our long-term EBITDA margin to be in the range of 15% to 18%. While earlier, we were guiding to 17% to 20%. So, why is that reason?

Ravi S. Jalan: Basically, we are still believing, internally we still believe that 18% to 20% in the margin, which we should be clocking in, okay. Like I said, I am still maintaining that 14% to 15% margin. Historically, we have been able to manage, okay? We have been on the longer term, five years, 10 years, we have been able to manage. So, on that, on top of it, 4% to 5% will always be possible because of all these vertical integrations, okay? Though we are still maintaining 18% to 20%. However, for a conservative number in the investor presentation, we have said 15% to 18%.

Vipin Chahar: Okay, sir.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for the day. I would now like to hand the conference over to Mr. R.S. Jalan for closing comments.

Ravi S. Jalan: Thank you very much. I think I must appreciate all the questions. And one of the questions which I am taking home out of this entire question is of the work on your return on equity, okay? Rest assured, like I said, always that the management is very focused on the value return to the shareholders. We are working on the return on equity or the return on capital employed and we will definitely deliver on that.

In addition to that, I just wanted to kind of give my perspective on the overall business scenario. Like our CEO said, second quarter looks to be challenging. And this is only primarily because of one thing, short-term uncertainty in the demand scenario because of the tariff uncertainty of the U.S. Because of this, lot of hand-to-mouth orders are being placed and the people are not going long into that. Once this clarity will come, we are very clear, we are seeing that the positive uptake into the textile. And surely, we will also be getting benefited out of this.

And maybe if everything goes well, because there are a few advantages which I see; one, U.K. deal. Second, I clearly see a very soon likely Europe deal happening. U.S. deal is also likely to happen. The Industry is hoping the kind of this significant advantage vis-a-vis the competition of Bangladesh and Vietnam, including China. So, this will also help the textile industry per se.

So, any medium term, so again I am repeating, definitely this industry has a kind of a reach out to the bottom and probably it will take an upside going forward on the one slide which clarity comes.

With this, thank you very much to all of you for your support.

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