Vardhman

Vardhmān

Delivering Excellence. Since 1965.

VARDHMAN TEXTILES LIMITED

CHANDIGARH ROAD
LUDHIANA-141010, PUNJAB
T: +91-161-2228943-48
F: +91-161-2601 048
E: secretarial.lud@vardhman.com

Ref. VTL:SCY:AUG:2026-27 Dated: 03-Aug-2026

BSE Limited, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI-400001. **Scrip Code: 502986**	The National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), MUMBAI-400 051 **Scrip Code: VTL**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN TEXTILES LIMITED – Q1 FY27

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 31st July, 2026 to discuss Q1 FY27 results.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED

SANJAY
GUPTA

Digitally signed by SANJAY GUPTA
DN: c=IN, postalCode=141010, st=PUNJAB, street=HOUSE NO . 1883 ,WARD NO . 10 ,LUDHIANA,SECTOR 32-A CHANDIGARH ROAD ,141010, l=LUDHIANA, o=Personal, serialNumber=f90871601590b53e4e52bd5cbc80df08eb5fd927c6f81aa06bcbf1aed41af6ab, pseudonym=d15d9677668740aaaad9f38f5a08c864, 2.5.4.20=124bad9891b98bc1c230ebad1a3f92123370292ebb19fd0cd2aded21fd129d95, email=SANJAYGUPTA@VARDHMAN.COM, cn=SANJAY GUPTA
Date: 2026.08.03 14:36:19 +05'30'

(SANJAY GUPTA)
COMPANY SECRETARY

"Vardhman Textiles Limited

Q1 FY27 Earnings Conference Call"

July 31, 2026

MANAGEMENT:	**MR. NEERAJ JAIN – MANAGING DIRECTOR – VARDHMAN TEXTILES LIMITED** **MR. SUSHIL JHAMB – DIRECTOR, RAW MATERIALS – VARDHMAN TEXTILES LIMITED** **MR. RAJEEV THAPAR – CHIEF FINANCIAL OFFICER -- VARDHMAN TEXTILES LIMITED** **MR. VARUN MALHOTRA – HEAD, FINANCE -- VARDHMAN TEXTILES LIMITED**
MODERATOR:	**MS. ARADHANA JAIN – 360 ONE CAPITAL MARKETS**

Moderator: Ladies and gentlemen, good day, and welcome to Vardhman Textiles Q1 FY27 Earnings Conference Call hosted by 360 ONE Capital Markets. 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 touchtone phone. Please note that this conference is being recorded.

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

Aradhana Jain: Thank you, Sania. Good evening, everyone. On behalf of 360 ONE Capital, I welcome all participants and the management of Vardhman Textiles to the 1Q FY27 Con Call. From the management, we have Mr. Neeraj Jain, Managing Director; Mr. Sushil Jhamb, Director, Raw Materials; Mr. Rajeev Thapar, CFO; and Mr. Varun Malhotra, Head of Finance.

Without further ado, I would like to hand over the call to Neeraj sir for his opening remarks, post which we can open the floor for the Q&A session. Thank you, and over to you, sir.

Neeraj Jain: Good afternoon, everyone. So the results are already out for Vardhman Textiles. There's an improvement in the numbers in terms of percentage as well as the absolute amounts. The major difference we look at in the spinning business has been -- there has been some improvement in the yarn sizes.

Also, partially, there has been an advantage in terms of the raw material available earlier and the price increase which happened on the raw material as the yarn prices got adjusted to the new raw material. So there's a kind of a partial trading gain as well in the raw materials.

On the fabric side, the improvement is not to the extent which should have been for two reasons. One, during last year, because of the U.S. tariff, there's been an issue. We missed the sampling of a particular season.

And as a result of that, during that period -- during this period, all the U.S. orders did not come to India. But we are now -- last 1 month or so, things have started improving, and we are expecting far better business in the next 2, 3 months from the U.S. customers as well.

So hopefully, the utilization in the fabric business will start improving, though in terms of absolute numbers on the fabric side, we have -- we are almost comparable to what we did last year in the first quarter, a little lower than the fourth quarter this year, but we are hoping that this will start improving.

Again, in terms of percentage utilization, it was lower because we added a new line also in the month of March, which could not be utilized fully. On the spinning side, the utilization has been full. The margins have been good and the overall demand is also good, which was originally started deriving from China.

Our expectation on the various fronts in terms of raw materials, yarn prices, our view is one, raw material is stabilized in international market in the range of about USD0.78 to USD0.81 per pound, most of the time, let's say, the average USD0.80 or so. And this is what -- it was almost comparable when we did the last call also, except for a few days where the July New York future was much higher, whereas the December and the next months were inverse, which was a clear signal that the July New York future may not be sustainable.

And as of now, there's no inverse situation in any of the months. So there could be a possibility that these levels could be sustained. Two, if you look at the raw material availability across globe. India, there has been very -- the rains behavior has been very different. One, it's a El Nino case.

So there could be a reduction in the overall rains. Also, the variation in the areas has been huge. So one, the rain started a little later. Two, of course, it has picked up in our overall average, but still area to area, this has been different.

As of now, the cotton growing -- sowing is almost comparable to the previous period with a gap of only 1% or 2% in our estimate, but we are yet to understand and look at what kind of growth or what kind of crop quality would be there as there has been very, very different scenarios of rain in the different areas.

Generally, whenever we see these kind of variations, there is -- generally, there are always some quality concerns and also the crop size also comes down because of the quality. But it is very early to say as of now, and we have to watch it for next maybe 2, 3, 4 weeks to get a better estimate and idea of how Indian cotton behaves. Brazil, there has been a reduction in area by about 5%.

So to that extent, there could be a reduction in the crop there. Australia, there has been a major drop in the crop size. The last year figures were much higher. This year, we are expecting to be about 3.5 million bales. And going by the situation of water, maybe the next year could be even much lesser, maybe about 2.5 million bales or so. The next major cotton growing area is USA.

So the USA West Texas is still talking of drought conditions in that area, which means the crop over there can also be effective. China announced designed reduction in their cotton growing areas because they want to concentrate more on the eatables. So practically, if you look at all areas, there is hardly any area which looks like it's going to increase in terms of the cotton.

But there are signs as of now where the reduction could be there. So these are -- based upon this, it's our view that the cotton prices may not come down in a big way, rather may increase only as the consumption across the world are increasing. So that's on a cotton swing -- cotton growth and the production possibilities.

Two, this has been a period where lots of uncertainty because of the U.S. Iran war happened and the crude prices, we saw the crude prices touching $100, of course, come down to about $87, $88 as of now. And as the crude increased, all the intermediary products increased and that gave an increase to the polyester prices, acrylic prices, especially.

And as a result of that, those prices are much higher than what it used to be pre-war. And that's also given some kind of a raw material increase across fibers as a sympathy to those fibers as well.

So to that extent also, I think there's likelihood that if the prices of acrylic polyester increases this way, there could be some possibility of increase in cotton demand in the various parts of the world. So considering these, our view is that the prices may not come down in a very, very big way. Of course, future will tell whether our thoughts were right or wrong.

So that's our view as of now, going by simply the demand-supply situation where the supply side is going to be reduced, the demand side is going to be increased. So there could be -- I mean, as I mentioned in the last call also, it looks like after 3 years, this will be a year where the production could be lower than the consumption.

And this scenario may continue for next 2, 3 years where we might look at a 2%, 3% drop every year in the cotton crop and maybe 2%, 3% consumption on the cotton side, which means a gap of 3% to 4% for next 1 to 2 years, which should be good enough to have the reasonably good prices on the cotton.

Coming to the Indian cotton, since the New York future increased from almost USD0.67, USD0.68 to about USD0.80 as of now. Of course, in this period, most part of the quarter was almost in the range of about USD0.75, USD0.76, USD0.78 per pound. The Indian cotton, which was ruling at about INR55,000 a candy has also increased to today, the CCI price is close to about INR64,000. So there's been a corresponding increase, whatever increases happen in New York future.

And along with that, the change in the dollar rupee, the Indian prices also today are aligned to that. The Indian prices in terms of U.S. cents today will be close to about USD0.87, USD0.88. And if you look at the cotton, it's about $0.91, $0.92. So practically, today, there is an alignment in terms of the international prices and the Indian prices, which was a big disadvantage till -- in the last 2 years.

So this last 3 months -- last 4, 5 months, things are better to that extent. Another changes or another events which are happening on the cotton side, Chinese government started selling the reserve cotton. So they are issuing a quota of about 80,000 tons -- 8,000 tons per day. So they have sold close to about, I think, about 10 sessions have happened till now. And they are in a position to sell 100% of cotton, whatever they give as a quota.

And the average price of that cotton, which is sold in China as of now is close to about USD1.15, USD1.16. It include -- even if we reduce the VAT out of that, it will still be close to more than $1, so which means the prices in China will -- are much higher than the prices elsewhere.

Now this gives us a feeling. In case the Chinese mills are getting cotton at $1 plus, that means the margin available to them out of today's yarn prices will not be more than USD0.65, USD0.70 per kg of yarn. That also gives us a feeling.

It means they will continue to buy yarn from outside China. Be it India, be it Vietnam, be it any country. And in our day-to-day experience starting November, December last year, we are finding the Chinese demand continues to be good. And our feeling is going by this cotton prices, it may continue. The total export of yarn from India, it used to be about 95 million, 97 million kg or less than 100 million kg, which has increased to about 110 million kg as of now.

So an increase -- net-net increase of about 15 million kg, which has primarily come from China only. And I think this can continue if Chinese cotton prices are in these range. And in case India continues to export at 105, 110 million kg, and this already, as I mentioned, the capacity closure in India was also huge in the last 3 years because of the losses all the spinning mills had.

And the industry estimate was almost 12 million to 13 million spindles got closed permanently, and we still feel that figure is same. There's hardly anything which has been revived in this period.

Going by the overall situation, not many projects have been announced even now on the spinning side. So last year, I think the additional capacity or the new capacity had come only about 0.5 million spindles. And this year also, if we look at the projects announced till now, it will not be more than 700,000, 800,000 spindles in this year also on the expansion side.

Of course, a little improvement has happened on the machinery orders by all the machinery manufacturers, but that is more on account of the modernization some of the mills have announced. So that's on the spinning side in terms of the cotton as well as the yarn sales.

The rolling prices as of now for the international market on a 30s Combed basis is close to about $3.20 to $3.30. And the Indian prices are also aligned ex-mill basis in India, almost at the same prices, plus minus INR2, INR3, which is a normal gap we always find. On the fabric side, we had two issues. One, I mentioned the -- as because of the U.S. tariff, we skipped a particular season on sampling.

As a result, those orders did not come to India. Two, in the fabric side also, there's always a lag when we are -- when we can pass on the yarn prices to the customers. So whenever the prices of yarn goes down, it's an advantage to the fabric division or a vice versa.

This was a period where the yarn prices increased sharply and it always takes some time for us to pass on to those prices. So our feeling is, I mean, today, even today, we feel almost whatever price increases happened on the yarn side, about 60%, 70% could be passed on to the consumers.

Still 20%, 30% could not be passed on. But with the volume increase, hopefully, those numbers would also be better where the cost will keep coming down and probably the margins could be restored. So as I mentioned, we are comparable to the first quarter numbers last year, but about 3%, 4% lower than the fourth quarter. But going by the current quarter situation, it looks like we are definitely better than the first quarter. So that's -- in terms of capex, most of the capex is online.

So we have started our boiler -- biomass boiler in Baddi last week only. And the another one in Madhya Pradesh is expected to start maybe in a month or so. And most of the modernizations are completed. And we have also started working on the open-end project with a capacity of about 55, 60 tons per day. So the construction just started last week, and I'm hoping, maybe next 10 months' time or so, this capacity will also be available.

The new site at Dhar, the government is still developing that land. Going by the physical progress of that land, I expect the land will be available to us by December. Once it's available to us, we are in a process of completing our process what we intend to do and then we want to start the construction. Hopefully, by the time the land is given to us, we will be ready to start at least our first construction, maybe with the spinning project. And then later on, we could add whatever more products we want to add there.

So in terms of the committed expenditure, most of it is online. Hopefully, with all these boilers coming up and the biomass, there would be a cost reduction advantages. We have also invested heavily into the solar power and the wind power. Those advantages also will -- I mean partially started coming in. I think month after month in next 6 months, more and more advantages would start coming in.

So that's what my initial comments on the performance as well as our view on the industry. I think the rest of the things we can discuss within question-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: Congratulation on good set of numbers. Recovery seen after a long time. Just wanted to understand what will be the order book situation currently in the spinning segment?

Neeraj Jain: Normally, in the export market, we are always sold for about 3 months. Domestic by design, I mean, domestic will never be more than 45 days. So if I look at last 5 years history, this would be the average 90, 95 days in exports, 45 to 50 days in domestic, and we have sold for those many number of days even today also.

Prerna Jhunjhunwala: Okay. So which means the bulk of the improvement in prices that happened in the month of April, May should be visible in Q2. Is it the right way to look at it?

Neeraj Jain: Yes, that's true.

Prerna Jhunjhunwala: Okay. Understood. And sir, second question was on fabric business. I wanted to understand how is the progress in the new synthetic fabric business? And what is your experience and whether you would be looking at expanding it further? What product segments are you looking at there? And kind of margin profile in that segment that you're looking at?

Neeraj Jain: So our first idea is to utilize that capacity. So the sampling is happening for various customers because these are all products which are new to us, and we are also learning and we require to do the sampling to give confidence to the customer because these would mostly be the replacement of imported fabrics. The project started somewhere in February, March. And as of now, we have a capacity of 15 lakh meters per month. So our utilization is about 15%, 20% only as of now.

But I'm happy to share last 1 month, we got two big approvals from the two big brands and where the production is starting this month itself, within August itself. And I'm hoping that our idea is within the next 6 months, we want to reach at 70%, 80% capacity utilization, which is 20% as of now. This has two aspects to the business. One is the basic products. Second is the value-added or where we can say a part of the technical textiles.

As of now, starting is only with the basic products. And as we will -- we are in a position to utilize that, I'm sure there would be the value addition also started happening. In terms of the first parameters in terms of quality, in terms of acceptability are very, very good, and I'm happy to share that.

And definitely, once we make a success of this, because this is one business where I believe India has a huge capacity shortages on this product. Definitely, we'll look at it expanding as we are reaching near to the capacity utilization.

Prerna Jhunjhunwala: Understood, sir. Sir, margins here are -- margins and ROCE as per your current experience, do you think the margins are much better or ROCE is much better than your existing fabric business or is it…

Neeraj Jain: Actually it -- Prerna, it is too early to say as utilization is only 15%, 20%. This is all again what kind of products are you in a position to replace from outside market -- and as the fashion cycle are increasing, everyone wants the delivery on an immediate basis, I'm sure anything we produce in India for the Indian market, we will be in a position to get some premium also compared to the outside markets.

So my belief going by the per meter cost of this product, the margin as a percentage of sales as well as a percent on the capital employed could be better compared to the existing product line. That's my feeling as of now. But of course, it's a long way. We are -- maybe next 6 months, we will be more sure on that.

Prerna Jhunjhunwala: That's fantastic to share because we were just wondering what is happening on that business and how we are looking at that business. So it's a good opportunity. And last question is largely on -- you've shared on cotton outlook and stuff. But -- so do you see an opportunity to import at current prices for cotton or would you still wait for the new season to come in because we have import duty-free cotton at this point in time?

Neeraj Jain: We are evaluating on a daily basis because there are 2 factors we have to look at. One is that what is the likely price in India even in the next season once it comes in. The government has already announced 6%, 7% increase in the MSP. If I go by the MSP and the procurement by the CCI, practically, it looks like cotton will not be less than INR65,000, INR66,000, even in the next season also.

So in case one can get an opportunity to buy imported cotton within this cost today when the duty is free, we're definitely looking at it and wherever there's a possibility, we are taking those decisions, not waiting for only the Indian cotton because in any case, we have to buy India -- Indian cotton, but since this is a period where the window is available only for next 2, 3 months. So whatever could be done, we are surely looking at even at these prices also.

Moderator: The next question is from the line of Awanish Chandra from SMIFS.

Awanish Chandra: Congratulations management team, a stellar set of numbers. Sir, my first question on the margin side. So we have done a very strong margin this quarter. And by the looks of it, quarter 2 since we must have more cotton inventory at lower cost could be better. But what if after quarter 2, will this trend of strong margin will continue or it will moderate after that?

Neeraj Jain: No, surely, it will moderate. So there's no doubt about the same. But my belief is it may not come down to the levels which were there before when we started looking at this increase to happen because the industry was passing through a very difficult time last 2 years.

So where the spinning margins have come down to as low as 9%, 10%, where the margin available or the conversion available was only about USD0.65, USD0.70. I think going by if the demand continues to be the Chinese demand or the overall demand supply continues to be better, it can be in the range of about USD0.85, USD0.90.

But these kind of numbers, whosoever has whatever inventory they have at lower prices, that advantage will be there. As those inventories are finishing, definitely, there will be some reduction happening, but may not come down to the last 2, 3 years kind of a number. That's what I feel as of now.

Awanish Chandra: Okay. So maybe 100 or 150 basis point moderation or more?

Neeraj Jain: I can't say on the numbers, but definitely, I'm saying depending upon what inventory and what -- how the yarn prices goes, lots of uncertainty factors we have to incorporate in. But I can only say these numbers have some trading margins, which may not be available once we move to the market prices of cotton unless the yarn prices further increases.

Awanish Chandra: Understood. And sir, our inventory level today on the cotton side -- our inventory level?

Neeraj Jain: Sorry, that's something we don't share.

Awanish Chandra: Okay. Sir, moving on the technical textile side. So this technical textile, whatever capacity we have, it is integrated with our gray fabric capacity or it is altogether a different line from…

Neeraj Jain: Well, It's a different line. So -- no, no. So our existing lines are more on where we start from the yarn, spinning yarn and from there, we produce the fabric. These are all filament based. So it's altogether a different product.

Awanish Chandra: Okay. So start to end it is not connected with -- anywhere with the cotton lines?

Neeraj Jain: No, no, no, no. It's not linked. But yes, customer could be common where they want 100% synthetic materials. This is all 100% synthetic materials. So the customers' only commonality could be customers in my view.

Awanish Chandra: Okay. And sir, my last question on the new capacity side, anyway, we are undergoing a huge capex and a few things are pending. But now since the margin is going up, do we plan to invest which can give us further capacity, which can lead to top line growth because whatever capex we are currently doing is modernization or power side, it will not give much on the top line growth side. So are we thinking on that line because now we have a better margin?

Neeraj Jain: Yes. So on the top line, you are right, the top line basically will happen only with the -- whatever unutilized capacity we have on the fabric side, both the cotton fabric as well as the synthetic fabric, that's one which increase can happen to the new capex, which is announced, which will be increasing our production by about 50, 55 tons open end.

That will give us some addition. But as I mentioned earlier, we are -- the new piece of land, which we have taken under PM MITRA Park, I think next 3, 4, 5 years, we'll have lots of projects we have in our mind and depending upon how the business goes. So there is an intention to put up capacities in that project, which will give a top line growth also to the company for the next 3, 4, 5 years at least.

Moderator: The next question is from the line of Roshan from Antique Stock Broking.

Roshan: Congrats for great set of numbers. So I just wanted to understand how are you seeing the demand trends across the domestic and export markets today? So maybe you can just highlight which geographies are seeing the strongest recovery? Yes, that's my first question.

Neeraj Jain: In terms of garmenting or in terms of exports, there seems to be a decent demand. So there is not that we are finding it difficult to sell the products. India has a huge advantage, a natural advantage, which we got created, thanks to the Government of India, where all these FTAs have happened, U.K. and EU. And I'm sure there's lots of business with the garmenters or the home textile could do in these countries.

So since we supply, we are the textile material supplier to all these the frontline producers of garment as well as the home textile, I believe next 2 years is a genuine opportunity available for India to the Indian manufacturers to export to these countries. So already demand as such is good. But with these two products, with these two markets available to us, I'm sure it will be definitely a much bigger gain for the Indian market.

And to that extent, I think all manufacturers starting from spinning up to the home textile or up to the garmenting will get an advantage -- should get an advantage. In addition to the strong domestic market, which is also improving with the per capita income increasing every year.

Roshan: All right. Just to continue with the reply that you have given. So are you seeing any changes in the customer ordering patterns being it normalized or brands are still following the shorter ordering cycles and cautious inventory management?

Neeraj Jain: A couple of things which are very clearly happening last 2, 3, 4 years, and it is actually increasing. One, the cycle -- the fashion cycle is reducing. Everyone wants to have a minimum inventory so that one, their capital -- working capital comes down, also the risk of obsolescence comes down.

So any customer who is dealing with you wants a delivery of yarn, let's say, in 20 days, delivery of fabrics in about 44 to 45 days, delivery of garment in 60 days, 70 days kind of a situation. So that cycle will continue to screw and whoever is in a position to deliver will be a winner.

That's one. Two. The market is moving on a much better, much bigger way on the new products. So the innovation or the new products development by -- in terms of colors, in terms of variation in the products is definitely something where the customer is appreciating. Not that 100% product will come from them, but even 5%, 7%, 10% comes from them and 80%, 90% goes on existing kitty.

So again, the capability, whosoever has those capabilities will get a first advantage so that, that business could move on. Third, the recycling is still in fashion, especially in the export market. So the recycled, the yarn or the fabric based out of the recycling, definitely, some of the customers, especially the Europeans are more interested in buying that. Fourth is the green companies. So be it power, be it -- nobody wants the coal to be used or the fossil foil has to -- fossil fuels have to come down.

So that's something where the customer may not be giving you the -- any direct advantage. But if you have, it's nice to have. So the customer definitely appreciates that and is more willing to work with you in case you are in a position to do that. And fifth is the compliances and the ESG. So all your social compliances and all your, I'll say, fair practices with all stakeholders is very important.

Now look at a situation where customer wants all these in addition -- and they will not be in a position to have, let's say, 10, 20, 30 vendors. So they want everything to be done by the vendor. So any vendor who has a capacity, who has the muscles to follow the peak of the customers and in a position to deliver all these things.

That advantage surely I'm finding and that's the reason the organized players have some advantage where all these brands which are coming in and wants all these kind of facilities, their first preference goes to the organized sector. And the size, at times, we feel size is a disadvantage, but I think this is the time where the size is becoming an advantage.

As customer wants all kind of products. They want all the peaking to be managed by them. They want everything in a minimum number of days. So I think those are the changes which we started looking at last 3, 4 years and is increasing every year. And there is an improvement or an increase of pressure every year on that.

Roshan: Okay. That's very helpful. And final question from my side. So you have undertaken of doubling of capacity of the garment from 2.2 million to 4.5 million. So could you elaborate how things are proceeding there in terms of customer tie-up, maybe some quantitative details like an expected asset turns or margins, that would be helpful?

Neeraj Jain: Yes. So our existing capacity is only about 7,000 shirts per day, which is too smaller capacity. Business is doing well. And definitely whatever -- because we don't sell the product in our own brands, so we are just giving it to the customer in terms of their own brands. And 7,000 is a capacity, which is really miniscule from any customer's perspective.

We get two advantages with our fabric without commenting. One, we're in a position to have the development, which comes from the customer side also, so which will help -- which helps us in our both fabric as well as the spinning state. Two, there are some niches which can be definitely created in this business.

So our feeling was that the kind of cost structure we have only on 7,000 shirts and also 7,000 shirts too small for any customer to be served to. So I think the first step was why not to increase it to double, at least make it a viable unit.

Today, our costs are much higher, so the margins are much less. Our feeling is once we are doubling this capacity, there's hardly any overhead costs, which will be increased. And I'm sure then we could look at the margins in this business on a stand-alone basis so that a future decision could be taken whether we really want to go big way into this business or not.

Moderator: The next question is from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi: Congratulations. Sir, with the previous participant question, with 4.5 million capacity, what will be the peak revenue we will get at 100%?

Neeraj Jain: Close to about INR300 crores would be […].

Shirish Pardeshi: And this will be fully operational end of March '27 or will be quarter 1, '28?

Neeraj Jain: Quarter 1 -- June '27, 1 year from -- I mean, 7 to 8 months generally, but I feel because lots of workers are required to be trained. So by the time we take full advantage of actual utilization, it could be 1 year from today.

Shirish Pardeshi: And current set of customers, you said is primarily domestic or it is international also?

Neeraj Jain: No, no, it's a mixture. So we do about 30% export, 70% would be the domestic brands.

Shirish Pardeshi: Okay. That's helpful. In terms of our product segment, when I look at yarn is 69%. So I was more curious what kind of China export happens in this?

Neeraj Jain: So China, let's say, from the Indian market, if India is doing about 105 million, 108 million kg per month, China is buying typically about 30%. So kitty, it will be about 20%, 25% to Chinese -- whatever we export yes, whatever export of yarn is there. So the yarn, we have 3 segments, export, domestic and captive. All these 3 segments are practically one-third, one-third, one-third of the yarn we produce. And so one-third, 33% of total, which means about 7% to 8% of my total production goes to China.

Shirish Pardeshi: Okay. Got it. So the reason why I'm asking because if you think China is going to buy, I'm sure next 6 months, you will have definitely a visibility for your yarn requirement from China. So is this […] the kind of growth you have envisaged in quarter 1 will continue for at least next 2, 3 quarters?

Neeraj Jain: So in terms of yarn demand prices, it can, hopefully, only difference in the margin, it will depending upon when your old cotton finishes and when the new cotton will start consuming. So that's the gap which can come in. Other way, in terms of the top line or the sales, I think seems to be visible as of now for at least next 3 to 4 months' time.

Shirish Pardeshi: Okay. And who are -- when you say one-third is China, who are the other 2 countries which have shown this kind of resilience?

Neeraj Jain: So China and Bangladesh are practically taking 60% of yarn from India.

Shirish Pardeshi: Okay. Okay. And just last question on INR3,600 crores capex what we are planning, what can come and which are the segments which you are deploying in FY27 and which will go to FY28?

Neeraj Jain: So most of this capex, I think only about INR800 crores, INR900 crores will go to the next year, remaining will be completed -- it's already completed or will get completed within this year. And out of this majority has been modernization and the power where the -- all the power projects will be completed in the next 3 months' time.

Most of the modernization is completed. So it's one open-end project and some more modernization, which can go to the first quarter of next year. Other than that, everything will get completed within this financial year.

Shirish Pardeshi: So what will be total capex for Dhar from land to building and machinery?

Neeraj Jain: For the financial year?

Shirish Pardeshi: Yes. FY'27.

Neeraj Jain: You're talking for Dhar?

Shirish Pardeshi: Yes. The entire project Dhar, PM MITRA Park project, what you're trying to...

Neeraj Jain: So whatever capex has been announced, whatever capex has been announced, this does not take any expenditure on Dhar as of now. Dhar...

Shirish Pardeshi: Dhar project will be under consideration?

Neeraj Jain: It's still under consideration. We are waiting for the land to be available to us because the government has to give us power and we are expecting the power to be available not before June '27. So we don't want to take it because it can further get delayed. So I think we'll start construction only once we are very clear for our construction and the project implementation will take us about 10 to 12 months' time. So we'll start it only once we have more visibility that the government is clear that there will be a position to give us power on this site.

Shirish Pardeshi: All right. Got it. Okay. And last question on the margin of -- I think we have spoken much about it. But where do you think margin is going to be resilient? I mean cotton prices, obviously, you would have some cover. But I'm asking this question not from till December, but post December because right now, the cotton sowing is also less, the El Nino effect, we are not sure what will happen. But in that context, do you think this margin may not deteriorate to the 11% level what we have seen in the past or will be in the range of about 13%, 13.5%? I'm not saying guidance, but I'm saying direction?

Neeraj Jain: My view is, as I mentioned earlier also, we came down to 10%, 11%, which was really a kind of a desperate situation. But my belief 13%, 14% could be the right way of looking at it, which could be -- if we convert it into the margins available per kg of yarn will give us a conversion of about $0.80, $0.85, $0.90.

Moderator: The next question is from the line of Falguni Dutta from Mansarovar financials.

Falguni Dutta: What were the cotton yarn spread for us for Q1?

Neeraj Jain: So cotton yarn spread in this period, I'm not saying for me, normally, it is always calculated on the market prices of cotton and the market prices of yarn. In this period, it was ranging about USD0.90 per kg of yarn.

Falguni Dutta: Okay. So this is like spot cotton and spot yarn, if you compare, that was $0.90 per pound.

Neeraj Jain: Correct. Correct. Per kg.

Falguni Dutta: Per -- yes, per kg. Yes. Okay. And you think broadly, it should be in that $0.85 to $0.90 per kg range only?

Neeraj Jain: Yes. Historically, it's been in the range of about $0.85 to about $1, except last 2, 3 years where it came down to $0.60, $0.65, $0.70 for Indian market.

Moderator: The next question is from the line of Anil Kumar Sharma, an Individual Investor.

Anil Kumar Sharma: Sir, my question is regarding how do you see -- where do you see your company for in the last -- next 5 years, number one. Number two, our return on capital employed or return on equity is on very lower side. Anything -- any guidance you don't give that I know what any can -- how it can be increased return on capital and return on equity? And where do you see our company in the next 5 years?

Neeraj Jain: So next 5 years, as I mentioned, we are hoping as the opportunity would be there in India because of all these FTAs and the Indian consumption increasing, there could be a possibility that we might look at some of the bigger projects in Dhar as the government is also promising the major growth to happen in these kind of areas.

So I don't have exactly because there are lots of ideas in our mind, which I'm hoping we'll be implementing in the next 2 to 3 years' time. But definitely, it could be good in terms of the overall top line. The ROCE basically has a two factors. One, the return on capital employed for the business side.

Second is we have lots of investments available to us, which were kept as future expansion possibilities where that money is available with the company. So if I look at the return on business side, it's still reasonably okay.

And I believe in case we are in a position or whenever the right opportunity comes in, the company invests in a bigger way, which we intend to, whenever there is the right time. So to that extent, the trading stocks comes down and the return on capital employed, that's the only way would improve.

Anil Kumar Sharma: Okay. So we can expect in the next 2, 3 years, it can improve to a reasonable level?

Neeraj Jain: No, I'm not saying 2, 3 years, but definitely 5 years is a period where my personal belief, yes, it could be.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: I just wanted to understand in between, China was not buying from India enough. And recently, they started buying. What could be the reason? Are they focusing on cotton yarn, cotton businesses to a larger extent?

Neeraj Jain: No, no. So they started looking at -- I think they are still very strong on the garmenting side. And whatever was a thought that people are looking at China Plus One or they'll look at China to be removed. That's not the case because the kind of capacities they have, I think they'll continue to dominate.

My thoughts are, one, as the government announced there that they want to reduce the cotton sowing areas, which means they have to be dependent upon the import cotton more and more in the future, two. There are also the costs are increasing there, especially in the South China, which was the originally where there are lots of industrialization is there. Of course, the new area they are trying to develop is the Xinjiang area.

There are lots of capacity which already got shut down or maybe the cost over there have increased in a big way so that I think they might have to look at how do they replace the capacities or they reduce the capacity the as well.

Now the cotton prices are there with a $1 plus and the rest of the world, the cotton prices are in the range of about $0.89, $0.90, 10% to 12% increase for them is a huge cost. I think rather than looking at a basic yarn because they are very strong on the garmenting, they are very strong on the fabric finishing.

So it could be a possibility as a part of their strategy that rather than looking at producing yarn, why not to import yarn, at least the first leg is over, convert it into the finished fabric. And this also reduces the risk of Xinjiang cotton, which is again banned by many countries, especially the USA.

Whenever they are buying the local yarn, there's always a challenge and a concern whether it is made out of the Xinjiang cotton or not. But when the yarn is coming from India or Vietnam, at least that risk is over for them. I think this could be what I feel, genuinely, they may look at rather than looking at taking a risk when the final garment shipments happen.

And then in the testing, you find out that something happen at the local level, why not import the yarn and then export the garments.

Prerna Jhunjhunwala: So this is sustainable in your opinion going forward as well, like this Chinese sourcing from India?

Neeraj Jain: Looks like.

Prerna Jhunjhunwala: Okay. And sir, anywhere spindle addition is happening in the world? Or is it that India is the only country which is adding spindles?

Neeraj Jain: So a very interesting question. If you look at China, there's some spinning is being added in Xinjiang area, but more than that, they are stopping elsewhere. So the net-net, there's hardly any increase in China. So from a peak of about 116 million, 117 million spenders, they are down to about 84 million, 85 million as of now. If you look at Indonesia, they have reduced, they are not adding.

Look at Vietnam, almost saturation is there. They are not adding. Look at Turkey in a very, very bad condition and slowly, they have to reduce their capacities only. Look at Bangladesh, they are not adding anything. So the only one country where some small increase may happen is that Egypt or India as of now.

Of course, tomorrow, people are talking of Africa to developing those things, if that happens. But as of now, I don't think any part of the existing clusters of spinning is increasing other than the India or Egypt as of now.

Prerna Jhunjhunwala: So that is positive for margins in the longer term in your opinion or the moment the margins start coming in, there would be increase in capacity. What is your take on the long-term profitability of the spinning business?

Neeraj Jain: Should be -- my only concern has always been the cotton availability at the right prices. Now with the government allowing us for 4 months, we are still requesting government to give us a more visibility on a sustainable basis.

So if you look at last 15, 20 and these 2 years, 3 years also, the spinning margins have come down, not because of the demand side, but only because our raw material was much more expensive compared to the rest of the world. So in case our raw materials are aligned to the world market, I don't think really in terms of competition, there would be a really, really big issue for India to compete.

Moderator: The next question is from the line of Monish Ghodke from HDFC Mutual Fund.

Monish Ghodke: Sir, just one question. So what kind of opportunity do you see in recycled cotton yarn? I mean, with the cotton prices being firm and I believe a lot of cotton will not be getting recycled. So I mean, technology-wise, I mean, in the medium term, is it feasible? And I mean, at a larger scale, is it feasible in terms of ROCE and in terms of pricing?

Neeraj Jain: If you look at the model, there's nothing to do with the ROCE or with the availability of cotton. So basically, all these ideas started from Europe where they wanted to reduce the consumption or a dumping of the material to save the earth. This is the passion they had, and that's what is happening. In terms of cost parameters, in terms of return on capital employed or in terms of availability of fiber or spinning of fiber, there's a dramatic improvement happened in the last 2, 3 years.

And today, up to 30%, 40% recycled fiber with the virgin fibers on the ring also is possible. We are doing it very regularly. In any case, through the open end, it is possible to do even more than that also. So I think rather than the return on capital employed, the idea was how do we reduce the landfilling of -- which is happening because of the garmenting. That's what the thought was. And my belief this may continue for a few years till the time we reach a saturation on that also.

Monish Ghodke: But technology-wise, it's...

Neeraj Jain: Technology-wise, it's okay. Mechanical recycling is there. People are talking about now the chemical recycling, also lots of experimentation is going on. But as far as cotton is concerned, mechanical recycling is reasonably good and sufficient capacity is already available in the system.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Thank you, and over to you.

Neeraj Jain: So thank you all the investing community who's been with us for the last so many years. Whatever are the results, we try to give our opinion as honestly as we can. And of course, there could be a different opinion, there could be things can go in a different way because it's all dynamic work.

But going by the situation, as of now, it looks like things have improved in India for most of the textile players. And with all these FTAs and the opportunities available for future, we definitely see far better times in the times to come.

Of course, as I mentioned, this trading may or may not be there, but definitely going by the overall opportunities, we feel it could be a right time for India for the next couple of years to show the demonstration that the growth could be there in this industry. Thank you very much.

Moderator: On behalf of 360 ONE Capital Markets, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.