NITIN SPINNERS LTD.

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BSE Ltd.
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
BandraKurla Complex,
Bandra (E),
Mumbai – 400 051.
Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 02.11.2026

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on November, 02, 2026 on Operational and Financial Performance of the Company for the Quarter and Half Year ended 30th September, 2026. The same is also available on the website of the Company i.e. www.nitinspinners.com.

Thanking you,
Yours faithfully,
For- Nitin Spinners Ltd.

SUDHIR KUMAR GARG
Digitally signed by SUDHIR KUMAR GARG
Date: 2026.11.06 10:03:48 +05'30'

(Sudhir Garg)
Company Secretary & VP (Legal)
M.No. ACS 9684

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"Nitin Spinners Limited

Q2 FY27 Post Results Conference Call"

November 02, 2026

"E&OE - This transcript is edited for factual errors and readability. In case of discrepancy, the audio recordings uploaded on the stock exchange on 02/11/2026 will prevail."

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

MODERATOR: MR. AWANISH CHANDRA –SMIFS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Nitin Spinners Limited Q2 FY27 Earnings Conference Call. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Awanish Chandra: Thanks a lot, Huda, and thank you very much, everyone, for joining this call. On behalf of SMIFS Limited, I welcome you all to Second Quarter, First Half Financial Year FY27 Earnings Conference Call of Nitin Spinners Limited.

We are pleased to host the top management of the company. Today, we have with us Mr. Dinesh Nolkha, Chairman and Managing Director of the company; and Mr. P. Maheshwari, Chief Financial Officer of the company. We will start the call with initial commentary on the results, and then we will open the floor for question-and-answer.

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

P. Maheshwari: Thank you, Awanish ji. Good evening, and a warm welcome to all the participants to this Q2 and H1FY27 earnings call of Nitin Spinners. I hope you have had a chance to go through the financial results and the investor presentation available on our website and the stock exchanges. I will start with a brief overview on operational and financial performance for the quarter. Post that, our CMD, Mr. Dinesh Nolkha, will give you an overview of industry and business scenario.

Coming to our Q2 FY27 financial and operational performance. Q2 FY27 has been another strong all-around quarter for the company. Total revenue for the quarter stood at INR985.2 crores as against INR760.1 crores in Q2 FY26. That is a growth of 29.6% year-on-year. This is our highest ever quarterly revenue, third time in a row, driven by higher yarn realization, stable demand scenario and higher sales volume in fabric business.

EBITDA for the quarter stood at INR175.5 crores as against INR99.6 crores, that is a growth of 76.3% Y-o-Y, driven by better realisation, optimum capacity utilization and ongoing going cost saving initiatives.

EBITDA margin stood at 17.8% as against 13.1% in Q2 FY26, that is an expansion of 471 basis points and was sustained at the Q1 FY27 level of 17.78%.

Profit after tax is at INR88.7 crores as against INR34.8 crores, that is a growth of 155% Y-o-Y. EPS for the quarter stood at INR15.77 per share and cash EPS at INR22.57 per share.

In terms of geographical split of revenue, exports contributed about 68% and domestic 32% of the revenue. In Q2 FY27, the spinning capacity utilization was over 98% and woven fabric capacity utilization was about 90%.

Now coming to H1FY27 financial and operational performance. For H1 FY27, total revenue stood at INR1,860.20 crores as against INR1,553.4 crores, that is a growth of 19.8%.

EBITDA stood at INR331 crores as against INR210.8 crores, that is a growth of 57%. With EBITDA margin improving by 423 basis points.

PAT stood at INR163.9 crores as against INR75.8 crores, that is a growth of 116.4%. EPS for half year is INR29.16 and cash EPS INR42.65 per share.

Regarding capex, we are pleased to inform that partial trials have commenced in all the segments of the expansion projects. Commercial production in all the divisions is expected to commence by the end of December '26 as planned. On renewable project investments, are progressing per schedule and expected to get operational by end of December '26. This will take our renewable energy capacity from 41 megawatt to about 95 megawatt and meeting about 50% to 55% of power needs post expansion.

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

Dinesh Nolkha: Thank you, Maheshwari ji. Good evening, everyone. The first half of financial year '27 has been favorable for the Indian textile industry, particularly for upstream players. Yarn demand stayed healthy with steady buying from major importing countries as well as domestic players, amid stable tariff environment. Cotton prices remained firm during the quarter.

Domestic prices moved up around INR67,000 to INR68,000 per candy, on lower arrivals and concerns, that deficient rainfall in some parts of India to lower the '26-'27 crop. The international cotton prices also firmed up to about USD0.80 per pound. The import duty exemption on cotton improved the raw material availability and is extended for the nearly half of this year.

Importantly, domestic cotton prices continue to remain more or less at par with international cotton prices. This keeps the Indian yarn competitive globally and helped spinning spreads remaining healthy. Further various credit trade policy measures, will increase competitiveness of Indian textile industry over the long term, especially the free trade agreements, which is happening all around the world by India is going to help all of us in improving the competitiveness of the textile industry.

In the near term, the inflationary conditions across commodities and services and liquidity strain in the downstream channels are factors which are closely to be watched. But the medium to long-term outlook for the industry remains positive.

Coming to our company's performance. Q2 of this year has been a landmark quarter for the company.

We achieved some key milestones together, highest ever quarterly revenue, highest ever quarterly exports and highest ever quarterly revenue for our fabric business. Also, the EBITDA margin was sustained at a reasonable level. The factors that have driven this all-round

performance are better realizations, optimum asset utilization, a higher share of exports and other cost-saving initiatives taken by the company over time.

As informed by Maheshwari ji, our expansion plans are going on as per schedule. Once these are commissioned and ramped up, a larger share of our yarns will be consumed in-house and will enable us to sell more value-added products and fabric as well as the yarn product portfolio, thereby strengthening our profile further. Further, the renewable power capacities will help us in optimizing our costs going forward.

I would like to highlight that the company is steadily moving up the value chain by enhancing the capacities in the finished fabric and the value-added yarns, and we are well positioned to deliver sustainable growth in the coming years with an expanding presence in the higher value yarns.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jatin Damania from Svan Investments.

Jatin Damania: Congratulations on the good set of numbers. Sir, just wanted to understand now since you indicated that the cotton price in the domestic market has firmed up and is in line with the international level. So what was the spread in Q2? And how do you see the spread given the new cotton supply coming in?

Dinesh Nolkha: In Q2, the average -- if you talk about the average count for the industry was about INR125 to INR130 per kg. And it is -- at this point of time also more or less at the similar levels. It has remained at the similar levels at this moment also.

Jatin Damania: Sure, sir. And sir, just want to understand, like -- if you look all our performance during the quarter across the line items, we outperformed the industry and the growth was good. But when you look at the EBITDA margin on a sequential basis, you are flat. Now since more of the value-added product has come into consideration, just wanted to understand what led to a flat margin or what was the one-off expenses that was pertaining to the new capacity that has hit in the P&L?

Dinesh Nolkha: In this particular quarter, we have some small revenues coming in from of our trial production and all the cost, etcetera related with that is also being debited to the P&L account only. And that is -- it means about -- the top line is about INR21 crores, we have also displayed that -- we have produced about 41 lakh meters out of which -- some of it was in stock and some were sold for INR21 crores with the EBITDA I think loss of about INR1 crores. So if you remove that part of this, the EBITDA would be around 18.5%.

Jatin Damania: Okay. So that will be almost around 100 bps improvement. And sir, once this capacity ramps up, now that's on the new capacity, which is the fabric -- increasing the yarn capacity, which is more about a backward integration. On an incremental capacity, what will be the EBITDA margin or the ROCE, one should assume once the capacity runs at the optimum level in FY28, which are coming in?

Dinesh Nolkha: Actually, as I have indicated many times that normally for the industry like ours, where we have now post this expansion, nearly 28% to 30% of our capacity will be for the -- yarn capacity will be dedicated to woven fabrics. And for the fabric itself and then we should be able to run a margin of about 16% to 18%, where operating margin should be in that range in the normal circumstances.

And with some RE power capacity, maybe it is going to make a difference of about 100 to 150 days. So we expect that in the normal circumstances, even with the cost pressures, etcetera, which we have, we should be able to maintain our margins, which we are having at the moment.

Moderator: The next question is from the line of Vishal Prasad from Rajmahal Capital.

Vishal Prasad: So, Dinesh Ji, there is a fair understanding that government is going to continue with the import duty that they have on cotton and probably we are going to permanently remove it. So I know I mean the discussion is going on and government decides what they do. But is that a fair understanding that this exemption will continue?

Dinesh Nolkha: If we have to -- on the basis of the whatever information we have and the discussions which we have in the industry, we are given to understand that there is a shortage of agriculture products in our country due to El Nino. Government is very well aware about this fact that there is a shortage already. Even the cotton crop is lesser than last year by about 4% to 5%.

And the consumption is increasing consistently, the overall textile is growing by 5% to 6%. So consequently, the gap is increasing. So as to bridge that gap, government is definitely going to help us in keeping -- this particular product at par with the international prices. So they will be observing the overall scenario. And if there is no major volatile price variations, this should continue, I feel.

Vishal Prasad: Okay. Second is, we have not decided yet that we have mentioned that there is an aspiration to get into garmenting. So is there some thought that we have proceeded with our aspiration to get into garments once this capex is done?

Dinesh Nolkha: I have also indicated in our last conference call that is a logical thing which we should go into. So that was the aspiration. But as of date, we have not done anything. As soon as we get into something like that, we'll definitely let you all know about it.

Vishal Prasad: Okay. And last question, Dinesh ji, I mean, we make fabrics as well. And there are different technologies that are used for printing and there is -- it seems that there is a digital printing which is very heavy in Europe and China is also going that way. So do you see that our industry as well as us moving in that direction?

Dinesh Nolkha: Of course, that is always possible. We have rotary prints, and we are quite efficient in giving a very -- basically, digital print is being used to give the immediate deliveries just in time kind of things, whereas we have a lot of immediate requirements.

We are quite efficient in that, and we are even able to give to our customers delivery of printed goods in within 10 to 12 days. So at the moment, we do not feel any need for that. But going forward, if the need arises, definitely, we are open to that. It is not that kind of investment. It is not a very big investment for us.

Moderator: The next question is from the line of Harsh Mittal from Emkay Global.

Harsh Mittal: Firstly, congratulations for a strong set of results. So my question -- first question is a continuation of the question from the previous participant. So sir, as you mentioned that any new capex into garments or any other segment will be announced subsequently. But any time line which you can attach to it or by latest, when can we expect the new capex basically which will hit revenues from FY29, any guidelines, time lines to it, sir? This is the first question.

Dinesh Nolkha: Yes. So basically, what we are looking at, we are trying to -- since this is a major capex, which we are going on-- our top priority is to stabilize the production and the revenues for this particular stream, which is quite substantial. And then we are looking already at various parts of our business where we need -- where we can increase our revenues and balance the overall situation.

So we are expecting that by going in FY29, we aspire that we should reach anywhere between INR4,800 crores to INR5,000 crores by -- with our existing assets and balancing some of them. So next -- whatever -- next capex will be for modernization and balancing of our equipment so as to optimize and reach this target basically.

Harsh Mittal: Understood, sir. Sir, my second question is on the fabric realization growth this quarter, which seems to have fallen by 8% approximately. Any sense on this number, sir, can we expect a higher realization in quarter three?

Dinesh Nolkha: No. Basically, the realization in this quarter has improved in comparison. It has not fallen back. I think if you compare this with yarn, yes, it is lesser. But yes, fabrics normally has a tendency to pass on later. Our -- the fabric realization has increased year-on-year by about 6%[Errata: To be read as “Increased Quarter-on-Quarter by about 6%”]. And yarn realizations have increased year-on-year by about 12.5% to 13%[Errata: To be read as “Increased Quarter-on-Quarter by about 12.5% to 13%”]. So yes, in that context, it has fallen back, but normally, fabric takes more time to pass on the overall cost.

Moderator: The next question is from the line of Prabhat Yadav from Navneet Education.

Prabhat Yadav: Sir, I wanted to understand on the yarn business, if I look at the top 7, 8 players in the country today, including yourself, I realize that the investments that are happening specifically in yarn or specialized yarn is significantly lower than the kind of capacity additions that are happening in ready-made garments or fabrics.

But eventually, yarn is something which basically is a base requirement across these developments that are happening at an industry level, if I may say so. Is there a situation of today under investments in spinning being the situation given that you operate across all segments of the business, I wanted to get your sense on the same, sir. And then the follow-up

question is that the real benefits of these U.K. and EU FTAs that are anticipated to benefit India, how early would you start to see any kind of real gains accruing on the same, sir?

Dinesh Nolkha: Yes. So first of all, let me answer your second question first because from there, we'll get to the first question. Actually, the U.K. and EU FTAs are going to benefit most garments and the ready-made garments as well as the made-ups in the home textiles. So these are the segments which will be the real beneficiaries.

Of course, in EU FTA, a lot of yarn and fabrics also goes there. So there also, it will accrue to them. So in order to get a real benefit out of this, we need to increase our garmenting capacities, including our -- and also our fabric capacities to that extent. And that will translate into a major gain and share over.

Now, we are increasing the capacities over -- if you see the capacity increase, it's quite substantial in garmenting and slowly that is moving towards that kind. But as you said in the yarn, there is not a major capacity. The major reason is that is underutilization already of our spinning capacity. We are only utilizing nearly 80% of our spinning capacity, 17% to 18% capacity is already closed. Some of them is permanently closed and maybe something may come up again.

Also, we have a share of exports of about 20%, which we are doing to various other countries. So once the garments will come into the business, then maybe we will kill the share of some other countries. So that will transfer from the exports to the domestic market. So overall capacity still remains okay. We feel that industry do not need more capacity for at least 1 or 2 years' time till this is really translated into the benefits of these FTAs.

Moderator: The next question is from the line of Varun Dinesh from SMIFS Limited PMS.

Varun Dinesh: So first of all, congratulation on a very good set of numbers. And I would like to ask a few questions. One is on the margins front. So as we know that we have reached around 17.8% of the EBITDA margin this quarter and we are guided towards 20%, right? So there has been a few of the mix that has been changed in the overall products side. So I would like to know how far are you going to go to the 20% and how will you achieve it, from this quarter probably?

Dinesh Nolkha: We have not guided for 20%. First of all, Varun ji, I would like to highlight that. We have told that a range is 16% to 20%. So we are in the middle of the range. So I don't -- we are already at a reasonable margin level given the kind of product mix which we have.

And we have a balance of fabric as well as yarns. So in this scenario, I think this is quite optimal margin which we are operating at. And our first objective is to maintain this and improve, since we are getting into the RE power, more capacity on the RE that should help us in having some cost saving initiatives. So that should help us in improving this as well. But our first objective at this point of time is to sustain these levels.

Varun Dinesh: All right. And my second question was on the line of that our exports have been the focus point and it has grown by over 40% year-on-year. So which are exactly the geographies that are driving this export growth?

Dinesh Nolkha: This is all along. We are practically operating in all the geographies, and it is not that one particular geography has improved substantially. It is -- in general, it is -- there is a price increase. We have seen the -- this 40% increase is basically some of -- there is increased depreciation in the dollar. That is one part.

Secondly, increase in the yarn realizations of the yarn. This itself has contributed about 20%, 25%. And plus, there is some capacity diversion from the domestic market towards the export market. So all put together, the realizations have improved by 40%, but there is not going to have any major impact on the profitability side at least because of this.

Varun Dinesh: Okay. And in the last quarter, we have heard that there would be some -- there will be some spillover into the next quarter, right, because of the dispatch that was there. So how much of that spillover has come into this quarter is what my question was?

Dinesh Nolkha: Not much. I think I have informed that some quantity we were not able to dispatch at the end of the quarter. So that has been -- maybe that is to the extent of about INR35 crores to INR40 crores, not more than that. So that is a routine plus because in the overall revenue of INR300 crores every month, INR300 crores plus, maybe sometimes the shipment doesn't happen. So because of that, INR25 crores, INR30 crores plus/minus that can happen at the end of any month or a quarter.

Varun Dinesh: Okay. And was there any inventory gain this quarter?

Dinesh Nolkha: Inventory gain in what, in terms of...

Varun Dinesh: In terms of the price maybe you purchased that in the last quarter at the...

Dinesh Nolkha: No, not much. In fact, our cost of inventory -- cost of our raw material is higher than -- much higher than the last quarter.

Varun Dinesh: Okay. And the last one was with respect to the debt that you have taken for this capex. So what is the repayment schedule and what is the peak debt that you have assumed?

Dinesh Nolkha: First of all, the peak debt which we are going to have will be about our total term debt will peak in this March at about INR1,440 crores, I think. And working capital, which is at about INR400 crores at this point of time, can reach maybe about INR500 crores plus during that time. So total debt could be about INR1,950 crores at the end of March '26. That is -- and the repayments are every year about in the range of about INR180 crores to INR200 crores for the next 6, 7 years.

Moderator: The next question is from the line of Rina Kashyap, an Individual Investor.

Rina Kashyap: Yes. Firstly, congratulations on a good quarter. I had a few questions on the margin front. One is the new woven fabric capacities that we're looking to add or the trial run of what is happening. When do we see these capacities commercialize fully? And how do we see the impact coming in on margins of this? And like at what point do we see the EBITDA margin sort of normalize after that? This is my first question.

My second question is, again, on the margin front, do we see any potential volatility in input cost of freight costs in the near term, it's at 17.8% EBITDA right now, though your guidance is 16% to 20%. Do we see reaching the higher end of 20%? Or do we see ourselves in this -- in the middle of the guidance range because of any volatility of input costs or freight costs in the near term?

Dinesh Nolkha: First of all, the new capex, which we are is on the way, our -- we have already started the trial run and the commercial -- we should be able to roll out the commercial production by the end of -- within this quarter itself. So different segments are operating at different levels. So as they get completed, the same will be commercialized. However, the capacity utilization, we expect that spinning capacity, we should be able to reach the normal 95% level, 95% plus level by the end of March this year. So we should be in that range.

As far as the fabric capacity is concerned, our woven fabric, gray fabric normally will also reach in the similar point of time at the top capacity. But the finished fabric capacity due to the marketing constraints and the development of the customers and the products should take a little higher time, and we may reach to that level in next 8 to 9 months. This is around next year, August, September. So this is the schedule of -- plus the RE power definitely that ramps up immediately. So we should be in a full capacity position by the January itself of this year.

And now coming to your margin question, so how it will be accretive and what is going to be the impact. Like, yes, there is cost pressures. We are seeing a lot of the input costs going up, including the dyes, chemicals, coal, packaging costs, the freights are increasing. Also, we are seeing the sea freight increase. So that is definitely going to have impact on our margins.

And we have to see whether we have to -- how we will be able to pass it on to our customers. But we have certain cost initiatives of scale because we are increasing our scale as well as we have also RE power coming in, which will reduce our power cost. That should be sufficient enough to cushion these kind of increases. So we expect that we should be able to retain the margins at what level we have. As far as the upper level or upper -- it is always the endeavor of the company to reach the top level of margins. But still, I think we are far from there.

Rina Kashyap: Understood. Just a few follow-ups on your answers. Just one is on the utilization, you said 95%. How do we see it gradually increase? Do we see it start at 65%, 70% and then move to 95%? That's the first follow-up.

The second on is going commercial from Q3 is what you mentioned. What is the impact that we see on the top line from this? And third, on the cost initiatives, could you elaborate a little bit more on what are the efforts that you are undertaking for this?

Dinesh Nolkha: First of all, it is always slow and steady. So you start with 50% and then you reach the 90%, 95%. So it's a gradual step-by-step increase of the productivity as well as the efficiency. So that is a step-by-step process, which happens.

And also the product has to be right. So that takes some time. So that is definitely one part. Secondly, second question was regarding -- what was the second question? Can you repeat it? Can you repeat the second question?

Rina Kashyap: Yes. My second question was on the impact of this -- the woven fabric, the trial run that we're doing when we go commercial, right? So do we -- what is the impact or addition that we see to the revenue? And what are the cost initiatives that if you could elaborate a little bit on the efforts that you've undertaken?

Dinesh Nolkha: So second, the total revenue out of this new project, which we are expecting is about INR1,000 crores. So we're expecting that we should be able to increase the revenues by another INR1,000 crores.

Rina Kashyap: In what time period?

Dinesh Nolkha: So this is for 1 year. For annually, this should be in INR1,000 crores. For next financial year, we expect that we should be able to add INR1,000 crores to our top line out of this new capacity expansion.

Rina Kashyap: And in FY27, how much would this be?

Dinesh Nolkha: Should be around all put together in the range of about INR300 crores to INR350 crores.

Rina Kashyap: Understood.

Dinesh Nolkha: And regarding the cost initiatives, there are many, many minor cost initiatives, which always keep on happening by the way of automation, use of AI in our production capabilities facilities. Also, we do a lot of work on side of energy saving, plus the alternative fuels are also getting developed. So we move on those fuels as well. So these kind of initiatives keep on happening, plus the RE power, which we are going to add. So all these put together normally helps in reducing the cost.

Rina Kashyap: Understood. Understood. Just one last question. Just I wanted to understand your outlook on domestic and international cotton prices for the coming season. How much inventory are you holding currently? And how do we -- how are we positioned in terms of protecting our spreads from the price disparity? If you could just give me your view on this would be very helpful.

Dinesh Nolkha: First of all, as far as international cotton prices are there, we are seeing that there is a shortage of cotton internationally as well. This year, we are having lesser crops. So the prices have moved up from low of USD0.60, USD0.65 to about around USD0.80 on the New York Futures. We expect that it should remain in the range of USD0.75 to USD0.90 band with an averaging of about USD0.84, USD0.85 kind of thing going forward as the consumption is increasing world over and also we are seeing that the cotton will be lesser.

Same thing will be there in India. We are having lesser cotton crop this year. But with the import facility, the import restrictions being removed, no duty on the cotton, I think we should be able to maintain the parity. As far as going forward, the important thing for all of us is that we are not outpaced by the increase in prices of the Indian cotton because of the shortages. We should remain at par.

As long as we remain at par or lesser than the international market, the margins are normally sustained. This is the past historically what we have seen unless we have some major geopolitical tensions and other developments happening all around the world.

Moderator: The next question is from the line of Lakshmi Narayanan from Ksema Wealth.

Lakshmi Narayanan: Congratulations on good set of numbers. Just wanted to know whether, like, if you are getting any interest subsidy on capex which you are putting, sir?

Dinesh Nolkha: Yes, we are getting the interest subsidy on the capex which we are going to have going forward. This should be for our loans which we have, I think we should be able to get an interest subsidy of about 2.5% on an average.

Lakshmi Narayanan: Sir, what would be our blended cost of debt if you could quantify?

Dinesh Nolkha: Our cost of -- total blended cost will be in the range of about 6.5% to 6.75%.

Moderator: The next question is from the line of Niraj from White Pine Investment.

Niraj: Yes. I just wanted to know what is your view on the fabric and the knitting side because the utilization...

Moderator: Mr. Niraj, can you please be a little loud?

Niraj: Yes. I just want to know what is your view on the utilization of the knitting fabric? You are not seeing utilization increase on that side. So I just wanted to know your thoughts.

Dinesh Nolkha: Actually, knitting since we have only the greige fabric knitting, the value addition in the knitting segment is very, very low. So always when the yarn prices are on the increasing trend, normally the capacity and the fabric lagging in the increase in the prices, there is a lag. And in that process, the knitting utilization goes down. And this was also affected by the volatility in the U.S. tariff.

We sometimes as a lot of our customers are from that part of the world in the knitting segment, they were very much worried about the 100% duty, which was imposed or it was passed by the U.S. Senate. So there was a sudden jerk of -- there was a reaction of stoppages of many new orders from that side. So definitely, that has impacted our utilization. But as far as the profitability goes, it does not have any major impact on our profitability.

Niraj: Okay. But any probability of increasing the value addition?

Dinesh Nolkha: Yes, as soon as the yarn prices have stabilized, and we feel -- and also now there is a clarity that maybe trade deal can also happen with U.S. and there is a stability of -- there is no additional tariff which is going to come, we expect that the utilization is going to improve from here.

Niraj: Okay. So I just want to delve some more question on that. I thought even though it's a low value addition, the ability to run the utilization would be better for returns on the investment

that you have done on the knitted fabric. So any thoughts on that, are you rationing your margins and keeping the utilization low? Or you think that in slightly a year from now, you would see the utilization going up a reasonably large number because this capacity has not been -- is lagging a lot since in the last almost 1.5 years.

Dinesh Nolkha: If you see from the investment point of view, it's a very small investment from the -- in case of size of our company. The knitting investment is out of our total investment, it is less than 2%. And most of it is fully depreciated because we have not added major capacity in the last 4, 5 years in this particular segment.

Yes, since it is one of the segments of our company, it's always our endeavour to improve upon the performance of this particular segment. But if we see that the profitability -- overall profitability is if you are able to sell the yarn at a better margin than the fabric, then it is always the tendency to avoid utilizing rather than making any losses on that side.

So -- then the prices were increasing. So in the increasing trend, so fabric prices were lacking and that has resulted -- that was one of the major cause and concern on the revenues on this particular segment.

Moderator: The next question is from the line of Manav from Jain Investment.

Manav: Sir, can you guide us on the demand scenario from Bangladesh? Are we experiencing the same level of demand from Bangladesh as it was in the last 2 quarters? And are we facing any freight issues?

Dinesh Nolkha: Demand-wise, I think it is more or less stable with Bangladesh. There are no major freight issues in this part of the world. We do not see any major freight issues coming because major freight issues are coming on the West Asia side.

Moderator: The next question is from the line of Divyanshu Gupta, an Individual Investor.

Divyanshu Gupta: First of all congratulation on a strong quarter. While I was going through the balance sheet, I see that receivables have nearly risen by 40% since March. I just wanted to ask, is this mainly due to higher export sales? Or have we extended the credit terms? Or is there any material balance that is overdue? Could you please shed some light on this?

Dinesh Nolkha: First of all, the increase is primarily due to increase in the export receivables. We have not extended any additional credit. Rather, we have not negotiated part of the documents with the banks, which has been -- which would have resulted in realization of the documents. So that is one part. Most of the receivables increase is in exports only. And there is no major over dues or other receivables. Maheshwari ji, can you highlight a bit on this, please?

P. Maheshwari: Yes, sir. This is on account of increase in exports and the lesser utilization of bill discounting limits.

Moderator: The next question is from the line of Chirag Shah from White Pine Investment.

Chirag Shah: Just one question. So once we are done with this fabric capex that we are doing, what would be the next leg of capex would look like whether it would be further addition on the fabric side capacity or it would be something else beyond fabric? If you can just talk about, it will be helpful.

Dinesh Nolkha: At this point of time, we have not decided on this part. First of all, our immediate objective is to ramp up the capacities and utilize the capacities in a profitable manner. That is our first goal at this point of time.

And secondly, as I highlighted in answer to another question that we are looking to balance our other lines, older lines and modernize them as well so that we are able to reach the revenues to the next level of about INR4,800 crores to INR5,000 crores going forward. So that should -- for next maybe 1 year, we'll be in that line. As far as expansion of capacity is concerned, we are reviewing various things, and we'll come back to you as we are -- we have made up our mind on that subject.

Chirag Shah: Yes. Sir, I've not more focused on the time line, but how you think about it internally because I understand that your focus is the utilization but can you advice the -- is the area of focus for next 2, 3 years whenever you decide or is there something else internally you are planning about to go up the value curve?

Dinesh Nolkha: Definitely, we have highlighted in our last call also that we can also look at the value curve. If it is a profitable thing, we can definitely look at that part also. So we'll be evaluating as we utilize our assets, we also interact with various markets, various customers, various brands.

And accordingly, we may form a strategy going forward, which direction to go in for. And of course, we have a lot of scope already in our -- in this business as well to grow this segment also. So we'll be evaluating where it is better for us to deploy capital. And accordingly, we'll take up that.

Moderator: The next question is from the line of Harsh Mittal from Emkay Global.

Harsh Mittal: Two questions. What would be the depreciation expense this year and the capex cash outflow for FY28?

Dinesh Nolkha: First of all, depreciation, I think, will be -- we are already charging INR37.5 crores or INR38 crores every quarter. With this new capacity expansion, which is going to come in, this should increase to about INR53 crores to INR54 crores going forward. So every quarter, I'm talking about every quarter. Going forward, next year, it should be in the range of INR200 crores, around INR200 crores plus. So that is the depreciation.

Second question was regarding your...

Harsh Mittal: The capex cash for FY28.

Dinesh Nolkha: Yes. In the next year, we are -- since we are planning to modernize and rebalance our capacities, we expect that we'll be spending in the range of about INR80 crores to INR100 crores for our modernization and other things.

Moderator: The next question is from the line of Saloni, an Individual Investor.

Saloni: I just wanted to understand what is the current order book with regards to spinning and fabric segment as exports and domestic demand look like?

Dinesh Nolkha: I'm sorry, ma'am, we do not share this information in the call. So I will not be able to provide.

Moderator: The next question is from the line of Uday Kumar from UK Capital.

Uday Kumar: Sir, with the recent Bangladesh securing a 3-year extension on its LDC status and retaining the preferential access to key export markets, how do you see this impacting the competitiveness of the Indian players currently?

Dinesh Nolkha: I think no change in status. They were already in the LDC, and this was very well with the kind of turbulence happening all around the world and also in Bangladesh, it was already expected that they may increase this LDC benefits for 1 or 2 years. So it has gone up by for 3 years. But fortunately, for us, that we have -- we'll have all our FTAs in place, and we'll be at par with them, no way lesser than them going forward.

Uday Kumar: Okay. And sir, sir, one last question on the EBITDA margin. As currently, we have started trial production of 4.1 million meters of gray fabric. Can you share the adjusted EBITDA margin for the current quarter adjusted to the gray fabric production?

Dinesh Nolkha: Yes, I have already shared the same in one of the questions that this revenue consists of about INR21 crores of sales in this particular quarter and minus INR1 crores EBITDA on -- it was minus -- at minus INR1 crores. So effectively, the EBITDA margin is 18.5%.

Uday Kumar: Okay. And sir, again, on the Bangladesh front, we are seeing labor issues and shutdowns regarding the wage hike for the labor. So any impact on our clients as such? Or any outlook on this and how it will be...

Dinesh Nolkha: This agitation just happened a couple of days back. So a little bit too early for me to comment on this. Normally, this kind of agitation happens in Bangladesh every 1 or 2 years to increase the wages and we settle down in a week's time or so. There is increase in wages is overdue for last 6 months. So I think I hope there will be no major impact.

Moderator: Thank you. I'll now hand the conference over to Mr. Awanish Chandra.?

Awanish Chandra: Dinesh sir, before taking your closing comments, just a few points. You have mentioned that our adjusted margin was 18.5% and then we have lever for margin expansion in terms of renewable energy and higher value product mix because of the woven. So if something goes on 18.5%, still this will offset by new margin expansion and we can comfortably say that our 18%, 18.5% margin will be continued in foreseeable future.

Dinesh Nolkha: It is our endeavor to remain in this bracket. Definitely with the increasing RE profile, cost initiatives which we have taken, value addition which we are going to take up, we should remain in this margin levels. We should remain in this bracket. However, as the market conditions and any changes in the major volatility or any geopolitical may affect us.

As I've also highlighted certain challenges that there is also cost pressures on the -- especially on the input side of dyes, chemicals and others, that is also going to make impact. And plus, we also need to see that there is a slow pass on of the increases in the fabrics. So that also takes some time. So both of these should also be considered when you extrapolate the margins for us.

Awanish Chandra: Sure, sir. And sir, one last commentary. We are anyway starting our new capacity quarter 3 onwards, and we will reach optimum utilization somewhere in FY28. So any new capex we can have during FY28, which can give new growth in FY29, not any number, but anything you can think of?

Dinesh Nolkha: Definitely, as I've highlighted, we are going to have certain modernization and balancing kind of thing where we are able to increase our capabilities in the production side also. So that should add and we aspire that we should be able to reach top line of into INR4,800 crores to INR5,000 crores in FY29. So that is -- we will move in that direction. And for that purpose, we may have some capex of INR80 crores to INR100 crores maybe in the next financial year also.

Also, we have the opportunity to increase our -- once our -- all the RE power is settled, we also have the opportunity to further increase our RE capability to take it to about 65% of the total requirement as such. So that also we are going to look forward in the next financial year.

Awanish Chandra: Okay. So sir, modernization project can increase our capacity 5% to 10%, should we take that?

Dinesh Nolkha: Yes. Overall, maybe in the range of about 5% plus/minus. It should and also some value additions can also happen.

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

Dinesh Nolkha: Yes. I would like to first thank all of you for taking out the time for joining this call. I would also thank the SMIFS team and Awanish ji for hosting the call. And I hope we have been able to address all your queries. And if there is anything left, maybe you can get in touch with our finance team or our Investor Relations.

Thank you once again and wishing you all and your families a very happy Diwali and a prosperous year ahead. See you and maybe over next earnings conference call. Thank you.

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