Ref: MIL/BSE/NSE/25
Date: August 08, 2025

BSE Limited **Department of Corporate Services** **P. J. Towers, 25th Floor,** **Dalal Street,** **Mumbai- 400 001**	**National Stock Exchange of India Ltd** **Exchange Plaza, C-1, Block-G** **Bandra Kurla Complex,** **Bandra (E)** **Mumbai- 400 051**
BSE Security Code: 539400	**NSE Symbol: MALLCOM**

Dear Sir/Madam,

Sub: Transcript of Conference Call with Analysts and Investors – August 07, 2025

In compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated August 04, 2025, we hereby enclose the transcript of the Analysts and Investors Conference Call held on August 7, 2025, to discuss the Un-Audited Financial Results (Standalone and Consolidated) of the Company for the Quarter ended June 30, 2025.

The transcript of the said conference call will also be uploaded on the Company's website at

https://mallcom.in/pages/investor-relations
(**Earning Call 2025-2026 – Quarter 1 Tab**)

This is for your kind information and record.

Yours Sincerely,
For **Mallcom (India) Ltd.**

Gaurav Raj Digitally signed by Gaurav Raj Date: 2025.08.08 16:49:33 +05'30'

Gaurav Raj
Company Secretary & Compliance Officer

"Mallcom (India) Limited Q1 FY'26 Earnings Conference Call"

August 07, 2025

MANAGEMENT: **MR. ROHIT MALL - ASSOCIATE VICE PRESIDENT - MALLCOM (INDIA) LIMITED**
MR. SHYAM SUNDAR AGRAWAL - CHIEF FINANCIAL OFFICER - MALLCOM (INDIA) LIMITED

MODERATOR: **MR. VIKRAM SURYAVANSHI - PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Mallcom (India) Limited Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital. Thank you and over to you, sir.

Vikram Suryavanshi: Good afternoon and a very warm welcome to everyone. On behalf of PhillipCapital, I am pleased to welcome you all on the earnings call of Mallcom India. We are happy to have the management with us here today for question-and-answer session with the investment community.

The Management is represented by Mr. Rohit Mall -- Associate Vice President and Shyam Sunder Agarwal -- Chief Financial Officer.

Before we start with the questions, we will have "Opening Comments from the Management." And I now hand over the call to Mr. Rohit. Over to you, sir.

Rohit Mall: Thank you, Vikram. Good afternoon, everyone. It is a pleasure to welcome you all to our earnings conference call for the 1st Quarter of financial year 2025-26.

I would like to begin by extending our sincere thanks to PhillipCapital for hosting today's call.

Let me start by sharing a "Few Operational Highlights for the Quarter" under review before handing it over to our "CFO, Mr. Shyam Agarwal, who will take you through the detailed financial performance.

Let me begin with the "CAPEX Update":

The trial runs at our newly set up Pro-tech unit at Sanand, Gujarat has been successfully completed and the unit commenced commercial operations effective 1st July 2025. We have spent Rs.95 crores for Phase-I of the project and we expect a turnover of around Rs.10 to 15 crores from this unit in the current financial year.

We also plan to slowly increase the production capacity of synthetic gloves and helmets at this unit. For that, we have an additional CAPEX of up to Rs.10 crores this year, mainly towards importing more lines and machines.

The second phase of expansion of our Chandipur unit is largely complete. This phase involves setting up a new facility for designing and manufacturing of industrial safety shoes with a built-up area of almost 70,000 square feet and a CAPEX of Rs.25 crores. The unit is now operational and we expect it to generate a turnover of about Rs.25 crores to Rs.30 crores in the current financial year. Further consolidation work is planned during the current quarter.

I am also happy to share that Mallcom received the Silver Category Award in the Eastern Region among 2-star export houses from FIEO for the Financial Year 2021. This recognition reflects our continued commitment to export excellence.

We have also established an office in the UAE to strengthen our presence in the Middle East and Africa region, which we see as a high-potential branded export market.

With that, I will now hand over to "Mr. Shyam Agarwal, our CFO, who will walk us through the Detailed Financial Performance of the Company."

Shyam Sundar Agrawal: Thank you, Rohit, and good afternoon, everyone. I would like to provide an overview of the financial performance of the 1st Quarter of the Financial Year 2025-2026:

On a consolidated basis for the 1st Quarter, the operating revenue stood at Rs.122 crores, reflecting a growth of 19.5% year-on-year. EBITDA for the quarter was Rs.18 crores, up by 23.1% year-on-year, with EBITDA margins at 14.38%. The net profit was reported at Rs.10 crores with PAT margin at 8.09%. The increase in EBITDA margin on a year-on-year basis from 13.96% to 14.3% was mainly attributable to a reduction in our manufacturing expenses and other expenses.

Thank you. With this, we can now begin the question-and-answer session.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question is from the line of Mr. Aditya from Securities Investment Management. Please go ahead, sir.

Aditya: Hi, sir. Thanks for the opportunity. Firstly, I just wanted to understand, we did a revenue of around Rs.190 crores to Rs.195 crores in shoes last year. So, was it primarily for domestic markets?

Rohit Mall: Yes, Aditya, that is correct. Major share is going to the domestic market, but we are also exporting lesser percentage, but yes, we are also exporting.

Aditya: So, sir, when I look at the total domestic revenue, which was around Rs.200 crores, so are we primarily a shoe brand in India and we are not able to supply other products in the domestic markets?

Rohit Mall: A large contribution of the domestic revenue is contributed from shoe. I would not say that we are not able to supply other products. We are supplying other products, but you have to also realize that shoe as a category has a higher average revenue per unit than other categories as well. Volume-wise, maybe a mix may be a little different, but revenue-wise, yes, large contribution to the branded domestic revenue is contributed through shoes, but we are also supplying other categories like head protection, gloves, workwear in the domestic market.

Shyam Sundar Agrawal: So, Aditya, just to clarify, I would like to mention that Indian market recently has been in the category of industrial safety products. It picked up the safety shoes as the most preferred product and so this was the segment which grew faster and now the market started accepting the other category. Helmet was always there where we were not earlier present, but now we are trying hard and we are capturing some market share there. But hand safety and body safety is something which still needs to be developed, but it has started developing and we are there. So, this segment has also started growing now and we are there.

Aditya: Understood. I think in the previous call, you mentioned that domestic would be one of the major drivers for our growth in the next three to four years. Just wanted to understand the reasons for the same -- is it better distribution reach for us or supplying different products other than shoes, if you can just elaborate what would lead to higher growth in domestic markets going forward?

Rohit Mall: So, there are some internal reasons and some external reasons. So, external reasons, there are a lot of tailwinds in this industry. You have more better policies from the government for occupational safety and health. You have companies who are becoming more stringent about their requirements. You have MNCs who are asking for such products. And then internally, we are expanding into different product categories. In the same product categories, we are launching different products. We are emphasizing more on our supply chain and ensuring deliveries are happening within time and to all places within the country and now also exporting to Middle East, Africa. We are strengthening our distribution channel as well as our sales channel to ensure that we are keeping up and increasing the rate of growth of revenue from this market. So, these are some of the reasons which is helping us keep up with growth.

Moderator: The next question is from the line of Mr. Rushabh Shah from BugleRock PMS. Please go ahead, sir.

Rushabh Shah: Yes, thanks for the opportunity. Sir, I have two questions. Since you said you are expanding your distribution reach and our business is based completely on distributors, how many distributors have we added in the past two to three years? And sir, when times are tough, how do you take care of the distributors?

Rohit Mall: The exact numbers, I will not have it ready at this moment, but I am sure we have added at least eight to ten or maybe more distributors in the last two years. So, for us, there might be -

Rushabh Shah: Sorry to interrupt. Do you think you added in the domestic market?

Rohit Mall: Yes, domestic as well as international markets. So, Middle East, Southeast Asia, Africa, all these places we have added. And so, these are the registered distributors, but then there are also a lot of people who we are distributing to, but they are not registered because we have a criteria to making them a distributor. We just do not make a distributor at the first go. So, unless the criteria is met, we do not make the distributor. And secondly, your question is when the markets are not good and how are we managing our distributors and how are we doing it? So, see, we have been in this business for a long time. Our distributors know what kind of products we deal in, what are our payment terms, what is the quality of the product. So, the brand is being built in the industry because of whatever we have been doing in the past. So, we do support them when time comes and when the market is not so good. But as of now what we are looking and in the last couple of years or going ahead, we see there is a lot of opportunity in the market. We do not see a slowdown at least for our products because it is going into various industries. But when time comes, we do support our distributors and that is why some of our distributors have been associated with us for more than 10 or 12 years.

Rushabh Shah: I was not asking about a market slowdown. I am asking how, like you said, you support a distributor. So, what do you do to support your distributor?

Rohit Mall: You have to be more specific. I did not understand the question completely.

Rushabh Shah: In terms of the distributors having some problems, how do you help them out?

Shyam Sundar Agrawal: There is a marketing support which we provide to them and maybe some credit also we provide sometimes. So, it depends. So, Rohit, you can explain on this.

Rohit Mall: Yes. So, we have a sales team which is there on ground near the distributors also who is visiting them, interacting with them on a regular basis. There is a customer support team which is assisting them. There is a finance team which is assisting them for payments or credits. There is an escalation matrix which we have in place which they can reach out to if they want a redressal of some problems or any support from us. If they want us to visit to a customer together, we shall be available with them. We support them with marketing materials, with branding materials, with passing on the leads. So, these are the various kinds of support we provide to our distributors.

Rushabh Shah: Fine. Sir, my second question is I wanted to know, sir, how difficult is it to get approval for our safety products in Europe and especially which country is the most difficult to get?

Rohit Mall: So, European Union works as a whole. It is not country specific. There are EN standards which you have to get your products approved by and for you to sell into Europe. And the EN standards also depend. Some standards can be met easily and there are various levels in the standard also; level one, level two, level three, things like that. So, it depends on which testing you are talking about, which product category, what is the kind of risk or hazard associated with it, that will define the complexity of getting the certification for it. And since we have been in the business for a long time, so we have a lot of certifications across our product categories and some have basic certifications, some have more complicated certifications let us say.

Rushabh Shah: And my last question is on the tariffs part, sir. How a product would be affected?

Rohit Mall: Tariffs into the US, as we all know, it is very fresh. So, even our products something that will be impacted. But we will have to wait and watch. Our exposure to the US is not as high as maybe some of our other competitors. We are more exposed in the European market than the American market. But largely, all these products are produced in Asia. So, we have to see how we place against our competition from Asia. But yes, all our products have been impacted by the tariffs. So, we will have to wait and watch if both the countries sign some sort of a trade deal.

Rushabh Shah: Fine, sir. Thank you.

Moderator: The next question is from the line of Mr. Sucrit Patil, from Eyesight Fintrade Private Limited. Please go ahead, sir.

Sucrit Patil: Good afternoon to the Mallcom team. And I would like to congratulate you that on the past two years you have made good wealth on the shareholders’ behalf also. So, I have a long term question, is that with Mallcom's global footprint across 50 countries and rising demand for ESG compliant PPE, how is Mallcom integrating sustainability, circular design, or material innovation into your product roadmap? And could this become a differentiator for premium global contracts for the FY 2029-30? I would like to hear your thoughts and can you please share a view on this? Thank you very much.

Rohit Mall: Yes, that is a great question and something that we are dealing with right now. So, we are already on the path for this. So, there are various aspects to becoming ESG compliant. So, one is you have the ESG compliant facilities and then in the products what are you doing in the final product (Inaudible) 17:19 sustainable. So, some of our facilities and the endeavor is all of our facilities at some point become ESG compliant, so, which is in terms of having renewable energy. We do have solar panels for our leather production. The entire heat generated currently for our dipping gloves facility is through biomass and that is where we take care of circular economy also because this biomass is generated from rice husk, which is abundantly available in West Bengal. And then the ash that is created that is also converted into fly bricks. So, it is completely circular and completely renewable energy that we are creating and we save a lot of CO_2 and SO_2 emissions because of that. In terms of the product itself, we are using a lot of recycled materials, be it polymers, be it polyesters, we are using recycled materials in all these places. We are even trying with chemicals, how can we put more and more recycled materials without losing the sanctity of the material and without failing the test that is required. So, the efforts are going towards that as well. Now, in Europe, a lot of people have started using digital passports for products where they are measuring, okay, each product contributes how much to the carbon emission. So, we are being asked a lot of these questions where we are also trying to find solutions for. And a lot of our customers have been happy with our products earlier where they were manufacturing. Now, when they shifted to us, they have been able to improve the carbon footprint per product and that is the data they give us, and they also evaluate us on a regular basis based on how much energy we are emitting, what kind of work we are doing for our compliance, how we are taking care of our people and the environment nearby. So, going ahead, definitely, it will be a big advantage for the companies who can do it because the market, especially the European market and the Australian market, some more advanced markets are heading towards such practices. And this will become very much like a mandatory thing by maybe FY'29-30. And we are geared up for that, and as a company, as our values stand also, we want to head towards that direction, be it with the product, be it with the facility, be it even with packaging solutions or logistic solutions, we want to head in that direction.

Sucrit Patil: Yes, I think that pretty much answers my question. Thank you very much and best of luck for all your future endeavors.

Moderator: The next question is from the line of Mr. Ritwik Sheth from One Up Financial Consultants Private Limited. Please go ahead, sir.

Ritwik Sheth: Yes. Hi, good afternoon, sir. Sir, a couple of questions from my end. Sir, firstly, what kind of growth do you expect for FY26 and 27?

Rohit Mall: So, going ahead, we would like to maintain similar or higher growth rate in the range of 20%-25%. That is what we have been targeting and trying to target if we want to meet our overall growth. So, that is a number we are still going to stick by and yes, let us see how well we are able to perform.

Ritwik Sheth: Sure. And this will be despite the US tariffs, because assuming that it goes on for some time, the sales would be lower?

Rohit Mall: Yes, see, a couple of points on that. One is our exposure to the US is limited. It is not a major market for us. We were definitely planning to make it a major market. There was a lot of push and expectations on the market. But right now, it is still not a major market. We will continue to put our efforts because we feel that this is temporary and you never know what is going to happen. Secondly, when one market closes, there are other market which opens up. So, now we have a free trade with the UK. Hopefully, we will have some deal with Europe also signed up, the domestic market, the Middle East market, these markets are still growing. So, there are other avenues also. And we feel even with the US, this is not something which they can sustain because a lot of products what we make, nobody in the US is making it, it is all being done in Asia and we have seen after COVID, everybody wants a double supply chain at least. So, I do not expect the entire business to get disrupted because of this. There might be some hindrances to it. But I think if we are able to stay in the business for long enough, we will be able to see positives from it. So, whatever the situation is, I think it is temporary and it does not change our growth plans.

Ritwik Sheth: That is encouraging. Sir, secondly, on the margins, Q1 margins were very good around 14.5%. So, could this be a new normal going forward?

Shyam Sundar Agrawal: Yes. So, as we have been mentioning, the margin should be in the range of this 14% around this figure only. And in the quarter, we have definitely saved on a few expenditures we were doing in the past, like last year, we did some consultancy expenditure, which was a major one for us, almost 1% of the turnover, so, that we have started saving this year, and then some other expenses also are there, which we are trying to save. So, going forward, we see that this margin should be maintained in the range only.

Ritwik Sheth: Sure. And just one last question. So, the Sanand facility, you mentioned that Rs.15 crores would be from this unit in FY26. I think we are understanding that we can do approximately Rs.100 crores from this unit with current capacity. So, is that a lower guidance given by you or 15% utilization will be there for nine months for this year and then it will ramp up next year?

Shyam Sundar Agrawal: No, it is not like this. So, what we have done is that as we mentioned in the past calls also, that this was more of infrastructure creation where we have invested into land and building and we have set up the minimum basic line of machinery. So, as Rohit mentioned, that now we have planned to set up more line of machineries. So, till now it was infrastructure creation with basic machinery set up is there. We have done trial run. We have started commercial production. But again, we have to increase the machinery. So, that is why with the current setup, we have given this projection in the range of Rs.15 crores we will be doing during the next half year. But we will be in the process of setting up new machineries also. And once this setup is there, then we should be reaching targeted turnover of Rs.100 crores. So, at full capacity, not this year, next year, FY27, definitely we should have better turnover; if not, it is Rs.100 crores, near to Rs.100 crores, maybe around that figure only.

Ritwik Sheth: Okay. So, we have spent close to Rs.90 crores and another Rs.10 crores we will spend in this year and then our total revenue can be around Rs.100 crores at peak?

Shyam Sundar Agrawal: Yes, yes. With that investment, because as of now, it is more of infrastructure and basic machinery set up there. Yes.

Ritwik Sheth: Okay. Okay, sir. All the best and thank you.

Moderator: The next question is from the line of Mr. Aditya from Securities Investment Management. Please go ahead, sir.

Aditya: In the domestic markets, generally, what kind of customers and products would MNCs like 3M and Honeywell would be having and what kind of customer base would we be having?

Rohit Mall: So, in terms of the product category, 3M and Honeywell operate in a little different product category, for example, 3M is largely above the neck, which is head protection, ear protection, eye protection, face protection, they do largely that and that is a very small category for us at this moment. And Honeywell does overall except garments and largely they do a global operation, not something specific for India for both these companies. And they are fairly highly priced for the Indian market because they have those kinds of cost structures and those kinds of brands. So, wherever you will see a global RFQ or a global tender, you will see maybe Honeywell or 3M and or wherever it is a very specialized kind of work, which somebody like a 3M will only provide and you will hardly have one or two competitors in India, then you will see 3M. And in other cases where if there is unavailability of product, then you will see Honeywell and 3M. For example, we will compete with Honeywell in synthetic gloves also, we will compete with them in head protection also, etc., So, in the Indian market, they are fairly highly priced and largely concentrating on bigger MNCs and brands. And for us, we cater to the mass market as well as the premium also. And largely we are into foot and hand and body protection, which they do not operate largely into.

Aditya: Sir, just wanted to get a better understanding. So, in the domestic market, why would a customer prefer a Mallcom product over Liberty or Bata kind of a product? So, just wanted to understand what are the factors customer is looking at before deciding on which brand to go for?

Rohit Mall: So, various factors they look into; a), they look into the product quality and if it meets the basic requirement, the BIS standards for example, or if they have some additional requirements, they look into that; b), they look into the pricing of the product; c), they look into the delivery, can they get their product, then they look into the service levels, what is the after-sales service, if the final seller to them provides some credit or not, those kinds of financial considerations they will also have. Largely, these are the three, four things that we look for. And finally, depends on the size of the company, they would not like to have a lot of vendors for these kinds of products. They would like to have one vendor for all their MRO items. So, they will also like to see what all do their vendors carry, what all kind of products. And if they can have one vendor providing all the solution, they would like to stick to that vendor because they are already registered and empaneled with them. So, these are some of the factors which help them take the decision.

Aditya: Okay, understood. And also, last year we had hired a consulting company. So, I just wanted to understand what were the key learnings from it and how are we going to implement the learnings? So, if you just talk about it a little bit more, that would be helpful?

Rohit Mall: Yes. So, the company that we had hired was not just giving us, let us say, the solution, they were part of the implementation also. So, whatever was to be done was already implemented last year. They had come largely for increasing our operational efficiencies in our factory. So, setting up processes, creating more, being able to do more from the same resources, how to channel it properly, how to deliver faster, how to be more sure of the lead times. So, it was essentially to solidify our supply chain of our products from our vendors to our customers and how can we do it faster, better, more efficiently. And that is what they were able to deliver, which gave us some positive results, and the results are already reflected in the financial as well as going to market strategy that we are having.

Aditya: Understood. So, just wanted to understand its impact on financials. So, should one see a lower working capital or a higher margin or a higher growth? Whatever we are implementing, how should that be getting reflected in the financials?

Rohit Mall: Right. So, they did for a couple of units, not the entire organization. So, you will not see as an organization as a whole what will be the impact. But for that particular category, for those particular units, we have seen improvements in our revenue, our capacity utilization, our efficiencies, our lead times, and the delays that some customers are experiencing. So, that is where we have been seeing improvements. So, on a global company level, that would not mean a humongous change. But on a unit level, on the product category level, we have definitely seen benefits.

Aditya: Understood. Now, if I exclude these new facilities which we have commissioned in Sanand in Phase-II the existing facilities, what kind of revenue potential can we reach over there?

Shyam Sundar Agrawal: Yes. So, as we mentioned from the Sanand, we expect the full installation of all the machinery which we have planned, we should be getting over during this FY26. We should be having additional turnover of around Rs.100 crores from this Phase-I, which we have set up in Sanand. And the second phase, Ghatakpukur unit in West Bengal for shoe, we are projecting around Rs.50 crores turnover on full year basis from shoe unit.

Aditya: So, my question was, excluding both these units, in the existing facilities, what kind of revenue can we reach over there?

Shyam Sundar Agrawal: From the existing units?

Aditya: Yes.

Shyam Sundar Agrawal: So, this is what we are doing. So, in the range of around Rs.500 crores we have already done. So, that is always there. And there also, we can have additional turnover from the existing setup by going for additional shift, maybe some job working we can get done from the associate or satellite units. So, that is also possible. So, Rs.500 crores we are already doing and maybe more Rs.100-200 crores is additional is possible from the existing facility only. We keep adding additional machinery there, like knitting, stitching machines if we need at our garment facility. So, we have enough floor area and need-based we can set up it on very short notice. Same with the shoe upper or maybe the leather gloves units also. So, it is scalable. So, anything in the range of Rs.500 crores to Rs.700 crores we can do from the existing facility with some further small CAPEX that apart from this new setup which we have done.

Aditya: Understood. And now sir this Rs.100 crores which we are expecting from Sanand Phase-I, this is only going to come from ProTech, not the helmets and the synthetic gloves, right?

Shyam Sundar Agrawal: No, no, both, the entire thing, there would be ProTech as well as helmets also.

Aditya: Okay. Understood. Next was on exports. So, generally, what kind of visibility do we have? So, whether the customer gives us an order book of two, three months. So, how does the export revenue generally work?

Rohit Mall: So, it depends from product-to-product, customer-to-customer. Some customers, we have annual projections or rolling forecast from them and then they give us orders based on our deliveries. And with some customers, it is order-to-order. We know the cycles when they will place orders or we know the volumes that they will have. Some of them it is some one-off, that we are selling to them. So, it depends. Usually, we try to keep an order book of at least two-and-a-half to three-and-a-half months and we work on that basis.

Moderator: The next question is from the line of Mr. Nikhil Upadhyay from SIMPL. Please go ahead, sir.

Nikhil Upadhyay: Yes. Hi. Good afternoon. Congrats on good numbers. Just continuing with what the previous participant was asking, how would the revenue mix be between contracted versus like spot kind of orders for us?

Rohit Mall: No. So, everything that we manufacture, we do on our own. Contracting will only be some stitching operations. Even in that, we are usually giving the cut components, the fabric and everything, and the finishing is happening in-house. That will be a very small proportion of the entire volume.

Nikhil Upadhyay: Sorry, sir. I was not asking from what we contract out. I was trying to understand in terms of our order visibility, how much of our orders would be contracted orders for a year and how much would be spot for exports?

Rohit Mall: Okay. So, largely, I would say almost exports 60% will be contracted and 40% will be spot orders. But this is average. It depends on category-to-category.

Nikhil Upadhyay: Got it. And in the starting of the call, you mentioned, and one of the questions was that what is giving you the confidence on the domestic market and you highlighted a few points in terms of increased, like, protection becoming an important part of manufacturing and all. If we have to look at your customer addition, are these customers who are first-time buyers or are these converters who were earlier buying from some, like, run-of-the-mill kind of products and are now moving towards a brand like Mallcom? How would you say the new customers are?

Rohit Mall: I would say all, both kinds. We have not done a deep dive analysis on this, but I would say all two kinds plus one in the sense there are new customers getting added. So, people who are having very small units, 5, 10, 20, 50 people, they are also placing orders with us and sometimes for dealers, sometimes even through e-commerce marketplaces, etc., And then there are some which are because they do not want to get into the hassle of not meeting the specification or some injuries happening and them facing some penalties so they would like to have a proper BIS certified product. So, those kind of people are also converting. And in some cases, even the workers or the employees are getting more vigilant. They are more aware about the products and the certification, and they would like to demand something which is suitable for their risk and hazard. And then there are other kinds where they are already buying from a different brand and they would like to switch to a brand because of various reasons, which I mentioned in the past. So, I would say all three kinds are there who we are adding to our kitty, because in general, the market is growing, right, we are adding a lot of new workforce, a lot of new manufacturing is coming into the country. So, the pie is becoming larger. So, I think we are adding all three kinds of customers.

Nikhil Upadhyay: Okay. Just last two questions. As you said, now even smaller units have become vigilant on the kind of products, so has the market moved away from your pricing-based decision, because there are many smaller unorganized players also who are providing these protective products. So, have the units or the manufacturers moving away from only pricing-based decisions and more on product quality-based decisions?

Rohit Mall: Yes, a lot of that shift is happening. It is not entirely price. It is definitely a factor, but not the only factor in a lot of cases. So, the market is evolving with time. Correct.

Nikhil Upadhyay: Okay. And last question. See, we added these two capacities in Sanand and Ghatakpukur. And as we said, they are in a ramping up phase. So, one is, are they breaking even at current utilization? And if not, what is the kind of drag they are having on our profitability?

Shyam Sundar Agrawal: So, see this Ghatakpukur unit which we have set up in West Bengal, the capacity utilization here would be almost 100%. So, as I said that with this unit, we expect Rs.50 crores turnover. And so we have started with this now. So, current year projection is around Rs.25 crores for the next six months and on full year basis would be Rs.50 crores. So, with the Rs.25 crores CAPEX, Rs.50 crores turnover we are doing, which is quite reasonable. In case of Sanand, as we mentioned in the past also, that this is more of infrastructure creation. A lot of things are possible there, which we are planning to do. We started with protect wear and helmet project. And we are in the process of ramping up the capacity. And the full project is yet to come, that it is a big space and we still can build up an additional building of around 1 lakh to 1,50,000 square feet. So, the second phase is yet to come. So, we have to look at this project as one complete project maybe will be over need-based and in the time to come. But with the Rs.100 crores, definitely not immediately, there is no chance of breaking even with the Rs.15 crores turnover, but we will try to do this from next year onwards by FY27.

Nikhil Upadhyay: Okay. So, there is some drag because of Sanand, but Ghatakpukur is already contributing?

Shyam Sundar Agrawal: But again, just to clarify that for Sanand definitely fully invested by us through internal accruals only, we have not borrowed anything. And the fixed cost there also is not very high; it would be not that big drag… minor only.

Nikhil Upadhyay: Okay. Fine. Fine. Thanks. Thanks a lot. I will come back.

Moderator: The next question is from the line of Mr. Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good afternoon. So, my first question is, for Sanand facility, we found it quite optimistic about going to Rs.100 crores beyond next year in FY27. So, that is a sharp increase from Rs.15 crores number, and even at a company scale of Rs.500-odd crores, that is a very significant number. So, what gives us that confidence -- is it that we have soft commitment from our clients or is it the overall market buoyancy or the new product introduction, what is driving your confidence that next year will be close to Rs.100 crores in Sanand?

Shyam Sundar Agrawal: So, first part, let me explain how we are going to achieve that. So, suppose we have started with one set of machines. So, it will be triple or four. So, maybe four more lines we set up with additional Rs.10 crores investment. So, that makes us ready for the Rs.100 crores targeted turnover. The second thing is marketing, which Rohit can explain how we are going to achieve that.

Rohit Mall: It is a culmination of different things. So, one is we are adding a new product category. And two is we are substituting imports also, something for the local market we are trading right now, but we plan to manufacture that. So, we know the potential of the market. And we know that once we are able to manufacture, we will be able to control more costs in it and we will be able to increase our offerings to the market also. That is there. We are planning to do helmets there also, which as you know is a relatively new category for us and we see a lot of potential in that category also. So, increasing capacity, adding new products and outside India and within India is making us believe that, okay, it can be done faster. And even the supply chain and the faster access to the market, so largely the Western India, the Southern India, and even Middle East and Africa, it can be much faster catered from a facility in the West than a facility in the East. So, I think all of these reasons combined give us that kind of confidence.

Dhwanil Desai: Another thing, Rohit, you mentioned that typically large companies would want vendors who have a complete product suite. And in terms of product suite, I think one white space we had was the head protection, which we are now filling. So, do you think at any point in time either for domestic or export market that was acting as a constraint for us, which now will get solved and hence probably we can do much better in terms of penetrating clients and getting higher wallet shares?

Rohit Mall: Yes, with some companies, we definitely felt that, something like a construction or mining where a helmet is almost a mandatory thing. So, we were definitely losing out on those industries because we did not have the right product. And now that we have, we will be able to give them an entire solution. So, definitely that will play a factor and that has been playing a factor for some time now.

Dhwanil Desai: Got it. And last question, Shyam ji, generally what we have seen in most of the companies is that as scale increases, revenue increases, operating leverage plays through. But we are saying that our margin will remain largely 14%-15% range. So, not able to understand whether we will keep on investing through P&L to grow revenue, that is how we should look at it or are we saying that for scale, we will probably work at slightly lower margin at a gross margin level and hence the margin will remain the same, if you can decipher this thing for us?

Shyam Sundar Agrawal: See, I tell you, in our type of industry, you will see that, the industrial product which we are manufacturing, the fixed cost has always been on the lower side, it is most of raw material cost and the other operating cost. So, this is what makes us believe that going forward also scale of economy, that might be there, but I would say not that important because we know that, yes, we have invested and these are all the bigger facilities now, but we are keeping control on fixed cost there and therefore the margin should be in the range only.

Dhwanil Desai: Thank you. That is it from my side. Wish you all the best.

Moderator: The next question is from the line of Mr. Varenya Agarwal from Inflo Associate LLP. Please go ahead.

Varenya Agarwal: Hi! Yes. Thank you for taking my question. I had one question. I was checking out your cash flow statements across the years and I see that our cash conversion cycle used to be around 90, 100 days maybe 10 years back and suddenly in the past few years I see it has gone up to 150, 170 days stuff like that. So, can you please comment on what has changed both in terms of receivables, how we are handling it, what has gone bad?

Shyam Sundar Agrawal: See, basically, it is a need of the industry. So, with the growth in turnover and going to the newer markets, like we started selling into South American countries or going to America also. So, Europe was always nearer and we used to have some maybe CAD or maybe shorter payment terms. But now with going to North, South American markets, they would like to pay only once the cargo reaches there. So, maybe 60 to 90 days credit they are looking for. So, in certain increasing debtors also, and apart from that, the inventory also, the type of inventory which we need, some of these are also imported from overseas. So, you need to keep the inventory to ensure that you are able to make the goods in timely manner and supply to the customers all the time. So, that is very important for our type of business. These are the customers more looking for timely supply and until and unless you keep the stock ready for them and based on their requirements you are able to supply. So, that is very important. Recently, as we mentioned that we had appointed a consultant, they also recommended that you need to keep some inventory. So, as you will see that it is mostly consisting of raw material. So, hardly anything with the WIP or finished goods. But again, we are aware of this and we are trying to reduce some of the inventory, which is the target for the year. So, let us see how it goes on.

Varenya Agarwal: So, going forward, should we expect a similar kind of working capital cycle or do you plan on reducing it?

Shyam Sundar Agrawal: See, with the growth target in mind, we have to keep the inventory. So, it should be in a similar range, maybe a little bit on the lower side, but that would be our effort. But otherwise, the primary target is that we should have growth and targeted turnover. And for that, if we need to keep some additional inventory, we will keep continuing do that.

Varenya Agarwal: Except for 3M and Honeywell, who do you consider to be your biggest competitor, maybe domestically or even outside India?

Rohit Mall: So, it depends on the product category. So, for example, for shoes, even Bata and Liberty are good competition. And, for gloves, there is Ansell also, for helmets, there is Karam. So, it depends on the product category. Internationally, a lot of competition comes from China, Pakistan, and other places also. Not necessarily, they are large names. There might be Midas and even Ansell and even

Honeywell in the international markets become sometimes our competition. But a lot of it is coming from China and we would not know proper names also, who are our competition in the international markets.

Varenya Agarwal: So, in terms of pricing, would you say that you are equivalent to these guys or they are like you are cheaper or more expensive than them?

Rohit Mall: In India, we are competitive when it comes to pricing with these kind of brands. And obviously, because a large portion of the market is still unorganized, so with that, we are not in that price range. Internationally, it depends on the product category. Some product categories from China or Vietnam, Pakistan are much cheaper than what we can offer and in some of the categories in which we operate, we are price competitive. But then there is a question of the quality also, which comes to play. Largely in the categories we operate, we are competitive and that is why we have been able to stay in the market. But yes, there are definitely some categories where completely off the money and some qualities that we do not produce and the prices we cannot offer.

Varenya Agarwal: So, would you say this is a price-sensitive market outside India, I mean, assuming that it is organized outside India -?

Rohit Mall: Yes, some of the categories are very price-sensitive; basic leather gloves are very price-sensitive, very basic level of garments is price-sensitive. So, some of these products are price-sensitive.

Varenya Agarwal: Okay, okay. Thank you so much.

Moderator: As there are no further questions from the participants, I would now like to hand over the conference to the management for the closing comments. Please go ahead, sir.

Rohit Mall: Thank you all for participating in the earnings conference call. I hope we were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our investor relations managers at Valorem Advisors. Thank you and wishing you all a great day ahead.

Moderator: On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.