

November 07, 2025

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विक्रम सम्वत् 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 of Investors' conference held on November 03, 2025

In continuation to our earlier communication dated October 29, 2025 and November 01, 2025 regarding Investors' conference on November 03, 2025 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 of the said earning conference call by Company's senior management held on November 03, 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
Company Secretary and Compliance officer
Membership No.: FCS10487

Encl: as above



**“GHCL Textiles Limited
Q2 and H1 FY '26 Earnings Conference Call”
November 03, 2025**



MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
MR. MARSHAL SONAVANE – CHIEF EXECUTIVE OFFICER
MR. PARASURAMAN M – CHIEF FINANCIAL OFFICER
MR. MANU JAIN – SENIOR GENERAL MANAGER, FINANCE AND ACCOUNTS

MODERATOR: **Ms. GARIMA SINGLA -- GO INDIA ADVISORS LLP**

Moderator: Ladies and gentlemen, good day, and welcome to GHCL Textiles Q2 and H1 FY '26 Earnings Conference Call hosted by Go India Advisors LLP. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Garima Singla: Thank you. Good morning, everyone. A very warm welcome to everyone attending the GHCL Textiles Quarter 2 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, Senior General Manager, Finance and Accounts.

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

I now hand over the call to Mr. Marshal for his opening remarks. Thank you, and over to you, sir.

Marshal Sonavane: Thanks, Garima. Good morning, everyone, and a warm welcome to GHCL Textiles Earnings Conference Call for the second quarter ended 30th September 2025. Our detailed results and investor presentation are available on the stock exchanges and our company website. I will begin with an overview of the operating environment.

On the cotton front, domestic prices have slightly eased to around 54,500 per candy mark primarily due to muted demand and the allowance of duty-free imports. Globally, while the New York futures have seen some reduction, the market remains volatile, driven by the ongoing international trade situation. The new crop sowing is marginally lower. And while a good crop size is expected, the quality will need monitoring given the extended monsoons.

Demand for yarn continues to remain muted, a situation similar to quarter 1. The uncertainties around U.S. tariffs and an overall drop in other export markets means that customer offtake is largely limited to urgent short-term needs. While the woven segment held stable, the knitted yarn segment continued to face challenges. We are, however, encouraged by recent developments, indicating a near-term and potentially favorable outcome of the U.S. India trade agreement, which we believe is key to a demand revival.

Next, I want to focus on our strategy and its execution. As we reported last quarter, we successfully commissioned our 25,000 spindles unit. I am pleased to share that these new spindles are now operating as per our expectations and contributed significantly to our volume growth. We are on track to achieve a full ramp-up by third quarter of this fiscal year.

Now turning to our performance for the quarter. Quarter 2 FY '26 reflected significant resilience and strong execution. Revenue stood at INR339 crores, a growth of 11% year-on-year. This was driven by our highest ever quarterly yarn production volume. Our EBITDA grew by 31% year-on-year to INR38 crores and PAT stood at INR16 crores. This performance amidst tough market conditions highlights our operational discipline and the success of our expansion strategy.

Simultaneously, our vertical integration road map is advancing well. The expansion of our knitting machines is underway, and we expect Phase 1 of 15 machines to be completed in Q3. This strategy is already yielding results, and our share of revenue from fabric has increased to its highest ever level at over 11%. Our focus remains firmly on our key strategic priorities, broadening our value-added portfolio, enhancing operational excellence and strengthening vertical integration.

Our commitment to operational excellence is supported by our 62-megawatt green energy capacity, which meets over 70% of our needs. And we plan to invest in an additional 13 megawatts to enhance our sustainable footprint. These priorities guide our capital allocation. Our committed investment plan of over INR1,000 crores remains firmly on track.

We have now deployed approximately INR600 crores of this investment primarily in capacity enhancement and vertical integration. This strategy has already enabled us to double our revenue from FY '21 to FY '25 and positions us strongly for future growth. Our goal remains to become a premium ready-to-cut fabric manufacturer, targeting a top line of INR2,000 crores, a double-digit ROCE and an EBITDA margin of 15% to 18% over the next three to four years.

As we move ahead, GHCL Textiles is well positioned to leverage operational synergies, sustain profitability and capture emerging global opportunities through disciplined execution. Backed by a strong balance sheet and a highly capable team, we are confident in our growth momentum.

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

Moderator: Thank you. The first question is from the line of Riddhesh Gandhi from Discover Capital. Please go ahead.

Riddhesh Gandhi: Had a couple of questions. In terms of your incremental renewable energy, which you're putting up probably 10 megawatts, how much of a cost savings do you expect it to give us? And how much have we spent on it?

Marshal Sonavane: Sorry, I was on mute. Hi, Riddhesh. Yes. So our total 13 megawatt is split across rooftop solar and ground solar. Rooftop solar, we had announced in last quarter, which is under execution now. Put together across both the projects, the total spend will be about INR14 crores, INR15 crores, right? And the total saving, which we will receive would be about INR6 crores, INR7 crores odd in that -- sorry, sorry just a clarification, ground solar is about INR35 crores and rooftop is about INR8 crores. So about INR43 crores, INR45 crores of spend will be there.

Riddhesh Gandhi: So on roughly INR45 crores of spend, you're saying we expect cost savings of how much?

- Mrshal Sonawane:** No rooftop solar would sort of yield a cost saving about INR2 crores, INR2.5 crores per year and the ground solar would yield about INR5 crores to INR6 crores per year.
- Riddhesh Gandhi:** So, you're saying roughly about INR7.5 crores, INR8 crores of savings on roughly INR45 crores of the capex that we're doing.
- Marshal Sonavane:** Yes, yes.
- Riddhesh Gandhi:** Sir, and the other question was, look, I mean, historically, obviously, our EBITDA margins have been materially higher, and we understand that spreads are low and have been cyclically low for, I think, a couple of years now. Just wanted to get your own outlook on when you expect the normalization of spreads to happen and the key drivers of that. And I mean, if this entire -- I mean, actually the tariff war is also leading to some amount of squeezing in terms of margin.
- Marshal Sonavane:** Yes. See primarily on the overall macro side, right, two key drivers. One is, of course, on the demand side with respect to U.S. and other FTAs, which are build up. So the demand has been muted primarily because some of the export markets, including U.S., are going through a turbulent time with respect to tariffs and overall situation in those areas.
- On that front, at least, there are some positive news, which are coming up, right? For example, U.K. FTA is about to be get notified, Europe and U.S. moving in the right direction. So my view on the demand side, at least by quarter 4 or maximum by quarter 1 of next year, we should see some stability coming in.
- The second part is on the cotton cost. While the cotton cost has come down recently, it is still higher than the global average, right? And depending on how the season goes and whether the costs remain benign, I think that would be a big factor in moving the spreads higher.
- On our own company side, I think what we have been doing is focusing on our operational excellence, moving our vertical integration, which is primarily a profit maximization approach, which is what we are taking to ensure that we are in a good condition.
- Riddhesh Gandhi:** That's all from my side.
- Moderator:** Thank you. The next question is from the line of Saransh Gupta from SVAN Investments. Please go ahead.
- Saransh Gupta:** Thank you for the opportunity. Sir, just wanted to check that you indicated for the guidance of INR1,000 crores over the next 3 to 4 years. So can you help us in understanding how does our value-added product, which is a fabric will move, which was 8.3% in the last year and 11.4% over the next 3 to 4 years. And in terms of the margin differential between the knitted fabrics and the normal yarn business?
- Marshal Sonavane:** So see, I think our first thing we need to understand is current fabric is on a job work model, right, which is what we are trying to do by doing job work is build our demand side, get our demand side correct before we sort of invest in it. That is the approach we have taken, right? So

right now, it is not value accretive, I would say. While we are not losing money, it is not adding a lot to our bottom line.

When it comes to, let's say, yarn to a fabric, typically, let's say, if our margins on yarn are about 11%, 12%, the fabric would add, let's say, another 2% to 5% to that. So we can expect when we are completely vertically integrated, the margins would go up from, let's say, 12% or 15% we consider normal to about 14% to 17%.

Saransh Gupta: But with our own knitted coming in, definitely, our job work will also continue. So over a period of time with INR2,000 crores of revenue, can we assume that knitted fabrics will be somewhere in 20s or it will be in teens only?

Marshal Sonavane: When we are -- we are at INR2,000 crores odd number, right, our vertical integration would be almost 50%, 60%. So let's say, 40% to 50% would still be yarn sales. The rest would be coming from fabric sales.

Saransh Gupta: Okay. So, we would show as probably around 60:40 ratios.

Marshal Sonavane: Yes, yes. And let's say, once we have our own machines coming in, we would sort of taper down the job work because job work was primarily done to build volume.

Saransh Gupta: That's true. And sir, when you come to our quarterly numbers, if you look, the export revenue has increased sequentially from INR17- odd crores to INR30-odd crores. So which geographies helped us in building up this revenue?

Marshal Sonavane: See, I think we have been in our existing geographies and Bangladesh contributes almost 40%, 50% to our overall export number, which is the similar thing for India also at an aggregate level. The other geographies, which are important for us are Europe, Turkey, which also sort of goes to Europe and Southeast Asia.

Saransh Gupta: And on the industry level and on the company level, given the buildup of the cotton -- raw cotton inventory in the system because of the import restrictions or import inflow, how do we see our cotton inventory? And in terms of the costing, how do we see the costing of our cotton over the next couple of quarters?

Marshal Sonavane: I think because of the import free duty cotton was allowed, definitely, we use this opportunity to stock up on some of the cheaper imported cotton, right? And now even the prices in the India market are lower, and that's why I think in the next quarter, we don't see the cotton prices going high.

We believe that the cotton prices would remain similar unless there is a monopoly situation created and let's say, a different decision is taken at CCI end, to increase the Indian cotton prices. But if that doesn't happen, which we believe will not happen, the cotton cost will remain similar to what we have right now or slightly would come down.

- Saransh Gupta:** Can you help us understand what is the average cotton yarn and the cotton prices during the quarter? And what are they right now?
- Marshal Sonavane:** See, I think at the beginning of the quarter on a per candy basis, it was about 56,000 levels. Now it has come down to about 54,500 levels. So our recent cotton purchases have happened lower. Of course, as the quarter progresses, the older inventory, which was at a higher cost would get consumed on a Q4 basis.
- Saransh Gupta:** And in terms of the yarn prices?
- Marshal Sonavane:** See, in terms of yarn prices, of course, at an overall industry level, the prices have come down. But in our case, because we service primarily strategic customers and we are primarily value-added yarns, our prices have remained almost similar to what it was in quarter 1.
- Saransh Gupta:** Sure, that's helpful. I have a couple of questions, I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Bhumi from Systematix Group. Please go ahead.
- Bhumi:** I have got a few questions. Firstly, despite a spread pressure, margins have been resilient quarter-on-quarter? So what are some of the operational levers or cost efficiency supported -- this stability?
- Marshal Sonavane:** Bhumi, I think quarter-on-quarter, our as a -- EBITDA as a percentage has come down, right? While year-on-year of course, it has probably increased. But what has helped let's say, probably the question is that at an H1 level, what has helped is definitely, we have been able to maintain our spreads or increase it. On an H1 this year versus last year, the spreads have gone higher.
- Second thing is the cotton cost, of course, related to spreads only that cotton cost has slightly come down. Third is this quarter, our renewable energy production has been higher as well, right, which definitely helped us control our power cost. These are some of the things. And from a volume standpoint, operationalization of our new 25,000 spindles has increased the volume and hence, the absolute number has gone up.
- Bhumi:** Okay. And so our -- revenues, which are doubled from INR600 crores in FY '21 to around INR1,200 crores in FY '25. So how much of this has come from the volume growth versus the better realizations or the value addition?
- Marshal Sonavane:** I don't have an exact number, but our spindles has definitely gone up between FY '21 to '25. I don't have an exact number. But I can tell you that between these 5 years, we probably would have added minimum 80,000 to 90,000 spindles -- maybe some capacity would have also been removed, but primarily this is a volume driven growth.
- Bhumi:** Okay. And lastly, our committed capex, that of INR1,000 crores. So how much of that has been deployed so far? And what are the focus areas for us for the remaining investment?

- Marshal Sonavane:** We have deployed almost INR600 crores out of the committed INR1,000 crores. We, I think this year, we installed 25,000 spindles unit. Year before last, we did another 40,000 units, right, if you recall, right? And we have increased our renewable energy portion. So these are the three areas, we have -- where we have spent the INR600 crores.
- Going forward, our plan is to move towards our vertical integration journey, spend the remaining INR400 crores across knitted fabrics, woven fabrics and processing. And in accordance, there will be a renewable energy addition also because at an overarching level, we have a vision to maintain 70% of our power coming from renewables.
- Moderator:** Thank you. The next question is from the line of from Raman KV from Sequent Investments. Please go ahead.
- Raman KV:** I just have one question. You said the if my understanding is right, the cotton prices have declined, but your yarn prices have...
- Moderator:** Sorry, to interrupt Raman. There is a disturbance from your side. Background noise.
- Raman KV:** Can you hear me now?
- Marshal Sonavane:** We can hear you. But I think there is still some noise, which is coming, but please go ahead.
- Raman KV:** I just have one question. You just mentioned that the cotton prices have declined quarter-on-quarter, but the yarn prices have remained stable. So can we expect the spread during the next quarter to improve, which will aid your margins?
- Marshal Sonavane:** See, I think the spread will depend a lot on how, let's say, the demand situation gets better. At least in the last quarter, most of the orders from our customers were continued, while there were a few delays, but no cancellations happened, right?
- Of course, the thought process across the industry is that the US India deal will be signed probably by quarter 3. If that happens, we can expect some improvement in the spreads also. But if it doesn't, then probably quarter 4 is when we can see a marked improvement in spread.
- Moderator:** The next question is from the line of Param Vora from Trinetra Asset Managers. Please go ahead.
- Param Vora:** First of all, congrats on a great set of numbers. And my question is regarding raw material sourcing. So when we source the raw material, so the contract is usually long-term or is it the spot buying?
- Marshal Sonavane:** We are mostly on spot buying on the Indian cotton side. While we have some very long-standing relations with some of the generals and going up to farmers also, but mostly it is spot buying. In fact, in last year -- last two quarters, it has been only CCI, which has been selling it. When it comes to international, imported cottons, we do have -- we do take long-term positions on that.

- Param Vora:** Okay. And with cotton prices, you know, having corrected from peak, so can we expect the margin expansion since the raw material cost tailwind has been working for you?
- Marshal Sonavane:** See, as I said, I think the earlier discussion also earlier question, it will all depend on the demand getting revived, right? Right now, it is very, very, very muted and limited to only urgent orders. It can go up higher as the margin improvement can happen higher only if the demand situation gets better, which we are hopeful that it should happen at least by Q4.
- Moderator:** Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.
- Lakshminarayanan:** Just want to understand what is our mix of import yarn, import cotton and local cotton on a steady-state basis and how it has changed in the last 6 months, if there has been a change?
- Marshal Sonavane:** See, on our imported cotton basis and in a steady-state situation, we probably would pay about 40%, 50% because our value-added counts, that is primarily based on imported counts is about 50%, right?
- Recently, it would have been lower because -- as I'm not saying before the duty free, as in after the duty removal, because that cotton is still to arrive. Before that, it would be slightly lower because the demand for high value-added counts definitely has tapered down a little bit.
- Lakshminarayanan:** From a yarn point of view and the fabric point of view, what is the EBITDA range at which you're operating now? And what do you think can actually move up as you stabilize your 25,000 new spindles and more capex that is coming on the fabric side?
- Marshal Sonavane:** See right now, let me just say it very openly, it is not a good time to look at fabric EBITDA because it is on a job work model. Our idea is sort of to build volumes to preempt the as in preempt volume building before the capacity comes in, right?
- But I'll tell you what happens, let's say, if capacity is in-house. We expect, let's say, our 4-year, 7-year margins on yarn has been about 14%, 15%, which we consider a normal state. So our yarn normal state is about 14%, 15%. If it goes vertically integrated, we can expect this normal state EBITDA to go from 15% -- 14%, 15% to 17%, 18%.
- Lakshminarayanan:** And what has been the yarn EBITDA for this 6 months?
- Marshal Sonavane:** This 6 months is about 11%.
- Lakshminarayanan:** Got it. And if there is a catch-up that is possible to 14%, 15%, right?
- Marshal Sonavane:** Yes. I think catch-up is possible definitely. But I don't think the catch-up will happen this year because still sort of demand figures are not in place. And the cotton cost has got benign just now and it is still higher. Let me just state it again, it is still higher than the global average. But we definitely see some figures -- we definitely see this tailwind falling in place at least for next year.

- Lakshminarayanan:** And in terms of capex, you had mentioned around INR135 crores or so at the start of the year. And I think you have done around what INR45 crores to INR50 crores now. So do you think that the balance would happen in the second half? Or there has been a recalibration of that?
- Marshal Sonavane:** No, there is no recalibration. I think we have always stated that this spending amount last quarter, I think we were at about 550 levels, right? And so whatever we have stated last quarter also that this remaining amount will be spent in 2 to 3 years, we are on track of that.
- Moderator:** Thank you. The next question is from the line of Amey Chheda from Banyan Capital Advisors. Please go ahead.
- Amey Chheda:** Just had a couple of questions. So, what was the revenue contribution from this newly commissioned 25,000 spindles in this quarter?
- Marshal Sonavane:** It was about INR30 crores, INR30 crores, INR35 crores. I don't have the breakup ready, but about that number.
- Amey Chheda:** So basically, it was at around 50% utilization?
- Marshal Sonavane:** Yes, yes. It hasn't reached the optimal utilization. It is still sort of work in progress.
- Amey Chheda:** And you expect it to reach full utilization in Q3?
- Marshal Sonavane:** Yes, yes, it will reach full utilization in Q3.
- Amey Chheda:** And about this 40 knitting machines that are coming online in the next two quarters. So what is the kind of incremental revenue we can expect from this in the next year?
- Marshal Sonavane:** Of the 40 knitting machines, I will talk about the complete project, right, which is yarn and fabric put together. Depending on the selling price, it would be between INR275 crores to INR300 crores is what we are expecting.
- Amey Chheda:** Okay. So basically, this INR275 crores, INR300 crores includes the 25,000 spindles. Is that correct?
- Marshal Sonavane:** Yes, because it will be sold as a fabric and production will be sold as a fabric.
- Amey Chheda:** And on this incremental INR400 crores capex, right, do you plan on taking around INR200 crores of debt or it will be higher?
- Marshal Sonavane:** See, I think that we will -- see as and when we progress. But I'll tell you our internal lines, right? We currently have a debt to equity of about 0.03 or something like that. At no point of time, we'll cross, let's say, our debt to equity will not cross 1. Most likely, it will be much lower.
- Amey Chheda:** And just last question, what would be our direct and indirect exposure to the U.S?

- Marshal Sonavane:** Okay. So we don't have any direct exposure to US, right? And we definitely would have an indirect exposure. We service some of the larger clients, who have exposure to U.S. But definitely, we do not have information that where our product gets used, whether it goes to US or not.
- But what we have seen largely is that we have been able to service the similar customers. Our sales to our strategic customers has remained the same, right? So on an indirect basis also, we do not have a material exposure to US right now.
- Moderator:** Thank you. The next question is from the line of Deeya from Sapphire Capital. Please go ahead.
- Deeya:** Sir, you mentioned the INR2,000 crores revenue target. So is that for FY '26 or next year?
- Marshal Sonavane:** No, the INR2,000 crores number depending on, let's say, how overall macro changes is a target for between FY '28 to FY '30 is what we are targeting. We will be able to double our revenue.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor Industries Limited. Please go ahead.
- Saket Kapoor:** Sir, say, 25,000 spindle is the newly added capacity. So, I just missed the number. What have been the volume addition from this new capacity for Q2?
- Marshal Sonavane:** Q2, basically, see, in last quarter, our production was about 9,325 tons. This quarter, it is about 11,400 tons, right? And of course, the production in other units also went up. So this -- largely, this difference comes from the new unit itself. The unit can do about 22 tons per day. That was the capacity.
- Saket Kapoor:** So, we will be running at the optimum capacity for this quarter -- full for this quarter, that is the October, November, December, the third quarter.
- Marshal Sonavane:** Yes, now it has...
- Saket Kapoor:** The contribution will be...
- Marshal Sonavane:** Yes. Correct. Correct, sir. The complete commercialization is done. In Q3, we will see the full benefit of this unit.
- Saket Kapoor:** And sir, when we had the last interaction for quarter 1, we were alluding to the fact that the environment -- the working environment was not conducive, and we were expecting lower performance -- lower financial performance for this quarter.
- So, if you could just explain to us what factors have contributed to the incremental increase in revenue and hence, the profitability and whether the same are going to be -- we are going to see the continuity of the same for the remaining part of the year, if anything on that front ballpark you can give?

- Marshal Sonavane:** See, first thing is our volume has gone up, right? That definitely adds to our incremental revenue. Second is our proportion of fabric revenue has also increased. Third, we have been able to maintain our overall sales price, right? So our average sales price hasn't dropped so much. I think these three factors primarily contributed to higher revenue.
- We, of course, got a benefit of higher renewable production, which reached about 74%, 70% of our overall power requirement, which was about 60% last quarter. These four things, of course, helped us get the numbers what we delivered.
- Saket Kapoor:** So these factors are in continuity for the ensuing quarter also, we are done with 1 month of operation. So, only the factors if you could just aligned.
- Marshal Sonavane:** On the volume side, of course, the volume will go up -- slightly go up in this quarter. On the sales price side, it is difficult. As I said, situation can get -- so there are two scenarios, right? Of course, if the US deal and other demand side triggers do not happen, then definitely, the pressure will continue on the sales price and overall margin, right? And probably in that case, the performance would be very similar to what we delivered in Q2.
- If, let's say, it happens and it happens in November, probably December, we can get some benefit. And of course, the overall sentiment of the market and the order flow would increase, and that probably would help us get better, but it would not be a marked improvement because it's only one month of demand side getting better. Quarter four would be a good quarter to look at the overall improvement.
- Saket Kapoor:** Sir, on the realization front, how are things shaping up? I think so you mentioned about the cotton prices also trending in the lower band. And I think so if you could just give some color what kind of -- what is our inventory pricing currently? And how are we -- how have the realization shaped on average basis for quarter two? And post the exit of quarter two, how have been -- what have been the dip or the change, if any?
- Marshal Sonavane:** Saketji, I won't be able to give out our inventory cost per se, but what I can tell you that it is trending downwards as the overall aggregate cotton costs come down. right? So that is what I can sort of tell you. Sorry, I forgot your second question. Could you please repeat?
- Saket Kapoor:** Sir, my question was on the realization -- on the yarn realization on a blended basis, what was the realization trend between quarter one and quarter two? And post the exit of quarter two, how has the trend been for the last 40 days -- last 30 days?
- Marshal Sonavane:** So on a spread basis, this quarter, our spreads have marginally come down or you can say it has remained in line with quarter one. Quarter three, I think, it is difficult to say right now because it's only one month, which has passed. But as I said, right, I'm just coming back to what I told earlier on the demand side, there are two scenarios. If, let's say, the deal doesn't happen or it gets delayed, then probably we will see similar to quarter two or maybe slightly lower. And if it happens, then probably it will get slightly better.

- Saket Kapoor:** So to summarize, we can -- we will see the advantage of incremental volume for the newly expanded capacity for Q3 onwards and also the benefit of mix between the integration will also be in the similar level. These two factors will have a positive impact. They will play out in now the ensuing quarter. This understanding is correct, sir?
- Marshal Sonavane:** Yes. Yes. You are absolutely correct.
- Saket Kapoor:** And on the capex front, sir, what are envisaging to spend on the capex for the second half, sir? How much we would be spending?
- Marshal Sonavane:** See, on the capex side are two things we have to complete. One is installation of the 15 knitting machines, which have already been ordered, then we would be sort of completing the rest 25 knitting machines, at least we are planning that it should be in-house by about March or April. So these are -- this is the priority for us in the remaining quarters. Also installation of the 30 megawatts of solar between rooftop and ground.
- Saket Kapoor:** Okay. Sir, our closing capital work in progress was at INR13 crores. So for the knitting part and the machine installation, how much are we going to spend for H2, sir?
- Marshal Sonavane:** So I think capital work in progress would primarily be the pending things or work in progress from our 25,000 spindle unit. There are still a few things, which are in completion.
- Saket Kapoor:** Okay.
- Marshal Sonavane:** After that, this is -- overall, I think, about -- we have spent INR41 crores this quarter and a similar number for the rest of the knitting machines, about INR20 crores, INR25 crores is what would be spent for the rest 25 knitting machines.
- Saket Kapoor:** Right, sir. And sir, the point -- sorry, sir, the EBITDA margin path, which you have maintained in your presentation of 16% to 18%, we need to wait for the trade deal firstly then we can give a path or a year by which we would be achieving it. That would be -- that we have to hinge on that factor because we have mentioned about 16% to 18% is what we will be achieving going ahead.
- Marshal Sonavane:** So it would be difficult to give it, because as in the overall macro situation isn't very conducive right now. But Saketji, whatever is controllable at our end, we are doing that, right? When it comes to operational excellence, making sure our capital allocation is correct, moving forward on vertical integration, getting our customer product mix right. I think this is in our control. I think that is what we are doing, but we would need some support on overall macro to make sure that we reach the 16% to 18% situation.
- Saket Kapoor:** 16% to 18% right. Okay.
- Moderator:** The next question is from the line of Deepesh from Maanya Finance.

- Deepesh:** Yes. With stable domestic cotton prices and growing global demand, how are you positioning your product mix to balance the cost pressures and pricing opportunities?
- Marshal Sonavane:** See, our product basically is primarily focused on value-added products, right, which are made from your imported cotton going to very premium customers. We try and sort of put our product mix at about 40%, 50% there. The rest is customized products made from Indian cotton and the pending is all sort of usual marks, which is primarily to ensure that we run at optimum utilization levels. This mix is an ideal mix currently because of -- and I think this situation will -- it will depend a lot on overall demand situation as well, but this is where we try to reach in a way.
- Deepesh:** So now how are the export orders flowing shaping up amid ongoing tariff uncertainties and global demand modernization and also the India-EU trade or India-UK trade, how would that actually help us with our exports?
- Marshal Sonavane:** See from the point of view of exports, at least in this quarter, we did not see exports going higher, right? So I think India exports about 100 million tons a month sort of run rate, right? And that more or less has remained the same. Probably if, let's say, the FTAs do not get signed, then probably the demand would move elsewhere. But as of now, mostly, there are no order cancellations in India, at least in our customer set. And that sort of means that most of the customers have continued for now in anticipation of a quick closure on the deal probably by this year end,
- When it comes to UK, definitely, that is a plus. And we have seen many of our customers trying to move their end customer base to UK, but that is still a work in progress because even the rules are not notified yet. EU is a good opportunity. The EU overall market is similar to US. While US is more concentrated, EU is more distributed market, that is different. But on a slice basis, probably it is similar to US.
- Deepesh:** Okay. What's your near-term outlook for the global cotton pricing and how do you see India's competitiveness relative to the peers of Bangladesh and Vietnam?
- Marshal Sonavane:** In terms of global cotton competitiveness, Indian cotton prices, while they have come down, are still at a slight premium to global, right? So when it comes to, let's say, Vietnam, Bangladesh, they, of course, get global cotton from other countries at cheaper prices than India. That puts us at a slight disadvantage when it comes to overall cotton pricing. In India, we see -- I think our view is that it will depend a lot on the quality and the crop output. The prices will depend a lot on that. And then whether CCI becomes the monopoly supplier and how they dictate the pricing in the market.
- Deepesh:** Can you quantify how much is the difference between the pricing, which Vietnam and Bangladesh which is affecting prices?
- Marshal Sonavane:** See, right now, at a -- when the duties are removed, the global cotton prices and importing those within India would be similar. But let's say, India imports about 12% duty on imported cotton non-US. But in Vietnam, Bangladesh, it would be lower. Definitely, it is lower. I do not have a number that what is the import duty, but definitely, it's lower.

- Deepesh:** No. This is for the imported cotton. I'm talking about the cotton, which they are getting and we are getting from the Indian market. How much is the difference between that?
- Marshal Sonavane:** No. That is what I said, right? Let's say, if we buy from India, right, then I'm comparing, let's say, whoever is buying from globally plus their import duty, if I have to buy global plus my import duty compared to my domestic cotton prices.
- Deepesh:** So your domestic cotton prices at a premium?
- Marshal Sonavane:** Yes. Yes. While the premium has come down, definitely, it's still at a premium.
- Deepesh:** Okay. Okay. And there is no quantification for this that how much percent is the premium will grow for the Indian cotton prices and the global cotton prices?
- Marshal Sonavane:** I do not have that number. See, at 56,000, it was about 12% to 15% premium. Probably it is about 5%-odd premium, but I do not have my exact number. This is my guesstimate.
- Deepesh:** Yes. That's a fair assessment.
- Moderator:** The next question is from the line of Lakshminarayanan from Tunga Investments.
- Lakshminarayanan:** Yes. See, I always thought that there is -- when you actually sell your yarn to a particular brand or the brand actually says that, look, I want a yarn from GHCL that your margin will go up. And my interaction earlier shows that there is a -- you're actually working with some of -- working towards expanding this. Can you just help me understand of yarn outsource, how much is actually sold in the market and how much is actually sold for the brand, especially the multinational brand.
- Marshal Sonavane:** See our -- about 30%, 40% of our total output goes to some of the top brands, right? Now what you are saying is true in a situation, which is not depressed. Right now, the way strategic customer base helps us is to ensure that we have a steady pipeline of orders and that sort of helps us also to optimize our operations. This is the benefit, which we get currently.
- But let's say, in a good market situation, we typically can expect about 1% higher margin by selling to some of these global brands, because they have a higher quality requirement, customer spec. So 1% to 2% is what we can expect in a good market situation. Right now, the way it helps us is to ensure that we have a steady pipeline of orders.
- Lakshminarayanan:** Got it. So now, you say it's around 60% to 70% is actually sold to agents kind of a model. Is it - do you have visibility in terms of how those agents would actually place your output or how does it work. Can you just help me understand just this part?
- Marshal Sonavane:** Yes. See -- sorry, please complete the question.
- Lakshminarayanan:** No, I just want to understand that part, where you don't have visibility to the end brand. Is this particular supply chain helps you to ensure that the supplies are actually -- I mean, your output

is actually get to the market, therefore, your utilization is there. Just want to understand that particular part, where around 65%, 70% of your products directly go to the agents and they actually place your product to the end brands. Do you have any visibility of those brands demand or you actually leave it to the agents to actually figure it out?

Marshal Sonavane:

See, let me delineate the customer profile. So when we say 30% to 40% goes to brands, this is where we either have nominations or very long-term relationships, our products are customized for this particular category of customers. The rest of the product is, let's say, a standard product, wherein we sell directly to brands also and through agents as well.

Let's say, most of the export business for us operates through agents. And in India also, some of the accounts are done through agents only, but it does not mean that the agent controls customer or communication or relationship with the customer. We do control it. We know exactly what they need.

It is more like a situation, where our team works directly with customers' team to develop products, ensure our product is meeting the specs and everything. So it is not a situation, where we don't know who the end customers. We practically know where it is going. And let's say, 90% of the cases, we know who is the end customer, what do they need.

That information flow is very open, transparent -- and because the relationship has developed over a period of time and stayed for a much longer time, we definitely know what is their order profile, order cycles, where are we ultimately serving to and those things helps us in optimizing our operations. In a good situation, we typically would have a 70% to 80% forward booking, which probably would have dropped to about 30%, 40%, 50% right now.

Lakshminarayanan:

Got it. And as we expand our capacity in yarn as well as fabric, I mean, what kind of visibility you would actually have or it works that, okay, once only if you have capacity, you will actually get visibility?

Marshal Sonavane:

No, it is not the case. As in, we have been operating on a job work model. And we have been able to build a certain amount of volume. So it is not the case that only if you have a fabric capacity you can service. Of course, you won't get the margins, which you would aspire to get, right, in a job work model because you would have too many intermediaries in between and you have to manage multiple things.

So I think that is not true that only if capacity is in-house, you can do it. But the way capacity helps you is that a larger brand or a prominent customer would want a higher control over the value chain and hence, internal capacity is required. So as we sort of build internal capacity, we would, of course, go to the same category of customers, where we are selling our yarn and our customer profile would get better and margins would get better.

Lakshminarayanan:

Got it. Thank you for detailed explanation.

Moderator:

Thank you. The next question is from the line of Pramod Dangi from Ratnatrayi Investment Management LLP.

- Pramod Dangi:** Thanks and congratulations for the good set of numbers. Sir, my question is on the ROIC or the ROCE. Despite having the margins similar to our peers, 11% EBITDA, 5% net margins, our ROCE is very low. So is it because of the accounting done at the time of demerger -- or how we look at it once our capex forward integration is done, how we look forward to the ROIC?
- Marshal Sonavane:** See, on a ROCE basis, there are two things. One, of course, our normal margins in yarn business is typically around 14%, 15%. And while as in the data is not public because company got demerged in '22. But internally, I can tell you that our 5-year, 7-year margins have been around 15% only. That is point number one. And once we get back to this normal situation, our ROCE will get better.
- Second part is definitely we have been doing capex every year. So every year, we have been spending almost about INR100 crores on capex on capacity enhancement, modernization and everything. That basically, our gross block continues to increase in a way. The third thing is this is something, which is depressing ROCE or I would say it has not increased that's why.
- The other thing, which is more controllable on our end, which will help this ROCE enhancement. One definitely is our vertical integration, which will help; second, operational excellence and the third is getting to more and more value-added portfolios on a standalone yarn itself, the margins would get better.
- Pramod Dangi:** Okay. So what kind of ROIC we are looking at the new capex is INR1,100 crores capex, which we are doing till 2028. What kind of internal target we have on those capex?
- Marshal Sonavane:** Yes. Our internal milestone is to get to a double-digit ROCE within next 2 to 3 years. I think that is what I can tell you. And we are sort of -- all our capital allocation is towards that only.
- Pramod Dangi:** Okay. Thanks. All the best.
- Moderator:** Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.
- Madhur Rathi:** Thank you for the opportunity. Sir, I wanted to understand regarding the margin profile you can expect over the next few quarters. Sir, with the knitting business coming online and it's currently a low-margin business due to the job work nature, so when can we expect to reach the 3% to 5% incremental margin on this segment on an overall basis?
- Marshal Sonavane:** See, for the next few quarters, right, like, let's say, quarter 3, the situation will be very similar to what it is in quarter 2. Quarter 4, of course, depending on -- and most likely the demand triggers would fall in place, we can see an improvement from quarter 4 onwards. As I said, our normal state EBITDA for our yarn business is about 14%, 15%.
- If let's say the demand side triggers fall in place and the cotton cost remains benign, we probably will be at that level maybe in next 1 or 2 years for sure. On vertical integration side, till the time we have on a job work model, we cannot expect the EBITDA to become accretive in a way, right, to a significant extent.

But we are planning for our knitting -- knitted fabric facility to be in-house by about March or April maximum. For the next year, we can expect this complete unit, which is the 25,000 spindles plus 40 knitting machines to start generating about 14%, 15% EBITDA in similar sort of situation. If, let's say, the demand triggers fall in place, definitely, it will be slightly higher.

Madhur Rathi: Got it. And the majority should flow in next year. And sir, if I see on a quarter-on- basis, our gross margins have declined and majority -- the margin that we have maintained it because of the power cost. So can we expect a further margin decline over the next two quarters with the knitting facility coming in and you said that the spread will be dependent on demand. So demand seems to be muted. So can we expect a slight dip in our margin over the next two quarters?

Marshal Sonavane: See, I think on the gross margin, it will depend a lot on the products we make. So let's say, if you go coarser or finer, it will depend a lot on the product mix also. I think we should look more at an EBITDA level for at least for textiles, GHCL textiles. I think EBITDA would be a good metric because gross margin will depend a lot on the product we make, sort of utilization numbers and everything.

Madhur Rathi: Got it. Sir, on overall year, can we expect to maintain the 11% EBITDA margin for FY '26?

Marshal Sonavane: Yes. I think we would be able to deliver 11% there.

Madhur Rathi: Got it. Sir, just a final question from my end. Sir, the INR400 crores capex that we'll be doing towards the fabrics division, sir, can we expect it to generate INR800 crores -- is that a fair assumption?

Marshal Sonavane: The fabric alone, as in -- of course, fabric would add a part of it, but also some of our units achieving, let's say, full utilization plus change in the product mix, which will increase our average cost. I think these three things put together would take us to about INR2,000 crores.

Madhur Rathi: Got it. Sir, thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Prashant an Individual Investor.

Prashant: So my first question is, if you see the presentation on Slide 10, you have indicated a capex of INR1,000-odd crores. And in the call also, you have mentioned that your turnover will increase by INR1,000 crores. So can we -- so are we assuming that the asset turn is going to be max 1 or is there a possibility of having asset turn more than 1 going forward?

Marshal Sonavane: I think the asset turn would be higher than 1 because typically in spinning, it is 1 is to 1. But once you get into vertical integration, it improves to about 1.1, 1.2.

Prashant: Okay. So I mean, over a longer period, we can assume that it will trend more towards 1.2 kind of -- or that is the ambition?

- Marshal Sonavane:** No, typically, industry-wide also, if, let's say, it is a vertically integrated setup up to fabrics, the asset turn would be better. And we definitely, once we sort of get our vertical integration completed, the asset turns would get better to the 1.1, 1.2 is what we can expect.
- Prashant:** Okay. And the next question is around the Slide 5, where you have given the sales volume and revenue. So on a Y-o-Y basis, we can see that the knitted fabric and greige fabric, the volumes have jumped up handsomely, but the revenue has been kind of muted. So is it that there has been a significant price erosion and we have preferred to take the price erosion to maintain the volumes?
- Marshal Sonavane:** See, on this fabric side it is on the job work model only. So definitely, we won't be able to get the prices, which we would have got if the capacity is in-house or whether if we control it completely. So -- and again, this is -- I request that the fabric has to be seen as something, which is in transition, where we are first building the volumes, getting our sort of volume and customers ready and then bring it in-house. I think the volume -- fabric business has to be seen once the capacity is in-house.
- Prashant:** Okay. Fair enough. On an overall basis and industry-wide, this knitted fabric how has been the trend in terms of prices? Has it been stable or have the prices on an overall basis come down due to competition? Aligned to that is because China is facing duty from U.S., there have been reports that they are dumping the products all around. Has that made an effect on our product pricing and our strategy?
- Marshal Sonavane:** Fabric prices will move in line with the yarn prices and at an industry level. If the yarn prices become softer, which has been the phenomenon across the industry, the knitted fabric and then the woven fabric will move in that direction only. So yes, there is some softness in the fabric sales price, but we are very small compared to the overall knitted fabric industry in India. So it hasn't affected us that much. But yes, I think part of your reasoning is correct that the prices have become softer.
- Prashant:** And so basically, the China effect has no kind of a measurable or a significant effect on our price?
- Marshal Sonavane:** As of now, no.
- Prashant:** Okay. And just lastly, in terms of overall, I mean, once the renewable energy goes up as per our plan, how much impact would you expect that on our margins, EBITDA margins?
- Marshal Sonavane:** See, I think the renewable power, what we -- I earlier told is that we are putting up almost INR45 crores of capex for this rooftop solar and ground solar that as in the benefit is about INR7 crores to -- INR6 crores to INR7 crores is what we can say.
- Prashant:** Per year.
- Marshal Sonavane:** Per year.

- Prashant:** Okay. That's all from my side and wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today. I now hand the conference over to the Jalan, sir, for closing comments. Thank you, and over to you, sir.
- R S Jalan:** Sorry, thank you very much. I think Marshal has very well addressed all the relevant questions raised by our investors. And I think let me just try to summarize three, four things. First and foremost, our growth journey, as you have envisaged in the earlier periods. If you look at the past 2021 to 2025, we have grown by 2x. And the similar kind of vision we keep for going forward in the next 3 to 5 years' time. That's number one.
- Second, this growth journey will continue quarter-by-quarter. See, like just Marshal just said, that out of our new capacity of 25,000 spindles, we have only achieved the 50% in the last quarter, which is June '25. The balance 50% will come into the third quarter. That's number one.
- Second, our investment into the solar will get added to the -- in going forward. And subsequently, we are looking at another 25 machines on the knitting that will also get added into that. Overall, our journey of doubling the turnover will continue on one side. And second is the vertical integration journey will continue.
- There are three, four priorities in our mind, which are very clear. There are certain things, which are not in our control, but there are certain things which are in our control. One is the cost competitiveness. We are significantly making our efforts towards the capital deployment in a manner so that we get a better ROC and better result on the numbers.
- Like Marshal very rightly said, our vision is that the vertical integration once is completed from knitting, weaving and the ready-to-cut fabric for that processing, our margin will go up around 4% to 5% over and above the margin of the spinning. The second is volume increase, which some of our investors was asking about, the double turnover, where you have only talked about INR1,000 crores ratio versus 1 is 1.
- You see out of this INR1,000 crores, we have already invested INR600 crores. The balance investment is likely to be only INR400 crores going forward. And that will lead to the kind of a number, which we have just spoken. So that's number one. Second, like Marshal very rightly said, our margin has been historically 14% to 15%, and that will go to around 18% to 19%.
- So three things we will always keep in mind. One is the vertical integration. The journey will continue on that. Second, our investment and the cost competitiveness like one in the energy and other modernization so that our other costs also get addressed. And the third is our strategic supply to the premium customers or the value-added along with the strategic customers.
- Just to highlight, our overall total volume, which we have seen in this quarter, out of the 33% of that goes only to the 10 customers. And Marshal, as you rightly said, out of that, some of them are the nominated customer we have. So this ultimately goes to the higher brands and there we get a better realization and more of a reliable supply chain for them as well as for us.

And that's the reason you see in this turbulent time of last 2 years, we have been able to utilize our capacity fully including the new capacity, which we have just added it. Once it will ramp up, we will be able to utilize fully. Overall, we are on the right track. We will be able to achieve the number, which we have envisaged for ourselves and very confident of having a double-digit of ROCE in this entire business. Thank you for the support of all of you and we'll continue to grow our journey.

Moderator:

Thank you very much, sir. On behalf of GHCL Textiles, that concludes this conference. Thank you for joining us and you may now disconnect your lines.