NITIN SPINNERS LTD.
NITIN
CONFIDENCE IN TEXTILES
Tested for harmful substances according to Oeko-Tex® Standard 100

REF: NSL/SG/2024-25/
Date : 31.01.2025

BSE Ltd.
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Company Code – 532698

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

Sub. : Transcript of Analyst/Investor Earnings Call held on 27.01.2025

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on January 27, 2025 on Operational and Financial Performance of the Company for the Quarter and Nine Months ended 31st December, 2024. The same is also available on the website of the Company i.e. www.nitinspinners.com.

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

SUDHIR KUMAR GARG
Digitally signed by SUDHIR KUMAR GARG
Date: 2025.01.31 10:19:17 +05'30'

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

“Nitin Spinners Limited

Q3 FY '25 Earnings Conference Call”

January 27, 2025

“E&OE - This transcript is edited for factual errors and readability. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27/01/2025 will prevail.”

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

MODERATOR: **MR. AWANISH CHANDRA –SMIFS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Nitin Spinners Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant line will be the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone telephone.

I now hand the conference over to Mr. Awanish. Thank you, and over to you, sir.

Awanish Chandra: Thank you very much, everyone, for joining the call. On behalf of SMIFS Limited, I welcome you all to Quarter 3 FY '25 Earnings Conference Call of Nitin Spinners Limited. We are pleased to host the top management of the company. Today, we have with us Mr. Dinesh Nolkha, Promoter and Managing Director of the company; and Mr. P. Maheshwari, CFO of the company. We will start the call with initial commentary on results, and then we will open the floor for question and answers.

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

P Maheshwari: Thank you, Awanishji. Good evening, and warm welcome to all the participants to this Q3 and 9 months' FY '25 Earnings Call of Nitin Spinners. I hope all of you had a chance to look at the investor presentation that is uploaded on the company's website as well as stock exchanges. Before Sri Dineshji elaborates on the present industry scenario, I'm giving below the brief financial highlights for the quarter and 9 months ended 31st December 2024.

Revenue for Q3 FY '25 was INR 839 crores against INR 822 crores during Q2 FY '25, that is an increase of 2% Q-o-Q basis. On year-to-year basis, revenue increased by 11.7% from INR 750 crores in Q3 FY '24 to INR 839 crores in Q3 FY '25. Revenue for 9 months ended 31st December 2024 is INR 2,464 crores against last year of INR 2,105 crores, that is an increase of 17%.

EBITDA for the quarter stood at INR 117.16 crores as compared to INR 115.15 crores in Q2 FY '25 and INR 102.73 crores in Q3 FY '24. EBITDA for the 9 months ended 31 December is INR 351.11 crores against INR 260.81 crores in the same period last year, that is an increase of 34.6%. EBITDA margin for the quarter is 13.97% against Q3 FY '24 margins of 13.69% and Q2 '25 margins of 14%.

Profit after tax for the quarter is INR 44.78 crores as against INR 42.16 crores in Q2 FY '25 and INR 31.75 crores in Q3 FY '24, that's an increase of 6.2% quarter-on-quarter. Profit after tax for 9 months ended December 31 is INR 129.06 crores against last year's PAT of INR 92.35 crores in the same period that is an increase of 39.7%.

EPS and cash EPS for the quarter is INR 7.96 and INR 14.59 per share, respectively, and cumulative EPS for 9 months is INR 22.96 and cash EPS is fixed.

Coming on the company's operational performance. Overall, the company has delivered steady performance during the quarter in view of favorable raw material prices, though low selling prices impacted margins slightly.

On the operational front, our spinning capacity is currently running at over 95% utilization, while the weaving and finishing divisions are operating at more than 90%. Given the current capacity constraints, it is felt that achieving further revenue growth will require strategic investments in expanding the production capabilities.

To maintain our growth momentum, the Board of Directors have approved a significant capex plan of approximately INR 1,100 crores across the existing verticals, that is yarn and fabrics, mainly focusing on value addition and cost efficiencies. The expansion includes addition of approximate 66,000 spindles in spinning boosting our production capacity by about 22,000 metric tons per annum.

About 60% of yarn produced will be used for fabric activity. In weaving, we will be adding 250 air jet/ rapier looms along with enhanced dyeing and finishing capacity of about 35 million meters per annum. Additionally, we will expand our renewable energy footprint with addition of about 11-megawatt AC solar power capacities aligning with our sustainability goals. The expansion will be funded by approx INR800 crores of debt and remaining by internal accruals and will be implemented over the next 24 months.

That is all from my side. I now request Dineshji to appraise about industry and business scenario.

Dinesh Nolkha: Thank you, Maheshwariji. The textile industry is showing signs of resilience and growth with increasing developments across key markets. Despite some challenges, the overall momentum remains positive with exports recovering into 2024. This growth reflects the industry's ability to adapt and overcome the impact of high inflation and rising interest rates in major markets.

Despite challenges like price deflation, trade disruptions, the spinning segment continues to show strong momentum, reinforcing India's position as a key player in this segment in the global textile market. On the domestic front, the cotton prices have stabilized with the expectation of reasonable crop.

The prices are expected to remain stable towards lower end ensuring more predictable input costs moving forward. Although domestic prices are still marginally higher than the international level, the overall demand scenario is gradually improving. Additionally, we expect spreads to improve in the coming quarters, further supporting profitability and our operational efficiency.

Looking ahead, the prospects for the textile industry are optimistic with growth expected at a decent pace in 2025 driven by stable cotton prices, favorable forex rates and a continuous focus on operational efficiencies. Various expected initiatives by Government of India to boost textile manufacturing and exports add to the positive outlook. With these developments, the Textile Industry is well positioned for reasonable growth and expansion in the coming years.

To maintain our growth momentum, we have announced capex across all our existing verticals, details of which are shared in investor presentation and by Mr. Maheshwari as well. The expansion will enable us to strengthen our market position, broaden our product portfolio and introduce high value-added and niche products and also increase our renewable power capacity, which will lead to the cost efficiencies.

With these investments, we are confident the company is well positioned for sustained growth and to meet the increasing demand for quality fashion fabrics from both domestic and international brands.

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

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

Jatin Damania: Sir, just wanted to understand, I think in the opening remarks, you highlighted that the cotton prices have stabilized and domestic demand is back into a traction with the export recovery. So can you throw more light in terms of how the export has picked up in the last 9 months? And how do we see exports picking up in short to medium term from here?

Dinesh Nolkha: Here, I would like to highlight first that in the year 2023, our average exports of cotton yarn from the monthly average exports of cotton yarn was in the range of about 60,000 tons per month. I'm talking about the whole country. Now, this has recovered to about 100,000 tons at this point of time.

At the peak, it has gone to about 120,000 tons as well. So slowly as the markets are recovering, we are seeing that there is a demand coming back. Also the lower prices of the cotton as well as the other fibers is inducing customers to go for more purchasing as well.

Jatin Damania: And sir, how do we see that demand growth as far as the domestic market is concerned?

Dinesh Nolkha: Domestic market is steadily growing. There is a steady demand in the domestic market. We see various organized and unorganized players, both moving in the right direction. Also, some of the exporters of the finished goods are also seeing a good demand. They have a good order book in the exports, especially on the garmenting side. So they are also doing reasonably well.

Jatin Damania: So sir, now if you indicated that the domestic cotton prices is still at a premium to the international prices. So if one wants to take a short to medium-term view, how do you see the yarn prices or the spreads moving up for the industry? Because we, as a company, has announced the capex -- other competitors has also announced the capex in the spinning. So how do you see as the current spending industries, what is the status of the industry going up?

Dinesh Nolkha: First of all, industry -- the spinning industry especially is passing through one of its rough phases, where a lot of consolidation is happening. We have seen a lot of smaller capacities to the tune of -- if you talk about the total capacity, about 12% to 15% of the spinning capacity is already closed or on the verge of closures.

So there is some traction due to that as well because the demand supply situation has already balanced there. Plus there is also, as far as -- and your question was that, we see there is a demand? We see that the going forward demand particularly will be better in the export market, seeing that we foresee that wars, etc., which is the geopolitical tension which has happened all over the world will settle down going forward, and that may percolate to a better demand scenario as well.

Also, we are seeing the demand recovery coming back in markets like U.S. as well as in Europe. So overall, the scenario looks reasonably okay for us to go in for this kind of capacity expansion. As far as spinning is concerned, we are not going for any major capacity addition, which is, if you want to see from the point of view of sale, it will be a very small capacity addition if you compare with, because most of the capacity which is being created will be used for our fabric division only.

Jatin Damania: The last question from my side before I jump back into the queue. Now the much awaited capex that you were waiting for and you have announced on the INR1,100 crores of capex. So just wanted to understand the IRR that you are expecting on this? And secondly, since both this -- all this capex is likely to be come by in the next 24 months. So from here until next 24 months, what is the growth drivers for the company and the levers that company has in terms of the improvement in our margins?

Dinesh Nolkha: First of all, as far as -- I'll answer the second part of your question. First of all, we feel that we are trying to do a lot of cost optimization part. So that has been a continuous process with us and due to which we have been able to hold steady our margins also. So we expect that those results -- that will be also fructifying going forward.

Also, as there is a stability in the international prices as well as -- and that means not the stability. I would say it is at the lower end of the -- international prices are at the lower end of the cycle. We feel that any uptick in that as well as stability in Indian cotton prices will lead to a better margin scenario for the delta from yarn fiber will also be better.

So going forward, we see that should improve our margins going forward. We are at the lower end of the margins, I would say. So that is one part. Going forward, as you say that for the next 2 years' time, we'll be seeing that these projects which we have announced, that is the total will be completed within less than 2 years.

So we expect that it will -- partially, operational performance will start to kick in going forward in next 1 year's time as well. So accordingly, that will be the revenue picture for us. As far as the IRR of the project is concerned, I think the IRR should be in the range of 14% to 15%.

Jatin Damania: Okay. So this is indicated in terms of margin, which you indicated to cost optimization. So last 2 quarters, we are seeing 14% margin and 15% margin. So do we expect 100 bps to 150 bps improvement in the margin at least in the coming quarters or probably, it will be on the lower end of that numbers?

Dinesh Nolkha: I would not like to comment on the exact because we do not know how the market scenario will behave. But definitely, on the cost side, we are having quite tight cost controls, which will help us to control our costs. The margin is a factor, which is being decided by the market conditions as well.

So I'd not like to comment on the forward margins [But definitely, as you see, we have been able to hold steady to our margins in last nearly 1 year's time. Any improvement should be -- we expect an improvement as such.

Moderator: Thank you. The next question is from the line of Falguni from Mansarovar Financials. Please go ahead.

Falguni: I just have one question. What percentage of our revenue is derived from fabric at the moment, meaning annual revenue?

Dinesh Nolkha: At the moment, our revenue is about 25%. And with this capex going forward, we are expecting that it will be one-third of our revenues, the expected revenues.

Falguni: Okay. Sir, and one more. On the cotton yarn spread, how are they now? And what do you expect them to be in the coming quarter? Let's say, how would Q4 be versus Q3 as regards cotton yarn spread?

Dinesh Nolkha: It is definitely better than what it was in the last quarter, but I'll not be able to give you the exact number. I can just tell you that in the last quarter, our raw material prices were about INR161 a kg and our yarn prices were about INR265, INR266 a kg. So delta was about INR100. We expect the similar delta or maybe a higher delta -- slightly higher delta to be maintained in the coming quarters.

Moderator: Thank you. The next question is from the line of Kaushal Kedia, is an Individual Investor. Please go ahead.

Kaushal Kedia: Sir, I want to understand what is the debt profile of the company right now? What is the debt outstanding as of today?

Dinesh Nolkha: Maheshwariji, can you highlight on the debt side?

P Maheshwari: Yes, sir. So as on 31st December, our total term debt is about INR850 crores and working capital another INR400 crores. So total INR1,250 crores as of now.

Kaushal Kedia: And so out of the INR1,100 crores, how much of the debt do we plan to increase?

P Maheshwari: So for the project, we are proposing INR800 crores of term loans.

Kaushal Kedia: So debt will go up to around INR2,000 crores plus?

P Maheshwari: This -- but repayment will be there over a period of 2 years. So about, say, about INR350 crores of loans will be repaid over the next 2 years.

Kaushal Kedia: How much of the loan will be repaid?

P Maheshwari: INR350 crores of loan will be repaid over the next 2 years.

Kaushal Kedia: Okay. So we will come down to around INR1,700 crores -- INR1,650 crores, INR1,700 crores?

P Maheshwari: And there might be slightly increase for working capital. So by March '27, we'll be close to about INR1,900 crores total debt.

Kaushal Kedia: Okay. And this debt also is under the same state subsidy scheme, the new debt that we will be taking on?

P Maheshwari: Yes.

Kaushal Kedia: And sir, the previous subsidy, have we got that until now or we've not because the interest numbers are not showing that, the finance charge?

Dinesh Nolkha: No, I think...

P Maheshwari: The finance cost is net of subsidies.

Kaushal Kedia: So this finance cost that we've showed at almost INR20 crores, INR21 crores is net of subsidies, you're saying?

P Maheshwari: Yes.

Kaushal Kedia: Sir, this works out to around INR80 crores per annum. And our debt as of today is INR1,250 crores. So that's roughly 6%, 7%. And so the subsidy received for the previous quarter, which we received late, that has also been accounted for?

P Maheshwari: Yes.

Kaushal Kedia: So where did that come in the financials, which quarter?

P Maheshwari: No. It is -- it was accounted in the last quarter only.

Kaushal Kedia: Okay. Under which head?

Dinesh Nolkha: Basically -- I think the previous -- we have not accounted for any early quarter subsidies. We have -- as the subsidy accrues, we have accounted for it accordingly. We have not considered any subsidy for the prior period, so it has to be considered somewhere else.

Kaushal Kedia: No, because for December '23 and March '24 quarter...

Dinesh Nolkha: No. We were not able to get the subsidy for that. We were not able to get the subsidy. The period started with this year only.

Kaushal Kedia: This year only. Okay. And second question is what will be the cost of the new debt and what is the cost of debt as of today after subsidy?

Dinesh Nolkha: At the moment, I think the blended cost -- our total blended -- our cost is about 8.7% and -- for the term loans, I'm talking, and the net of subsidy is about 5.7%. And...

Kaushal Kedia: So 5.7%. If I take 6% also, roughly it should be about -- it should be about -- 6% should be about INR72 crores a quarter, but we are showing that a bit more...

Dinesh Nolkha: I think -- we have working capital costs as well. So that is not subsidized.

Kaushal Kedia: Okay, understood. And sir, new debt will also be subsidized in the same way?

Dinesh Nolkha: Yes, same way.

Kaushal Kedia: And sir, are you seeing any issues in Bangladesh, because I think we supply about 16% to Bangladesh, our 16% of revenues are in Bangladesh. So are we seeing any issues there?

Dinesh Nolkha: No. I think, no, we are not supplying. Our 60% revenues are not there in Bangladesh, please. Our revenues are about 30% of our sales, total sales is in Bangladesh. So first of all, let me correct you on that, yes.

Kaushal Kedia: No, I thought 16%. Because I think previously, it was reported somewhere 16%.

Dinesh Nolkha: No, you are talking 60%.

Kaushal Kedia: No, 16%,.

Dinesh Nolkha: Yes, it is about -- in total, it is about 28% or 29% for this quarter.

Kaushal Kedia: Okay. So we are not seeing any issues in the regular supply chain with Bangladesh or any disruptions our there? Its' businesses are regular.

Dinesh Nolkha: No. As it is. No business change.

Kaushal Kedia: And sir, what do you feel on the entire Bangladesh issue? Will -- what kind of an impact will it happen -- will it have on the textile or garment industry in India? Positive impact or?

Dinesh Nolkha: First of all, political disruptions in any country definitely impacts the business in a long term. Short term, there may or may not be having any disruptions. But definitely, the new business which is supposed to come to Bangladesh is moving out of that country. They may able to hold to the quantity volumes which they are doing, but new business is definitely coming to India as well as to other competing countries. So to that level, we will have an advantage definitely, first of all.

Secondly, also the new -- because of their capital crunch, the new investments also have stopped, especially on the back end of spinning and fabric manufacturing, which they were doing in a big way during 2019 to 2022, '23. So that augurs well for us, although their garment capacity is increasing. But due to their working capital cycles as well as on the capex side, they are not able to grow their -- take more loans on that side and increase the capacity. So that should be -- that should help the Indian players.

And we are one of the closest suppliers to them. By road, the goods can reach within less than 2 weeks to them. And by sea, the goods are reaching within 3 weeks' time. So that is an advantage which they cannot avoid. So -- they are rather dependent -- part of their textile industry is depending on the supply chain from India as well. So I don't foresee any major issues coming from India, and we should have rather some advantages only.

Moderator: Thank you. The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: Sir, just one question. Sir, are you a bit late in announcing the capex? Because you are full at capacity. And for next 12 months, there will not be any capacity available. If I take current quarter as a base, you got it? So are you a bit late -- if yes, then what was the consideration, why you delayed the announcement of the project?

Dinesh Nolkha: First of all, I don't think we are late. We are not at all late. We have to look at the various options available to us. What are the areas where we can grow our products. So being in a very challenging environment in the spinning from last nearly 2 years' time, so we just wanted to see that there is a stability in the demand coming in. And then we are able to decide the kind of product ranges, the kind of new products which we can do, then only able to do it.

So we had very cautiously evaluated our options and then gone for that. Instead of going in for investments without a thought, we thought let us spend some time on the drawing board first and then go ahead with the project.

Chirag Shah: And sir, second is the new -- your IRRs that you indicate on the projects are similar to what you made earlier despite having more value addition in it, right? So are you a bit conservative in your IRR guidance? Or is it based on current market environment and if you can just share some light, because you are increasing your weaving capacity, your spinning is going to be captively consumed -- fabric capacity, I mean, etc. But your IRR numbers that you're targeting seem to be a bit low?

Dinesh Nolkha: First of all, with this more and more value addition, investments also go more. So your capex allocation also increases. So EBITDA can be improved. Definitely, EBITDA is a different number, could be a different number. But IRR, we have to look at IRRs, what we have seen in last 1 years or 2 years and remain conservative on that side. It is better to remain conservative on that side, because you have to go with your past experiences and also factor the worst conditions as well. If it comes better than this, it is good for all of us.

Chirag Shah: Yes, I was asking the same question, sir. So it is more based on the recent the demand dynamics and pricing dynamics, your IRR. If things turn out to be better, because I'm not going back to the best periods, but we have had better periods than what we had in the last 2 years, right, as a business cycle?

Dinesh Nolkha: Yes, I agree with you.

Chirag Shah: Okay. So would it be possible for you to indicate what kind of margin assumption you are building in this IRR? Would you like to share that? It will help us to understand what could be your normal IRR in case scenario is better than what we were in the last 2 years?

Dinesh Nolkha: Basically, as far as overall margins are concerned, this kind of this project, particularly what we are envisaging. We are envisaging an EBITDA levels of 20% plus.

Chirag Shah: 20% plus -- above. Yes.

Dinesh Nolkha: So we are -- because it's more -- from end to end. It is from fiber to fabric, not -- so instead of dividing it in various parts. So that is the area where we are targeting.

Chirag Shah: Great. And asset turn would be like it has been in the past, right, or it would have a lower asset turn?

Dinesh Nolkha: Yes, asset turn will be 1:1, I think.

Chirag Shah: 1:1, right? Okay. And sir, lastly, you said some of the capacities coming within 12 months or around a year...

Dinesh Nolkha: No, in this particular -- in this particular capex plan, what we have discussed, we have also put in certain up-gradation and cost efficiency plans also for our existing plant, which is to the tune of about INR50 crores. So that we will be -- that will be taken care within next 1 year itself. Also some small capacities on the weaving and finishing side could also be -- can start within this -- by the end of next financial year. So some small top line can also be achieved there as well. So some of the capacities in part will start to come in.

Chirag Shah: Okay. So basically, our volume growth story would happen 2 years from now?

Dinesh Nolkha: In FY '27.

Chirag Shah: FY '27. There is -- are you -- is there any lever to increase the volumes over the next 12 months, 18 months or what we are doing -- so what is the peak utilization that we can go? That's what my question was. We are 95% right now, around 90%, 95%?

Dinesh Nolkha: Some small -- we are already running at nearly peak utilization in spinning. Not much things left there. Some small debottlenecking or something may happen in next 1 quarters or 2 quarters. So that may add to very small capacity. On the weaving and finishing side, we are running at nearly the top capacities. Knitting can add something more. Utilization can improve there slightly, so that should add. Other than that, only the cost efficiency will play out.

Chirag Shah: Yes, because our yarn production is around 27,000 metric tons, yarn production. So it should stay in that ballpark, maybe 5% plus-minus?

Dinesh Nolkha: Yes.

Moderator: Thank you. The next question is from the line of Amit Kumar from Determine Investments. Please go ahead.

Amit Kumar: Sir, just one question. So on one side, we are basically saying that 15% of the industry capacity is basically going out of the system or getting shut down. But when you look at the major players, Vardhman, yourself, you are sort of adding a lot of capacity, fairly strong capex from both the companies really?

So just sort of trying to understand this. And is there not an opportunity to sort of grow inorganically? Or what's the constraint there in terms of -- I mean you are looking to sort of add capacity if somebody is looking to basically shut down capacity. I mean it's very straightforward to assume that a transaction can be potentially made here. So what's the reason, why you would not look at inorganic growth opportunities rather than organic?

Dinesh Nolkha: First of all, the major capacities, which are going down today are due to their uneconomical operational sizes also -- major capacity, like 5,000, 6,000 spindles, 10,000 spindles capacity, which are -- which are not an economic size. So they are not able to manage the cost at that level. That is one of the reasons.

Secondly, certain technology has become very old. So technologically, they have a disadvantage in terms of their operational costs. So someone -- the companies which have continuously upgraded their infrastructure, their machineries have been able to maintain a float. Otherwise, some of the capacity they have to stop because even they are not able to recover their operational costs.

So these are the 2 major reasons. And thirdly, insufficient funds to run the mills because of lack of capital with them. So that is also one of the major reasons why most of the companies have gone out. So any company which is in the third category could be there, which can be acquired otherwise. There is no point in acquiring or going in for acquisition of a company, which is -- or an asset, which has low -- which has a high operational cost. So that will not be margin accretive to us.

Thirdly, also on the quality front also, most of the older units, which are more than 15 year, 20 year old have much -- a lot of disadvantage in the present quality terms. Today, most of the yarns which is sold is compact yarn. They have higher -- the stringent quality requirements, which was not the case for the units, which was about 15, 20 years old.

So this is one -- and thirdly, economic size, as I told you. So if some good opportunity comes in, definitely, we can evaluate that. And accordingly, going for inorganic growth also can help. But at this point of time, we do not find any such asset bases.

Amit Kumar: Okay. And my only sort of surprise here is the fact that I mean 15% -- spinning is a pretty big industry in India, given domestic demand and export opportunity as well, although that's going to grow even further in the future. But, I mean...

Dinesh Nolkha: This particular capacity which is down, has been over a period of time. It is not that they have suddenly stopped. It is over a period of time. Let's say, the installed capacity today is about 55 million, 56 million spindles. And the operational is about 48 million. It is not that this capacity of 6 million or 7 million spindles have stopped all of a sudden.

They had stopped over a period of time. Some spindles have stopped maybe 3, 4 years back itself. Some units stopped in COVID and not started only. So it is the total capacity I'm talking of. I'm not talking about what was the capacity 2 years back and what is the capacity today. Overall capacity utilization is only 85%. That's what I'm saying.

Moderator: Thank you. The next question is from the line of Akshay Kothari from JHP. Please go ahead.

Akshay Kothari: So just wanted to know the breakup of the capex. So around INR700 crores would be for the fabric, INR300 crores for spindles and INR50 crores for renewable power, right?

Dinesh Nolkha: No. Our breakup is spinning is INR400 crores. This includes the renewable power for the spinning. Then fabric is about INR550 crores and INR50 crores is for the cost efficiency or improvement plans in our existing units. So this is INR1,000 crores and another INR100 crores is for margin money for working capital.

Akshay Kothari: So sir, excluding the power side, capex per spindle is around INR55,000 or INR60,000?

Dinesh Nolkha: It should be in the range of INR56,000, INR57,000.

Akshay Kothari: Okay. And sir, I recollect, where are we putting this plant? Is this at Begun sarai?

Dinesh Nolkha: Most of the capacity is coming in our Begu plant. The new plant which we started in Chittor district in 2018, '19, at the same place, it is coming in.

Akshay Kothari: So last time I recollect, we did the capex in much lesser time. So is there any chance that you may complete it in much lesser time?

Dinesh Nolkha: Cannot -- it's a reasonable size capex wherein a lot of construction -- civil construction also has to happen. So keeping the things simple, we would like to stuck by the delivery -- of the kind of schedule which we have given, and we'll try to improve as it is possible.

Akshay Kothari: So the numbers will start coming in from FY '28 onwards, right?

Dinesh Nolkha: FY '27.

Akshay Kothari: The '26, '27, 24 months. So the full impact of the...

Dinesh Nolkha: As I told in my earlier -- one of the earlier questions also, that this will be implemented in the phases -- parts. So parts will be getting started. So considering that, we will be able to -- the numbers will start reflecting. If you want to see the full year -- full capex number, yes, full year number would be in FY '28, yes.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So considering this new capacity full impact or even partial impact coming from FY '27, any outlook or guidance sort of for the next year -- coming financial year '26? What kind of revenue numbers one can assume?

Dinesh Nolkha: Normally, we do not give any financial guidance for the next year. So that is what we are following as a practice.

Rahil Shah: Directionally anything, better than FY '25 or something? Do you expect like given the market conditions and the demand?

Dinesh Nolkha: Markets -- the revenue guidance definitely is a delta of the kind of cotton prices and the differential with the yarn as well. So a lot of it depends on the raw cotton side. We expect the raw cotton to remain at the similar level what it was there in this financial year. So expect similar kind of revenue numbers going forward as well.

Rahil Shah: But you definitely expect improvement in margins given your cost efficiencies and optimizing activities?

Dinesh Nolkha: Yes. Optimization activity should add to our margin and rest depends on the market conditions as well.

Rahil Shah: Right. And can you just please reiterate the IRR you're expecting? I missed the number for the new capex you're doing?

Dinesh Nolkha: In the range of about 14% to 15%, that is the IRR.

Moderator: Thank you. The next question is from the line of Rina Rathod from KVR Capital. Please go ahead.

Rina Rathod: I had a couple of questions regarding the capex update. So this INR1,100 crores that is the total cost, how are you bifurcating this for FY '26 and '27? You've given across verticals, I was just wondering, based on the years, the next 24 months, how do we segregate this? And regarding the capacity being commissioned, can you throw some light on the time lines for the capacity being commissioned? Like I'm assuming it will be in a staggered manner. Could you help me understand that?

Dinesh Nolkha: First of all, there is no such breakup at the moment available with us, how much we'll be doing in FY '26 and '27. Most of the -- if you see, normally the capex is back-ended initially because only the construction and the advances are being placed. So normally, the major capex comes in the last 6 months to 7 months of that project. Of course, they will be divided in 3 parts. We have spinning, finishing and weaving segments working in this direction.

So broadly, you can -- for the number of purposes, you can divide it, the total capex in 2 parts, half in the FY '26 and half in FY '27 as such. So that is broadly -- it's a ballpark number which I talked about. And as far as the completion date, we are assuming that we should be able to complete this in the last quarter of FY -- in the calendar year '26. Maybe somewhere in October to December of 2026, we are expecting this to complete -- the complete project.

Rina Rathod: Okay. Also, could you elaborate more on the benefits, like you mentioned, interest subsidy, capital subsidy, electricity duty benefits and RIPs. So could you elaborate more on that?

Dinesh Nolkha: Normally, electricity duty benefit in Rajasthan state is about INR 0.60 per unit, which is nearly 10% of our power costs. Then about -- we will be eligible for about 5% of the interest subsidy, interest subject to about 2.5% of the total capex -- total eligible investment, something like that. So this works out to about 2.5% -- about 2.7% to 3% of our this thing. And there is a capital subsidy of about nearly INR180 crores to INR200 crores spread over the next 10 years. So that is equally divided every year we get.

Reena Rathod: Just a couple of more questions. How do you see the current cotton season coming along like in terms of crop size, arrival quality? And how much inventory do we see in quarter 4?

Dinesh Nolkha: First of all, cotton crop remains -- we feel that the size should be same as last year. There should not be a major deviation from there, plus/minus 2% to 3%, that's all. There should not be a major deviation. Quality-wise, this year's crop is definitely better than what we have seen last year.

It is very well irrigated and rains were also appropriate, so the quality is also good. And the prices we are -- and MSP operations are on in India. Nearly 45% of the crop is being taken up by the Cotton Corporation. We expect that the cotton prices should remain at this MSP levels of INR54,000 around.

Moderator: The next question is from the line of Keshav Garg, Counter-Cyclical PMS.

Keshav Garg: Sir, I want to know your thoughts about forward integration into garments in the future? Any plans or we'll expand only in fabric and yarn?

Dinesh Nolkha: At the moment, it is only in fabric and yarns. As far as garmenting is concerned, in my past discussions also, I have highlighted that this will be a completely new arena for us. And we are -- we want some major kick in like a good PLI scheme or something to venture into this particular arena. We want to go with a reasonable size whenever we go in this, and want to be a reasonable player also.

So looking to that, we are waiting for some good initiative -- incentives coming in from the government's side. If something of that sort comes up, definitely, we can look ahead.

Otherwise, the routine course at the moment for next 2 years, we do not have any plans for the garmenting.

Keshav Garg: And also, sir, regarding this -- for the next 2 years, so what kind of volume growth can we expect from the existing operations unless new capacity comes? So can you give us some idea in terms of percentage or absolute numbers?

Dinesh Nolkha: It has been highlighted clearly in our investment presentations also that we are running at nearly 95% plus capacity. In fact, in spinning, we are running at 97%. So spinning, we do not expect any major volume addition. Part of it, small -- very small can come by debottlenecking or something like this, but which is very, very insignificant, I would say. So as far as volume is concerned, I do not see any major things coming in next 12 months at least.

Keshav Garg: And sir, what about the fabrics. Over there, it's mentioned 85% utilization. So can we go through 100% over there?

Dinesh Nolkha: We are above 90% in our fabrics. In our weaving and processing division, we are running nearly 90% plus capacity utilization. So there, we can expect it to slightly improve, which we are targeting as well. So that should slightly improve by 5%, 7%, maybe.

Keshav Garg: Sir, also, are we into the processing and dyeing or we are only making the fabric and that's all?

Dinesh Nolkha: We are dyeing, finishing, printing, everything, complete range of products.

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang.

Manish Ostwal: Most of the questions already asked. I have only one question. In terms of the trade shift from Bangladesh to India, is there any inquiries or any trend you guys are picking up for the medium term for -- in India and that we can benefit out from that trend? So can you comment on that thing?

Dinesh Nolkha: Basically, what we're seeing at this moment is the garmenting capacity -- at the moment in India, garmenters are getting very good orders from overseas customers, especially on the knit side. So there are good orders with most of the knitting players today. So that has shifted -- not shifted, I would say. The additional new orders are not going to Bangladesh and coming to India.

So in this, India is quite strong in fashion kind of products, so capacity-wise utilizations and improvements should happen in that particular segment. Knitting was quite down for last 1-1.5 years. Now, it has come back in a proper manner.

Manish Ostwal: Okay. And secondly, sir, you made a comment just now, in the next 12 months, there's no possibility of volume growth. So in terms of earning trajectory for us for next year, what would be the driver?

It will be margin expansion due to cost reduction measures or value-added category adding the margin? So earning -- for FY'26 earnings growth driver, what are -- what would be those driver, sir?

Dinesh Nolkha: Basically, I have already highlighted that in my earlier comments also that we should be seeing better cost efficiencies. We definitely will go ahead with better product -- try to do better product mixes also. And going forward, since we are also expanding in various products in our new capacity, so we will try to implement them in our old plants also.

So it should be a mix of better product mix, cost efficiencies and some slight debottlenecking, also cost efficiency in terms of new modernization or the cost efficiency improvements what we are doing in our -- this plan as well.

Manish Ostwal: And the new capacity, what will the incremental margin profile? It will be...

Dinesh Nolkha: If we -- the new capacity, if we see -- if that has -- today, our fabric is about 25% of our -- fabric is about 24% to 25% of our sales. Going forward, this should become nearly 1/3, 33% plus. So that should lead to the improvement in the margin by 150 to 200 basis points overall, if conditions remains as it is. So margin profile should improve going forward.

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

Falguni Dutta: I have one more question, which is on the volume. What was the sale volume -- yarn sales volumes for the quarter?

Dinesh Nolkha: I think, it's there in the presentation also. I think the production was about 27,000 tons of yarn we've produced approximately, and we produced about 88 lakh meters of fabric on the fabric side.

Falguni Dutta: Sales also we should assume similar almost?

Dinesh Nolkha: Yes, in sales, it's slightly better. If you see we have see we have deposited some like inventories have gone down. The sales has to be better than this.

Falguni Dutta: Sir, can you give me the sales volume figure, if possible?

Dinesh Nolkha: It is there in the presentation itself. The exact number is not there with me. Maheshwariji if you can highlight the exact number.

P Maheshwari: Sales volume number, we've given 22,781 metric tons of yarn we've sold in this quarter.

Falguni Dutta: Okay. And this is including of the captive consumption for fabric?

P Maheshwari: No, no. It's outside sales.

Falguni Dutta: Outside sales. And what would it be including that? Would it be similar to the 27,000 metric tons or more including captive consumption?

P Maheshwari: Pardon me? What you are asking? Total sales including captive? Sales plus captive consumption what is the figure?

Falguni Dutta: Yes, sir.

P Maheshwari: This production is 27,000 tons and about 5,000 tons, we have consumed internally. So total is 27,200 or 27,300 tons something like that.

: Yes, yes.

Moderator: The next question is from the line of Sandeep Seth is an Individual Investor.

Sandeep Seth: I just wanted to check what would be the capacity utilization for the kitting unit -- knitting fabric unit?

Dinesh Nolkha: It is about 60% at the moment.

Sandeep Seth: 60%. Okay. And how much is likely for fabric. You mentioned that the capacity is about 40 lakh meters. On the knitting side, how much is the capacity?

Dinesh Nolkha: That is in the Kgs and the tons. The knitting capacity is about 28 tons a day, that is 11,000 tons every year, and we are at about 60%, that is about 1,700 tons for this quarter.

Sandeep Seth: Okay. Secondly, on the project IRR -- the IRR that you mentioned for the new capex of 14% to 15%, that's for project IRR?

Dinesh Nolkha: Yes, exactly. Yes.

Sandeep Seth: So given that your debt will be at, say, about 6% and the debt equity is more like 3:1, so equity IRR will comfortably be about 20%?

Dinesh Nolkha: Yes, exact number, I'm not having. So it should be better definitely.

Sandeep Seth: Okay. And, lastly, any expectation from the coming budget?

Dinesh Nolkha: We cannot comment on expectation. We have a lot of expectations, but we have been discussing, engaging with the government at various stages. Our associations are also engaging. So I do not want to speculate on that particular front. That is something they will do what they want to do, but we have been requesting them for a lot of things.

Sandeep Seth: My query was particularly on the custom duty, which has been a burden for the industry. So do you expect any changes there?

Dinesh Nolkha: I don't know. I do not -- to be very honest with you, this is something which is involving farmers community, the minimum support price operations and various multiple factors. So government will take a holistic view and then accordingly decide, so no comments with that.

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

Uday Kumar: Sir, what was the realization for woven and knitted fabrics in this quarter? Are we observing any signs of demand improvement in that segment?

Dinesh Nolkha: The realization was in the range of about INR160 -- in the woven fabric, it was about INR161 per meter. So it is more or less stable what it was there earlier. Means the decline, there is a slight decline, which is similar to the raw material costs, not a major decline there. So demand definitely is better. Demand in that segment is definitely better, That is why we are targeting to increase our capacities in that segment.

Uday Kumar: Okay. Sir, one more thing on the cotton price parity, that the international and the domestic and sir, what is your view on the cotton price going forward?

Dinesh Nolkha: First of all, I think international -- first, let me highlight on the international. International cotton, that means the New York future, which defines the cost normally for most of the people, is at the lower end of the cycle. It is most -- the cotton cost which is there with various countries, it has already breached some of the levels. So that is one basic thing. It's a very good crop this year, much higher than last year, about -- if you see in US as well as in Brazil, also Australia is stable. China, there is a higher cotton supply.

So altogether, the cotton prices, we do not see a downside of more than 5% to 7% from here in the raw cotton internationally. As far as -- so -- and of course, there is not a very big demand improvement as well to take it to a very high level. So it should remain range bound at the lower end.

As far as Indian cotton is concerned, we are at the minimum support price level. Today, as we see, nearly 45% of the crop is getting garnered by the government agency, Cotton Corporation of India. So the second half will be decided -- the second half prices of this cotton season from April to September will be decided by the Cotton Corporation.

We have made a lot of representations with government to keep it industry-friendly and not -- and should do the parity with the -- have a parity with the international pricing. And accordingly, the cotton should be made easily available to the industry. We expect that the government is very sympathetic on this front as well. So we are -- in view of that, we are thinking that cotton prices will remain as it is where it today is.

Uday Kumar: Okay. And sir, what is our average cotton price and the inventory level we have right now?

Dinesh Nolkha: To be -- I think I'm not having the exact number of the cotton inventory level, but last quarter average, cotton cost was about in the range of INR161 a kg. So it should be lesser than this definitely.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Awanish sir for closing comments.

Awanish Chandra: Sir, we are hearing a lot of things from US, especially from the Trump tariff side. So any read into from our business perspective or overall textile industry perspective? That's the first. And second, anything which can concrete comes from the budget side on the industry?

Dinesh Nolkha: First of all, the effect of the -- on the tariff side should be positive only for the industry. Government of US has already removed the GSP benefits, which were available to our Indian textiles. So we do not see any further -- that was removed about 2, 3 years back itself. So we do not see any further tariffs coming on that side.

Yes, if the tariffs are imposed in general on the Chinese imports, then that should benefit. And relatively, we would be in a better position to supply the garments as well as the home textiles over there. So there is going to be some advantage only from the Trump tariff era which we are supposed to see going forward.

As far as budget is concerned, to be very honest, we do not have any concrete thing known to us that what is going to come in the budget. We have, as an industry, from the associations and from our companies as well, we have represented many things. We hope -- we are expecting that government is sympathetic to this industry.

We are understanding very well that this is an industry which is very important for overall employment in the country as well as for the growth of the manufacturing as well. So they would be considering certain benefits for sure. Let's hope for the best. It is just 3, 4 days ahead now. So I do not want to speculate anything there.

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

Dinesh Nolkha: Yes. Thanks a lot, Awanishji, for hosting the call and also the SMIFS for organizing this call. I'm hopeful that we have been able to take care of all the queries which have been there. If anything is not done, maybe you can write to our investor relationship advisers as well as to our finance team. And thank you all for taking out the time and joining this call. Thank you very much.

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