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**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN
TEXTILES LIMITED – Q4 FY'26**

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 8th May, 2026 to discuss Q4 FY'26 results.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED

(SANJAY GUPTA)
COMPANY SECRETARY



“Vardhman Textiles Limited
Q4 FY '26 Earnings Conference Call”

May 08, 2026



360
ONE



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. MUKESH BANSAL – HEAD OF FABRIC MARKETING
– VARDHMAN TEXTILES LIMITED**
**MR. VARUN MALHOTRA – HEAD OF FINANCE --
VARDHMAN TEXTILES LIMITED**

MODERATOR: **MS. ARADHANA JAIN – 360 ONE CAPITAL**



Moderator:

Ladies and gentlemen, good day, and welcome to the Vardhman Textiles Limited 4Q FY '26 Earnings Conference Call hosted by 360 ONE Capital. 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 and then zero on your touchtone phone. I now hand the conference over to Ms. Aradhana Jain from 360 ONE Capital. Thank you, and over to you, ma'am.

Aradhana Jain:

Thank you, Shailendra. Good evening, everyone. On behalf of 360 ONE Capital, I welcome all participants and the management of Vardhman Textiles to the 4Q FY '26 con call. From the management, we have Mr. Neeraj Jain, Joint Managing Director; Mr. Sushil Jhamb, Director, Raw Materials; Mr. Rajeev Thapar, CFO; Mr. Mukesh Bansal, Head of Fabric Marketing; and Mr. Varun Malhotra, Head of Finance.

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

Neeraj Jain:

Good evening, everyone. Thank you for joining the fourth quarter call. The results are available to you. This period, last 6 months have been -- there are some good and some bad news. The good news is, one, the U.S. tariffs were over. As a result of that, India became more competitive. So the kind of desperation which was there for our garment exporters of the home textile, that's over and things have started moving back to the right direction.

Also, this was a period where we started looking at a new geopolitical concern, starting with the Iran and U.S. war, which created some of the disadvantages or some of the disruptions in the system, be it logistics, be it crude, which has an impact on the various businesses, including the textile business, which I'll come to a little later. Also, this was a period where the cotton prices started going up internationally. In New York future from \$0.61, \$0.62, \$0.63 went to as high as \$0.82, \$0.83. And as a consequence of that, the Indian cotton also moved from INR52,000, INR53,000 a candy to about INR67,000, INR68,000 a candy.

So which means the cost of raw material increased in a big way in this period. There has also been improvement in the yarn prices both on account of the raw material push as well as the better demand also, which I will come again a little later. And in between the dollar rupee also moved, so which was also beneficial as most of the textile is based on the exporting community. So some advantage came because of that also. So these have been the macro level events.

Now we can look at it one by one. Clearly, the U.S. tariffs have given an advantage. I understand the export -- the utilization of exporters who were directly exporting to U.S.A. from India, the home textile or be it the garment exporter has come down to about 50% to 60% in this period. Also, they were giving heavy discounts to the U.S. brands to the extent to compensate 25% as the duty was 50%. So as a result of that, the margins were affected and many products they were losing money. As a result of that, they were shy of taking those orders.

And as a result of again that there have been major issues and concerns for those exporting community. Since we are the textile producer and we provide the material to them, they were

not doing good, there was a pressure on the back process also. So all the people who are supplying either yarn or fabric to the garment exporter, they were also under a difficult situation, either on account of lower -- both on account of the lower realization as well as the lower utilization.

As soon as the U.S. tariffs were away, slowly the business started coming back. And I understand as of now, both home textiles and the garment exporter to the U.S.A., they are running almost 90%, 100% capacity utilization, and as a results of that from the country, the overall export is better. And also since the utilization is better, the overall demand of the yarn is also better.

So there's been a favorable factor in this period to start with. The second major event was the prices of raw material. Now if you look at the last 2 years, the New York near future was continuously coming down. It came down to one of the historic low levels of \$0.62, \$0.63. And I think this was a level where the farmers are not actually earning a lot internationally, so there was a fear whether the cotton crop will come down or will increase. So it was all concerns and issues which were there in our mind.

In between, there was a weather, bad weather condition which was announced by USA in the Texas areas where it is as of now, it is projected that 91% drought conditions are there and it is likely the overall crop size in USA will come down. Also, the Australian crop size got reduced from 55 million bales, it was expected to be about 41 million bales.

The Indian crop also came down against the last year figure of about 31 million, 31.5 million bales, this year it is projected to be about 29 million bales only. And the Brazil also was not increasing, there was a possibility either the same or small reduction in that also.

As a result of that, the overall cotton stocks which we saw increase in the closing stocks of cotton worldwide last two, three years, that got balanced or rather it was projected that we will be -- the world will be reducing the closing stock of cotton maybe to the extent of 0.5 million ton to 1 million ton. And the moment it was realized, there was -- this was one of the factor where the prices of cotton started going up in the international market.

Two, as the tension started in Iran and USA, the crude prices started increasing, which has a direct impact on manmade fibers, especially polyester. And the polyester prices increased in this period in a big way and as the cost increased because of the crude, all the synthetic fiber prices started increasing.

If you look at acrylic fiber, the prices increased almost by about 80, 85 rupees a kg in this period, polyester fiber prices increased by INR25, INR30 a kg and all other cellulosic also started increasing. So somewhere, it looks like the cotton fiber also got a sympathetic increase on account of that also since the synthetic prices were increasing, somewhere I think that was a support given which was -- which the cotton fiber got and the prices were also standard to that extent.

Since the demand in this period started improving. So there are two factors how the demand started improving. Pre-war, I'm talking of, starting with the month of October or so. The two factors on the spinning side which had happened in last some time, one since the industry was

not doing well, so we understand as per the industry data estimate, that total of about 11, 11.5 million spindles have stopped permanently into the system.

I shared earlier also, our rated capacity in India was 53 million spindles. Normally we add about 2 to 2.5 million spindles every year. And if we go by the normal years, our capacity this year should have been about 59, 60 million spindles. Against that, last three years there was hardly any expansion happening, but contrary to that, 11, 12 million spindles got permanently stopped into the system, so practically the working capacity today in India will not be more than 41, 42 million spindles as per the industry estimate.

There is no government data available, but this is the industry estimate. Which means there was some balancing of the spinning availability or the yarn availability came into the system where the overall production came down. This was one factor where the surplus capacity got vanished.

Two, we saw geopolitical tensions, issues, concerns in Bangladesh six months before. So because of that, I think some of the brands or some of the orders got transferred to China also. So there was local Chinese demand, there was export Chinese demand and some orders shifting from Bangladesh to China. And China, if you look at the Chinese cotton total, they have about 80% of their consumption they are the Indian they are their internal cotton and 20% they import from outside.

And out of the 80%, which is their internal production, 80% of that comes from Xinjiang...area, which is banned by the USA as of now. So it looks like either the brand suggestion or the local Chinese manufacturers, they decided rather than buying the local yarn, they started importing cotton yarn from India. From different countries, including India.

The prices were low, so they started buying big quantities of yarn from India and suddenly, starting October, November, we found the yarn demand to be very good in the export market and the prices started going up for the yarn also. India, we normally export about 100 million kg of yarn every month. It is the average for last two, three, four years. And out of that, China used to be about 7 or 8 million kg only.

But if we look at the last four, five months' data, China is consistently buying about 30 million kg. So practically another 20 million kg demand came to India and Indian export started reaching or touching almost about 120 million kg plus. So this became the yet another factor where the yarn prices started improving in a far better way, not only to compensate the cotton prices, but definitely beyond that and suddenly spinning margins started improving into the system.

So this demand of China continues even today also, and I think most of the spinners, they are sold for about two to three months in forward as of now as far as the export is concerned and to that extent they try to cover their cotton also.

Two, since on the Indian side, the Indian crop size is not likely to be more than 29 million bales. And going by this increased activity of yarn, it is expected our full year consumption can be in the range of about 33 million or 34 million bales. Now suddenly there was a realization that the cotton is not available in India and there was the various industries including or the various industries association, they started going to the government to allow the duty-free import of

cotton so that by the time we finish our existing cotton, there should not be a shortage of cotton into country.

The Ministry of Textiles could understand and they took a total view with the industry and they wrote it to the Finance Ministry and the Agriculture Ministry that this is likely to be a shortage of cotton going by the better activity and the better profitability of the spinning sector, so the cotton should be allowed duty-free coming to India so that there is no shortage of cotton in the month of August, September, October or so and so on.

This information also spreaded into the system that India is likely to open the cotton whether full-time or a maybe the six months. I do not know what government decision could be, whether they'll take a decision or not we are not sure, but definitely the market perceived the Indians will buy to buy more cotton internationally, so which also gave some strengthening to the New York future in this period.

The third factor was as the cotton started going up, I understand the hedge money or the speculative money also started coming to this spread and today, the last two, three years where the speculators as per the data which is available in the system, they were negative or they were short on the New York future, they started going long on the New York future, so which means the cotton in the \$0.80, \$0.82 level got stabilized in this period.

Now this got -- this has a big advantage if New York future remains at \$0.80, \$0.82 for the Indian market. India had a peculiar situation where our cotton prices were very high because of the minimum support price. Though CCI was acquiring cotton, but they were buying cotton and they were selling in the market, but at the same time there was a loss which was coming to the CCI in this period.

As soon as the cotton started going to about \$0.80, \$0.82 New York future, the Indian cotton prices became aligned to the world market. And as of now, even going by our MSP, our cotton is not expensive compared to the world market. Rather, it is aligned to the long-term average we which we used to look at it always in last 15, 20 years, that we are New York future plus \$0.05 to \$0.08 cotton, which is prevailing as of now.

So suddenly our all the spinners which were losing money on account of a very high cotton prices, that factor also was -- that also got aligned into this system last couple of months and as a result of that, the spinning margins were normal, which earlier was not sufficient or were not normal because we were very, very expensive on the cotton.

The New York future whether it sustain or not I'm not very sure, but definitely if you look at the other countries. So India today our cotton prices are \$0.87, \$0.88, New York future with a \$0.84 -- \$0.82, \$0.83, \$0.84, the Brazilian cotton is available at \$0.94, \$0.95, which is aligned to it. The Pakistani cotton which is inferior to Indian cotton is again aligned to \$0.85, \$0.86, so which is in line with the normal relativity.

And also, the Chinese cotton today are in the range of about \$1.03-\$1.04, which normally they are always higher to India by about \$0.15 or so, which is also today as of now aligning to that

also. So today there is hardly any disruption as far as the long-term cotton prices have been in this relative to each other.

So in this period, the cotton to Indian spinner was available at a right price, yarn demand was okay, the prices started improving just to give you an idea. The lowest prices of yarn in the month of November, December were ranging about \$2.65 to \$2.70 for 30s combed. Today the same price is in range between \$3.30 to \$3.35.

Same way, the another advantage which came to India that with the rupee moving from 90 to about 94, 95, the our cotton cost in terms of US cents came down and also the conversion was better available to the Indian textile producers, not only spinner, to the everyone who is exporting. So the operation to some extent was viable as far as the spinning is concerned, which we saw after 2, 3 years.

Going forward with the next upstream products, the fabric margins were very good before the increase in the yarn prices and I think now slowly because the overall demand is good, even for the fabric also the demand is not bad, so everyone is trying to increase the prices. There is always a resistance whenever the prices goes up to increase on the upstream products and vice versa of that, whenever the yarn prices goes down, the garment or the fabric prices doesn't go down in the same fashion.

So the fabric also they've increased the prices, so but there is always a lag of 2 to 3 months and I hope going by our position today or most of the other fabric producers be it knitting or the woven, it looks like that we are trying to push the system and we would be in a position to get that increase hopefully in the times to come.

Same is situation with the garmenter where they are now trying to increase the prices, so one they've got an advantage because of the dollar-rupee. Also, they are trying to push with the brands to increase the prices and it's always a power of negotiation we have to see, but definitely going by the total increase, it looks like the brands have started talking to increase the prices, few brands have started giving small increases, but I think it's a time where we have to look at maybe next 1, 2 months a more clarity comes on this issue.

So second on our capacities in between we have taken or Vardhman has taken a very big capex plans. On the spinning side, it was more of a modernization. I'm happy to share almost 90% of the modernization got completed in this period and whatever is left, I think this current financial year next 6, 8 months we'll complete and as a result of that, we're much more strong on the shop floor both in terms of flexibility, quality and also the cost factors.

And I'm sure that advantage would come to us in the future times, both in terms of the cost as well as because of flexibility the better products which we can produce and give it to the various customers.

The fabric side, there were two major expansions we've taken. One was the performance fabrics, which plant was commissioned during the last financial year. So I think normally it takes about 6 to 9 months' time for the orders to come in as it's a new venture for us, so I hope next 6 to 9 months we should be in a position to utilize it fully or better utilization will happen where and

we hope that this will be a new line for us where the lots of expansion or major expansions can come in as there are hardly any players for 100% synthetic into in India.

The second factor was the fourth line which was of cotton and normal fabric production, which was also commissioned during the year, but as far as -- as soon as the commissioned that line, there was this issue of US tariff. So practically we couldn't utilize that capacity, but slowly we started building on that also.

In terms of our volumes, we would be doing one of the highest today, but still we have unutilized capacity which I expect maybe next 6 to 9 months time we should be in a position to complete that. In addition to that, there was there's a huge expenditure we wanted to or we are doing on green power, be it biomass boilers etc.

All those projects are likely to be commissioned in next 1 to 2 months and after that I think June or July onwards, we should start getting advantage of that also both in terms of green power, as well as from cost reduction possibility going by the raw material differences as of now. So these are -- this is what is in this period major changes which have happened.

So now I think remaining parts we can cover in the Q&A session. Thank you.

Moderator: Thank you, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saransh Gupta from Swan Investments. Please go ahead.

Saransh Gupta Hi, thank you for the opportunity, sir, and congratulations on a decent set of numbers. So, I just had a few queries regarding the industry and the business. So firstly, as you said that the cotton prices earlier our Indian cotton prices used to trade at a premium to US cotton, but right now it is trading at par. So how has this impacted the demand for yarn? I know you mentioned that the demand for yarn is better, though it is also visible in the realization that if we see the realization for yarn has increased, but are we able to pass it on to the customers?

Neeraj Jain: So, the yarn prices are determined by the international cotton. Whatever even if our cotton is expensive, we can't pass it on because that's a Indian phenomena only. So, one, the in any case, the yarn prices, whatever is the cotton internationally, that is determined by the international market and even if our cotton is expensive, that has to be borne by us, that's first point. Two, since the overall demand was better. So, both on account of the demand as well as increase in cotton prices, that could be passed on comfortably to the customer as of now.

Saransh Gupta: Understood, sir. And on the demand side, sir, like how is the demand shaping up with US has opened up, right? The demand is, as of now...

Neeraj Jain: The demand of yarn is very good. If you look at most of the US, brands, the first quarter numbers there's increase of the retail size increased from 4% to 10% of the various brands. The demand from USA is really good and as a result of that, I think the overall textile demand as of now seems to be pretty good.



- Saransh Gupta:** Understood, sir. Sir, if we move on to the fabric segment, like how is the industry situation panning up right now? Like you said that there was a there is a lag, price have increased, but there is a lag, so how is the customer conversations shaping up?
- Neeraj Jain:** No, the customer is very clear they don't want to give any increase, but I think since the raw material prices are increasing, the intermediate product, they don't have a choice because they will not nobody would like to take the losses. So, everyone is trying to push the prices and some increases are happening selectively. It's not that the increases are not happening. But as I mentioned, there's always a lag and whenever you want to do a new business, there's always a resistance. But with the -- every week, every month, every order, there's some price increase which we are pushing to the customers.
- Saransh Gupta:** Okay, sir. And on the spreads side, sir, like have the spreads also improved post tariff, pre tariff on the yarn segment?
- Neeraj Jain:** Yes, spreads definitely has improved as I mentioned because our spreads was lost was less because our cotton was very expensive. So, since our cotton is aligned to the international market, our spreads are definitely improving.
- Saransh Gupta:** So, like, if you can quantify that in some number?
- Neeraj Jain:** If you if you look at the Indian prices today, the cost of Indian prices is about \$0.85, \$0.87, \$0.88 US cents. So, if I convert \$0.87 cents, it comes to about \$2.35, \$0.38 or so. And with the price of 3.30 today, with this kind of a rupee, I mean \$0.90, \$0.95 spread is available, which four months back was only about \$0.60, \$0.65 US cents.
- Saransh Gupta:** Okay, so there is a 50% jump in the spreads that we can say.
- Neeraj Jain:** From the worst to the best, because this happened slowly. The impact will come in the times to come, but yes, 40, 50% spread improvement is there as of now.
- Saransh Gupta:** Right. Is this sustainable, like can we go ahead with this number or will there be some correction in these spreads if the prices of yarn comes down?
- Neeraj Jain:** So, as I mentioned, there are two issues which are beyond our control. One, New York future will come down or not, I'm not very sure, but if New York future remains at these levels, practically the Indian MSP issue or the -- our cotton prices going beyond a point, that issue can be taken care of.
- But New York future will go up or not is something I can't really, really predict. Second, on the demand side, as I mentioned since the demand from the China has been good in this period because they are full of orders from the various brands. If you look at -- so I think to that extent it looks like, it can sustain for some period of time.
- Moderator:** Thank you, Mr. Saransh Gupta. We request you to join back in the queue, sir.
- Saransh Gupta:** I will join the queue.



Moderator: The next question is from Cheragh Sidhwa from Bajaj AMC. Please go ahead.

Cheragh Sidhwa: Sir, for the opportunity. My first question pertains to the industry dynamics. Sir, as you indicated close to around 11, 11 and a half million spindles are off the market. So sir, as per your experience, let's assume that these healthy spreads sustained for a longer period of time. How much period would it take for these capacities to come back into the market or is it more structural in nature, people are right now not investing and it might take couple of years to again come back to that 50, 53 million spindle capacity?

Neeraj Jain: There are two things which have changed in this time. One, as per the industry estimates only again, the total number of spindles in India was 53 million. At the same time, the number of mills were close to about 3,000. We understand the 11 million spindles which are off the system, almost 1,000 factories have gone shut down.

So which means the overall indirectly, there's some consolidation of the industry happened. So all these small spinning capacity 4,000, 6,000, 8,000 spindles which in any case was very, very difficult to manage in today's time, I think that's one segment which is going off to the system.

Two, the industry has passed through a very, very difficult time last two, three years, so nobody is looking at a very big expansions to start immediately. I think everyone is looking at more clarity on the import policy of government and what happens, and my feeling is in case these margins or this kind of a cotton prices sustain for next three to six months.

The people will start looking at more projects to come in into this system. If you go about to the machinery manufactures, which are one of the best way to measure what is happening on the industry side, especially on the expansion side, their utilizations have improved, but more from the modernization orders rather than the expansion orders as of now.

So people have started talking on the expansion side. As of now there are not really very big projects which have started working on it and I feel maybe next six months, nine months' time people will wait before they can start up or they start taking up the new projects.

Two, industry definitely will be more consolidated. So those 4,000, 6,000, 8,000 plants will never come back into the system and it's better the organized player comes back to the system, which are more concern sustainable in terms of their profitability extract. The overall structure in my personal view is will keep improving only from here onwards.

Moderator: The next question is from Falguni Dutta from Mansarovar Financials. Please go ahead.

Falguni Dutta: Yes, good evening, sir. Sir, I have two questions. The first one, our operating profits are not -- look as good as maybe people like Nitin Spinners or GHCL Textiles, is it because the fabric price increase will happen with a lag and hence Q1 numbers would show more of it?

Neeraj Jain: Yes, that's likely to happen.

Falguni Dutta: Okay. And sir, and what was the export percentage for the quarter, export as a percentage of revenue for this quarter versus Y-o-Y same time last year?



- Neeraj Jain:** Our direct export company as a whole has always been in the range of about 44%, 45% plus minus 1%, 2%.
- Falguni Dutta:** Okay. So this is as a percentage of revenue, right?
- Neeraj Jain:** Yes.
- Falguni Dutta:** So this has been maintained. I mean there has been no issue on -- okay. So sir then it is fair to say that we would do -- like since exports have not been impacted so with the fabric doing better, we'll do much better in Q1?
- Can we say that, meaning what I mean to say in short, our performance in Q4 was it not as much as it could have been just because of the fabric part which takes a lag effect?
- Neeraj Jain:** I mean, going by the going by the spread improvements which is looking like as of now, I think most of the most of the textile companies should do far better in the first quarter, including our company -- Vardhman.
- Falguni Dutta:** Sir and what with these higher cotton costs which have come in, even then it should be okay as you said the current the current cost and current yarn prices, the spreads are okay. So one can assume even Q2, Q3, assuming the current status remains, even Q2, Q3 could be better, assuming the current spreads remain.
- Neeraj Jain:** That's true. So assuming the current prices of yarn, current dollar-rupee and the current prices of cotton, it will be better compared to the last year. And anyone or if they have cotton available to them, which is at a cheaper price, that advantage would be -- should be additional available to them.
- Falguni Dutta:** Okay. And sir, year-end this time, we are having what three months' inventory or bit more for cotton?
- Neeraj Jain:** Normally, our normal coverage is 6 to 8 months. Year-end.
- Falguni Dutta:** Okay. 6 to 8 months' cotton you have at your end? I was asking that in March we will have six months of cotton will be there?
- Neeraj Jain:** I am trying to explain you, the cotton in India comes in the month of October, most of this gets vanished by March. So most of the companies on March numbers will have six to seven months' inventory, most of the companies.
- Falguni Dutta:** Okay sir. Thank you sir.
- Moderator:** The next question is from Prashant Rishi from Cascade Capital. Please go ahead.
- Prashant Rishi:** Hi, good afternoon, sir. Sir, I just wanted to expand on the last point that you made, since bulk of our procurement has happened by the financial year-end types, so what would be the average cost of cotton that you procured because that will be the base for the cotton for the rest of the financial year?



Neeraj Jain:

I will not be I will not like to give the numbers at what cost I bought, but I can give you how the market has behaved in this period. If we look at today's price of CCI selling, it is INR67,000 a candy. And they increased this price almost by INR5,000 in last one week only. So practically the CCI price one month before was INR57, INR58,000. So eventually anyone who has a inventory available in the system will be definitely much lower than the today's price, which includes us.

Prashant Rishi:

Understood. And sir, any not a very speculative question, but any viewpoint on how US New York Future cottons would look considering the drought situation in the US? Will it will it sustain at 82, 83 historically? I mean how do you look at it?

Neeraj Jain:

As I mentioned, the drought is not the only reason. I mentioned earlier also drought is one of the reason. Also, the crop in India and Australia was also lower, so the demand supply got readjusted.

For the first time after three years, there will be a reduction in the closing stock of cotton. So all these factors and then the synthetic other prices increasing during the possibility of some consumption change or replacement from polyester to the cotton.

All those factors have played into this role. So it's not only the drought condition of USA, but the many factors could have played a role where suddenly people are more optimized or optimism is there on the New York Future.

Moderator:

The next question is from Awanish Chandra from SMIFS. Please go ahead.

Awanish Chandra:

Congratulations, management team, on decent performance with gross margin expansion. My first question is related to this one only. If you look at the number, our gross margin was higher quarter on quarter 300 basis point, but due to other expenses, margin expansion was not reflective at EBITDA level. So sir, could you just give a high highlight on what led to great increase in other expense and when it will get normalized if there is something one-off?

Neeraj Jain:

Okay. So you know, there has been one item which has been charged to the revenue in this period and the other expenses. Whatever is the foreign exchange position we have taken, that gets mark-to-market on every month-end. So in this period the rupee had moved very sharply.

So whatever we have been selling because our policy is whenever we book the export orders, most of the time we like to cover the rupee at the same day. Rupee moved suddenly to INR94.80 or so on 31st March. So whatever we had sold that was required to be making to be normalized on the mark-to-market basis and we provided a loss of about INR57 crores, INR58 crores in this quarter on that.

But then the advantage will come to us in the next quarter. Now all our exports will be moving at INR94.80 or, whatever is the market rate going forward. So on that one-time hit it is definitely impacted our margin in the fourth quarter.

Awanish Chandra:

Okay so roughly the number was, the hit was exact number?



- Neeraj Jain:** INR57 crores, INR58 crores is provided as mark-to-market.
- Awanish Chandra:** So that will not be there going forward or there will be some reversal of that?
- Neeraj Jain:** Depending upon at what the dollar-rupee finishes. I can't say tomorrow it goes to INR97, we might have to provide, it goes to INR98 then that advantage comes in. So I can't speculate on that, but yes, whatever was 31st March, we have provided for that.
- Awanish Chandra:** Okay, sir. Sir, second question, you have already highlighted that at March-end everybody's inventory is at 6 to 8 month. As a strategy, what would be the number at the September-end? General number?
- Neeraj Jain:** No, one, I'm not saying everyone had an inventory of 6 to 8 month. I said most of the good textile mills, since it's a seasonal product, they try to cover their cotton normally 6 to 8 months' time, but the company to company, it could be very, very different.
- Two, our cotton, new cotton will start somewhere in October only. So by September, we have to exhaust most of our stock and we have to start preparing for the buying once the once the new arrival comes in. Because we can't the new arrival will come somewhere in the month of October. And if we have a six to eight months and any factory has an inventory of six to eight months' time, they'll be they'll be finishing in this period and then eventually they'll have to buy new cotton starting September, October, November.
- Awanish Chandra:** Okay, fair enough. And sir, one quick question on the capex side. You talked about increasing your garment capacity which is still a very small part of our overall business. So are we thinking seriously to have major expansion in garment segment and broaden our product profile the way you have mentioned in your press release?
- Neeraj Jain:** So earlier we were not very sure we really want to expand the garment capacity or not. But definitely the business, whatever small capacity we have doing, we have, they are doing good. So but our costs are very high because the size of the [...] is small. So the first step is let's make it a little viable unit and in case we can make money on the expanded capacity also, then we'll look at it differently.
- As of now, the only idea is it's a good business where we are dealing with the some of the brands, we are supplying the material to them or we are giving them the final product. So just to serve to that, we've decided to expand this capacity so that we are more viable. Whether we'll do it in a full-fledged basis in the future or not, there's no decision as of now on that.
- So it's the first step where we are looking at whether we can make the business viable. If yes, a fresh view has to be taken by the management. As of now there's no decision that we'll be looking at it in a very, very big way. Neither yes, nor. So we'll look at it or we'll evaluate it later.
- Awanish Chandra:** Sure, sir. And sir, what is our average realization per shirt? Ballpark number?
- Neeraj Jain:** Normally \$5.



- Awanish Chandra:** Okay sir. Okay sir thank you very much for answering my question all the best.
- Neeraj Jain:** Sorry it is \$7.5.
- Awanish Chandra:** Okay sir. Thank you and all the best.
- Moderator:** Thank you, sir. The next question is from Yash Jhunjhunwala, as Retail Investor. Please go ahead.
- Yash Jhunjhunwala:** Hi, thank you for the opportunity. Sir, can you tell me what was the average spread earned by us in FY26?
- Neeraj Jain:** I can't say what was Vardhman spread, but the industry spread for the year average will not be more than \$0.65.
- Yash Jhunjhunwala:** \$0.65 cents. And the current market conditions, you were saying that the spread has increased to about \$0.90 to \$0.95?
- Neeraj Jain:** Correct.
- Yash Jhunjhunwala:** Okay. And sir, my second question is that when the in the last two years when cotton globally was cheaper than cotton in India, because of which and our cotton yarn realization is linked to cotton globally, I'm sure the industry must have made representations to the ministries regarding this disadvantage that Indian spinners had. So what, what like, anything structural that has happened to address this gap, that disadvantage that Indian spinners had?
- Neeraj Jain:** So India, most of the industry, we've been going to the government and we've only one request made to them, that you allow the duty-free import of cotton in India. That will have a balancing effort automatically. Because if CCI buys all the cotton or majority of the cotton, then whatever is there, so there are two ways of looking at it. One, the CCI sells it at a normal basis so that there is no disadvantage to the Indian spinners, that could be one. Two, to have a price right price discovery, you allow the duty-free cotton to happen in India.
- So that automatically will happen in the times to come. So the industry issue is only and only we're not talking of MSP, we are not talking of increasing or we are not talking of not supporting the farmer. The industry viewpoint is simple that the cotton should be allowed in India duty-free so that the price discovery happens automatically. And Textile Minister is totally aligned to that, they've already written couple of times to the Agriculture and to the Finance. No decision is happened, but I'm sure at least our ministry is aligned to our thoughts.
- Yash Jhunjhunwala:** Okay. And my final question is on the all the FTAs that have been signed with the US, with UK, with EU. Let's say that the demand for this for all the, all the textile industry from India it improves, but because of this cost disadvantage will we be able to compete in case cotton again like there is duty-free access, duty-free import is not allowed of cotton and then again you all fall back into that same problem of high cotton prices?
- Neeraj Jain:** You know, there are two things we are talking to the government. One, as the demand would increase on account of the FTAs, definitely we will be requiring more raw material, be it

synthetic, be it cotton. So whatever cotton we have, it may not be sufficient for us to supply it in case the garment exports or the home textile exports increase a big way from India.

So both the logic we've been giving, one is on the cost pricing that are we should be competitive. Second, on the availability of raw material. Because any, any industry if they are putting the capex, the raw material should be available at the international competitive price. So these are the both the issues can be taken care of if they allow the duty-free cotton to India. So let's see what happens.

But government, but one good thing in between what is happened is that the CCI pricing policy this year has been good and they've been selling the cotton based upon whatever has been the long-term alignment of Indian cotton with the New York future. So to that extent there was no disadvantage for most period last six months to nine months, that's why the industry is in a better condition. I should give that credit to CCI for that.

Yash Jhunjunwala: Okay understood, thank you. Those were my questions.

Moderator: Thank you, sir. The next question is from Resham Jain from VVD Asset Managers. Please go ahead.

Resham Jain: Hi, Neeraj. Good afternoon and thanks for giving us a very detailed update. I have one question mainly with respect to the announcement which government has made yesterday, Mission for Cotton Productivity. But what I could see in that is that it is not talking about the introduction of the new variety of seeds, but it is largely talking about all the farm improvement practices and stuff like that, high-density planting and all. Do you think that if India has to move from 450 kg per acre to let's say even to US level of 700 to 800 levels, will this suffice or what is your thoughts around this?

Neeraj Jain: Look my personal views can be a little different than what you are thinking. So one is, if we look at the overall lesser crop in India, one is the seed quality, second is the practices and third is the land holding because our land holdings are also very small in India and any kind of automation may not be possible there also.

Looking at the total crop in India, it's 30 million bales and almost 6 million farms farmers are producing that, so that means average per farmer we have only 5 bales. Whereas you go to the US or to Brazil or to Australia, the number is in thousands of bales, not less than that or maybe in lakhs of bales. So eventually even if so we are looking at seed, we are looking at productivity, we we are looking at processes, but the holding is also playing an important role in terms of the overall optimization.

So going to a US level of 700 or the Brazilian level of 2,000 I don't know, but definitely we can improve upon it from where we are. But again going to I mean today Brazil is at 2,000 and they're still optimizing, they're still looking at more experimentation, they're still looking at what more can be done.

Our cost will definitely be expensive going by our land holdings also. Having said that, we have to start somewhere. It's a good initiative which the government has taken and I'm sure if we are

taking we can take this 450 to even 550, we can increase our productivity by 20% which will give a relief to the overall cost, as the MSP is dependent is dependent upon the cost to the farmer plus 50% remuneration. So if their cost come down, definitely it will have an impact into better realization and a better cost for the industry as well.

Resham Jain:

Understood, sir. Sir, the second question is given that now the expectation for next year overall for the industry is looking quite positive and we have already done modernization capex largely in the last two, three years, which will bode well for us. But beyond this, are you looking for, because you need to plan from now to utilize that incremental cash generation. So from a capex perspective, are you planning anything?

Neeraj Jain:

So two things. I think you're right and not only us, most of the industry is waiting because the situation is a little better after a long time, so everyone is trying to look at whether it's sustainable or not. But in between, one, we have taken up one open-end project which was hold on, so we are likely to restart that.

Also, we have taken a new piece of land in PM MITRA Park in Madhya Pradesh. That land is likely to be given to us as per the government promise as of now by December or January this year. So once the land is available to us, we'll start working. We are already on the drawing boards, we are putting up some ideas and maybe next two, three months we'll finalize those ideas also and by that time we look at a sustainability of the system also.

And not only we, there are many players we are looking at because this FTA demand will start happening somewhere 15 months down the line. And India, if we have to prepare within next two to four months, we'll have to start looking at what all is required in the country and all the good players have to prepare themselves so that those capacities could be put in.

We are also gearing up ourselves and I'm sure next two, three months we'll finalize our plans as well. On the spinning side. On the fabric side, we in any case have a surplus capacity, so we'd like to utilize it next six months and by the time we utilize it, we'll definitely there are some ideas in our mind what to do next in the next financial year or so.

Resham Jain:

Okay. But in the existing set of verticals only like yarn, fabric, you've ventured into a little bit of synthetic?

Neeraj Jain:

Yeah, as of now, we are restricting ourselves to this only as of now.

Resham Jain:

Okay, sir. Thank you. All the best.

Moderator:

Thank you, sir. The next question is from Rudraksh Gupta from Navneet Investment Trust. Please go ahead.

Rudraksh Gupta:

Hi. Very good afternoon and thanks again for the detailed explanation. Sir, I have two questions. One related to what you explained that India should have had a spinning capacity of 58, 59 million versus operational today at 41, 42. Given the environment where spreads are expanding, the cotton prices have actually aligned of India and international, which actually solves a big problem, a potential FTA with Europe and UK which is an incremental positive to play out like

you're suggesting over 12 to 18 months, and an incremental development in terms of, you know, if the import prices or the import duties are actually dealt with correctly by the government.

This is the most promising commentary, if I may say so, that I've heard in a long time, along with a very wide gap of required capacity versus available capacity at play. Would this really mean that a very large expansion of capacities can come through over the next three, four years if the cycle sustains, the import duties are taken out and the FTAs actually start to bring in benefits? And I will bring in my second question after once I hear from you.

Neeraj Jain:

Okay. So I would like to make one correction. All the data and facts you've given is correct except one. When I said the capacity should have been 60 million, it should have been going by the tradition or the conventional increase which happens every year. Whether we require 60 or not is a separate question.

So we were at 53, normally we were adding 2.5 million spindles every year, so we should have reached 59, 60 against that, we are at 41. Two, the Indian spinning capacity, lots of spinning capacity was very, very unviable, inefficient, which is going out of the system. So if we look at the total demand in India today, 41, 42 million spindles are sufficient as of now for the country and that's why our margins have become better.

Now going forward, as the expansion will happen by the way of more FTAs and the demand coming in, we definitely require more spinning capacity. Whether it is 60 million or 45 or 50, that, depends, that will depend upon how much new business we can generate with these FTAs. But definitely there is a scope for this India, for the country, if with all these FTAs coming in, if the demand on the garmenting and home textile increases, definitely on the spinning side we will be requiring a much bigger capacity as a country.

And the good part is all these smaller players have gone out of the system, so now the new expansion hopefully will come more in the organized hand, which means there will be a better competition compared to the very, very unorganized competition.

Rudraksh Gupta:

This sustains profitability for the industry and helps capex building as well. Fair. Sir, the second question is more related to this situation where geopolitics is what you referred to where, you know, some countries who are also manufacturers and exporters have been having issues and those issues in my understanding have worsened in the current West Asia war, if I may say so.

Is that correct as an understanding and is there a further weakening of other Asian competitors which will give a sustained advantage to India? Is that a fair assumption or an understanding or that is something where we can see a comeback from them very quickly?

Neeraj Jain:

You know, if we look at the spinning sector, the four countries are or a five countries are taking 90% share in the spinning. China, India, Pakistan, Bangladesh ...and... Vietnam. These are the five countries which are taking care of almost 80%, 85% of the world spinning capacity.

Let's look at it one by one. China, they started reducing their spinning capacity almost 15 years back. From a peak of 112 million spindles, they are today down to 84 million spindles only. Though they've announced some capex in the Xinjiang area where there are lots of cotton, but

at the same time, the government of China this year has officially announced that we want to reduce the cotton in the Xinjiang area and we want to move more on the food articles as the country will be requiring more food grains for their consumption.

So which means the cotton will come there also and if we look at last 10, 15 years as I mentioned, their peak capacity from 112 million spindles have come down to 84. So which means they will not be expanding, which means we can, the inference could be that they'll not be expanding in a big way.

Second country is the Pakistan. Now Pakistan again if you look at their own issues and concerns, be it political, be it power availability, be it or any other factor, I think there is the limitation, so they will also not be expanding their business in a big way to cater to the international demand.

Third is the Vietnam. Now Vietnam already is a very small country, small population and they've done fantastic job in the textile starting from spinning to the garmenting. As their per capita income has started moving up, there is more interest of the people to go in for the electronics and the service industry there also. So with a small population, we don't feel that Vietnam will be increasing further on the spinning side, rather whatever is there they can at best utilize that, not likely that they'll be expanding the spinning business to that extent.

Fourth is the Bangladesh. Bangladesh is very strong on the garmenting after China they are number two players, almost \$54 billion to \$55 billion worth of exports they are doing on the garmenting side. The spinning capacity today is about 14 to 15 million spindles and the utilization is not more than 55%, 60% even as of now. Because of, they are very strong at the garmenting, some groups have gone back-to-back where they've put in a spinning capacity, but spinning is a very, very large capex required, you require, and they don't have cotton, they'll have to import everything.

So eventually it looks like the major spinning expansion may not happen in Bangladesh also. But on the garmenting side, they may continue to grow. As a result of that, they'll be requiring good quality yarn as well as the fabric from out, they may require, so to that extent they'll have to depend upon someone else.

And the last out of these five is the India, which is today the best place because we are number two spinning capacity in the world. Even with the 41, 42 million spindles, we are second largest in the world today in terms of technology, in terms of cotton availability and in terms of the overall clusters in the geopolitical. I think we are definitely better placed. Now I can only hope that India should be in a position to take full advantage of this situation.

The only caveat I have in mind is that the raw material availability at international competitive prices, which we have been talking to the government and we are hopeful that the government looking at the overall potential will definitely understand and look at something like this.

Rudraksh Gupta:

Thank you, sir. That's very, very helpful once again.

Moderator:

Thank you. The next question is from Sudhir Kedia from ValueWise. Please go ahead.



- Sudhir Kedia:** Yes, good evening sir and thanks for the opportunity. Sir, you have outlined lots of reasons for the tailwinds for the industry. My question is more from the next season perspective, do you think that next season cotton also gets impacted because of the weather conditions in the [.....]?
- Neeraj Jain:** Yeah, so there are two factors. One is a physical cotton, second is a future cotton. So whatever is the weather conditions announced today, it's already captured in the future prices. And going, going by the situation if things goes, worsen, it can increase, if things become better or the more rain happen, it can soften also. But cotton is one product where based upon the future events which are likely to happen, it's already capturing into the market very, very well.
- Sudhir Kedia:** So from cotton prices perspective, you think that the [.....] is already captured in the cotton prices from international perspective, right?
- Neeraj Jain:** As of now yes, but definitely there are, so one is the more news coming in based upon that whatever condition can happen. Second is the possibility for the hedge fund or the speculative funds which is beyond control of any one of us.
- Sudhir Kedia:** Right. Sir, second question is that while the spreads have increased almost by 40%, 50% from their lows, what has been the spreads at the peak in the past and do you think that the spreads can rise further from the current levels as you move ahead to the next season?
- Neeraj Jain:** Most of the times if you last look at last 20 years except the, the years which could be very good were very good, that the \$1 spread is always considered to be good for the spinning industry.
- Sudhir Kedia:** Okay. So with rupee depreciation, that will add extra to the earnings of the spinners for the industry, correct?
- Neeraj Jain:** It should normally because our cotton is about 50% to 55% of the total finished product. So whatever with the rupee changes happening, the cotton will align to in US cents very, the cotton gets aligned to US cents very fast because anyone who is buying here will always look at New York Future and the landed cost in India based upon the US cents, but whatever is the value addition that advantage comes in with the weaker rupee.
- Sudhir Kedia:** And sir, my next question is do you, up to what time do you expect this spreads to sustain, meaning do you think this to sustain from one to two quarter perspective or, or maybe four to five quarter perspective? How should we look at that?
- Neeraj Jain:** Today things are good, it's really, really difficult for me to say whether New York Future will remain at these prices or what will happen to the China or the war, so it's very difficult. But I can say as of now things are looking nice and there doesn't seem to be any big concern. Rest, it's very difficult for me to predict whether it can be for five quarters or one quarter or two quarters, but as of now and I can tell you most of the spinners from India in export market are sold for three months as of now.
- Sudhir Kedia:** No, my reason, the reason of my question was because some of these reasons which you highlighted, like on the spinning capacity, these are structural reasons and they, they are not seasonal. So from that perspective?



Neeraj Jain:

From that perspective, definitely seems to be a better place. Yeah, from that perspective, it's a better place. But then the cotton prices or the demand structure or anything happening on the war side, there are so many factors today that anything can play anything.

But yes, in Indian context, with the, with the closed down of part of the capacity, it can be better placed and also we have a better situation going forward because of the FTAs and next 12, 15 months definitely things are likely to be better only for India, Indian garmenters and the home textile. So to that extent, we are optimized or we have a optimism to that extent as well.

Moderator:

Thank you, sir. Due to time constraint, we will take this as a last question. I now hand the conference over to management for the closing comments.

Neeraj Jain:

So I think we've tried to give based upon our judgment our thought process we've tried to give whatever best knowledge we have, rest the events occurring in the across the world are so fast, so many that it's impossible for anyone to understand and know the impact of that on the overall industries.

But definitely as I mentioned, after long after two, three years, there seems to be some respite to the industry, again for the reason as I mentioned that our raw material became more competitive. And with the better and with the better demand and the lesser capacity, we are definitely better balanced as of now.

I hope the next year should be better year for most of the textile companies including Vardhman and in the meantime, most of the industry very, very opti, has a optimism based upon all the FTAs which the government has done which is which could be a major growth engine for our garmenters and the home textile.

And we being the textile producer or textile material supplier to them, if they do well, definitely our company can also do well. So thank you very much for your confidence and your support always. Let's hope things will be better in the next times to come.

Moderator:

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