



FIL/SE/2024-25/24
13th August, 2024

National Stock Exchange of India Limited
Listing Department
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Bandra-Kurla Complex, Bandra (E)
Mumbai-400 051
Security Symbol: FILATEX

BSE Limited
Listing Department
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Mumbai - 400 001
Security Code: 526227

Sub: Transcript of the Earnings Conference call held on 9th August, 2024 for the Q1FY25 results of the Company

Dear Sirs/ Madam,

In continuation of our letter No. FIL/SE/2024-25/19 dated 5th August, 2024 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript in respect of the Earnings Conference call held on 9th August, 2024 for the Q1FY25 results of the Company.

This is for your information and records please.

Thanking you,

Yours faithfully,
For FILATEX INDIA LIMITED

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COMPANY SECRETARY

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“Filatex India Limited
Q1 FY '25 Earnings Conference Call”
August 09, 2024



MANAGEMENT: **MR. MADHU SUDHAN BHAGERIA – CHAIRMAN AND
MANAGING DIRECTOR – FILATEX INDIA LIMITED
MR. MADHAV BHAGERIA – JOINT MANAGING
DIRECTOR – FILATEX INDIA LIMITED
MR. ASHOK CHAUHAN – CHIEF VISIONARY OFFICER –
FILATEX INDIA LIMITED**

MODERATOR: **MR. ADITYA VORA – SHARE INDIA SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Filatex India Limited's Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aditya Vora from Share India Securities. Thank you, and over to you, sir.

Aditya Vora: Thank you, Sagar. Good afternoon, everyone. On behalf of Share India Securities, I would like to welcome all the participants for the First Quarter FY '25 Earnings Conference Call of Filatex Limited.

We are pleased to have with us the management team represented by Mr. Madhu Sudhan Bhageria, Chairman and MD; Mr. Madhav Bhageria, Joint MD; and Mr. Ashok Chauhan, Chief Visionary Officer. We will have the opening remarks from Mr. Madhu Sudhan Bhageria to give an overview on the company's performance. This will be followed by the question and answers. Thank you, and over to you, sir.

Madhu Sudhan Bhageria: Thank you, Aditya. Good afternoon. A warm welcome to all of you attending this conference call for the quarter 1 FY '25. Joining me in the session are Mr. Ashok Chauhan and Mr. Nitin Agarwal. I presume you would have gone through the investor presentation, which had been uploaded on our website as well as on the stock exchanges.

Let me mention key operational performance indicators. We achieved a sales volume of 95,962 metric ton as against 1,00,211 metric tons in Q1 FY '24. The operating EBITDA is around INR61 crores, a growth of around 35% from INR44 crores in Q1 FY '24. The net profit has increased to INR32 crores in this quarter from INR18 crores in Q1 FY '24.

Though the performance is slightly better on a year-on-year basis, it is still not normal as the margins are under pressure. The domestic demand is still subdued. We can see the residual impact of massive imports of fabrics from China. Though rural demand is showing good signs of recovery, it is not translated to textile segment. The mild growth in demand is in essential commodities, addressing bear necessities. Retail inflation is still bothering the large segment at the bottom of the pyramid.

In the last 3 years, several successive waves of turmoil have rippled across the globe affecting global economic recovery, causing fears of economic recession, upheavals and affecting daily lives of people. The confidence is shaken and sentiments are subdued. Governments of different countries are continuously struggling with various policy options to stimulate the economies and restore confidence of business sectors to take step towards sustainable growth.

Crude prices and consequently petroleum derivatives are still not stable. Fluctuations are viable almost on daily basis. Geopolitical tensions have marked many aspects, be it inflation rate or exchange rate or international prices of raw materials and shipping rates. Fears of recession in large economies like the U.S. escalating tensions in West Asia, unwinding of yen have spooked

the investors in the financial markets. This may result in sharp tightening of monetary policy in advanced economies, which led to financial stress in emerging and developing economies.

Some cascading effect of these tremors trickled down to manufacturing sector and consequently, the consumers. However, the long-term outlook remains constructive due to strong fundamentals, government initiatives and now a stable banking sector. Some long-pending corrections like inverted duty structure on polyester import materials will give impetus to the domestic industry.

Another request under consideration is shifting these materials under Ministry of Chemicals and Fertilizer to Ministry of Textiles. The end products, yarn and fibers, are under Ministry of Textiles, and it would help them to take a holistic view of the global competitive scenarios. So far textile business, the battle in the domestic market is going on, and we hope situation will gradually improve further. For textile yarn exports, it is equally difficult to compete in the international market against lower Chinese prices worldwide.

Lack of export volumes from India also put pressure on domestic demand. Government is considering fixing minimum import price on fabrics for import against all HS codes. The global textile industry is experiencing a significant shift. Global textile industry has been identified as one of the major polluters. The footprints of pollutions are everywhere, be it rivers or ground water, air, soil biodiversity, marine life.

Textile industry is under close scrutiny for identify practices that cause pollution and remedial measures are moving from the suggestive stage to enforcement stage. Environmental, social responsibility are no longer simply buzzword. They are essential considerations for exporter seeking to compete in global marketplace. Consumers are no longer contained with close woven from environmental devastation.

The consumer want threads spun from conscious choices, fabrics dyed with responsibility and garment stitched with a respect for our planet. Use of hazardous chemical in processing textile is under in-depth study. Norms are being defined to phase out all hazardous chemicals. International brands and their consumers are increasingly demanding traceability in offering of sustainable products and regulations are tightening to ensure ethical and environmentally practices throughout the supply chain.

We strongly believe that this is the time for textile transformation, embrace sustainability or be left behind. To ensure sustainability and reduce environmental impact from the textile and apparel industry utilizing a sustainable circular economy model is of utmost important. Sustainability means meeting our own needs without compromising the ability of future generations to meet there.

The circular economy model is in brief a system solution framework that tackles global challenges such as climate change, biodiversity loss, waste disposal and pollution. It is one of our topmost priorities to be a contributor to this model. Sustainability is a survival mantra for human lives, businesses and our planet. Imbibing this is not just a major compliance of some key parameters but also a way forward to grow business.

In line with this thinking, we have been carrying out our R&D for textile recycling. We have developed and patented a process based on molecule regeneration of polyester, which can be recirculated infinitely. We are running a pilot plant to use miscellaneous types of textile garment, home linen or pre-consumer waste. Simultaneously, we are in advanced stage of discussion with equipment suppliers for a 26,250 tons per annum capacity plant.

Our future path for growth is likely to be through recycling of polyester generally expressed by acronym, T2T. Such plants could be located near all manufacturing -- textile manufacturing hubs initially and once end-of-life collection system of collecting polyester textile waste is established, location would be chosen based on transportation conveniences. Several companies all over the world are experimenting to develop commercially viable technologies. We are of a firm belief that though sustainability in textile may sound difficult, it would be the way forward.

We have procured the land and are in the process of seeking permissions to set our recycling facility as a greenfield project. In our assessment, we should be completing the project by end of December 2025. In the existing plants, we are consolidating operations and taking steps towards compliance to sustainability standards. We have sourced around 30% of our energy from renewable sources, thereby reducing the carbon footprint. Thank you.

Moderator: Sir, should we open the floor for question?

Madhu Sudhan Bhageria: Yes.

Moderator: Our first question is from the line of Basant Pandey, who's an individual investor.

Basant Pandey: Sir, I just wanted to know what is the situation about the cationic yarn expansion, which we had planned, and which was to commence by March and then May and in June? And yet, we don't have any update on that, sir.

Madhu Sudhan Bhageria: The cationic yarn trial production has started. Commercial, I think we should be able to do in next week or 10 days. It was delayed due to some environmental clearances, which we wanted. So now we have got it, so it will be having commercial production maybe next week or 10 days.

Basant Pandey And sir, where is the land that we expected to procure for this new plant of ours?

Madhu Sudhan Bhageria: We've procured the land, and registration will happen in the next 15 days. Near the plant in Dahej only, it was around 5 kilometers from the existing plant.

Moderator: The next question is from the line of Charvin, who is an individual investor.

Charvin: Yes. So sir, I wanted to know, is there any capex guidance for the next 2 years?

Madhu Sudhan Bhageria: Yes. The capex guidance is, see, we will be investing in a subsidiary or recycling. The total capex there is INR300 crores, and we would be going in a mix of equity and loans. And then we are also planning, as the market improves, to invest around INR125 crores in increasing our POY and FDY facility as we have added cationic polymerization. Now we'll have more polymer available, so we would be adding that. So that will be INR125 crores. So these are the 2 capex capacity in the next 2 years.

- Moderator:** The next question is from the line of Aditya Vora from Share India Securities.
- Aditya Vora:** Sir, just one question on demand. I mean the first half is expected to be bad and recovery is in sight. But any guidance for the second half of FY '25? And what would be the key figure for change in demand going forward?
- Madhu Sudhan Bhageria:** Yes. I think second half should be very good. Normally, second half is always better than the first half. As in the winter, the demand for the fabric increases. And I don't know after this Bangladesh episode, we expect a lot of orders of export of garments also to be diverted to India. So that could also trigger some extra demand. Otherwise, also, there is a constant increase in the demand year-to-year. So that should also happen. And there is no new capacity coming in the next 6 months or 1 year as of now. So that all will boost the demand.
- Moderator:** Our next question is from the line of Gaurav Agrawal from Nine One Capital.
- Gaurav Agrawal:** Sir, how has been the imports in India after June or let's after July? As of now, how is the situation? Is it still at the same quantum as it was 6 months back, 3 months back? Or have you been able to see some kind of decrease in the imports into India?
- Madhu Sudhan Bhageria:** See, yarn imports have definitely decreased from beginning of this year but the fabric import is continuing. And government had put in March some minimum import price on certain HS codes. But certain HS codes were left out. So now material is coming through that. And I think the government is in the process of putting minimum import price on that also. Once that happens, then it will substantially go down. But yes, it has gone down -- gone down slightly.
- Gaurav Agrawal:** Okay. Okay. And sir, any outlook on this year EBITDA margin or for next year whatever you have in mind based on the current situation as per the prevalent condition?
- Madhu Sudhan Bhageria:** First half, I don't think we'll have any improvement. But second half, I think second half margins should be very close to maybe 9%, something like that.
- Moderator:** The next question is from the line of Harsh Patel, who's an individual investor.
- Harsh Patel:** What's the plan for exports?
- Madhu Sudhan Bhageria:** Sorry, what did you say, for?
- Harsh Patel:** What's the plan for exports?
- Madhu Sudhan Bhageria:** See, exports is not so viable because of China, they have a raw material, which is much cheaper than India because we get it on landed price parity in India. And even if we import raw material, we have to incur extra freight and local charges. So export, definitely, I don't think will increase. We do export. But the export volumes are very small, maybe around 2%. I don't see export increases in the near future drastically, till the time the parity of the raw material between China and India is sorted out, I don't see exports of yarn going up. But yes, government and the fabric export can increase, that will induce demand for our product in India.
- Harsh Patel:** Okay. How are the spreads currently?

- Madhu Sudhan Bhageria:** Currently, spreads are not very good. That's reflected in our results also. So I think around 5%, 6% EBITDA margin is going on.
- Harsh Patel:** What's the improvement from last quarter?
- Madhu Sudhan Bhageria:** Last quarter, this quarter is almost similar, maybe a slight decline of point of 1% or 2%.
- Harsh Patel:** And are we expecting improvement going further?
- Madhu Sudhan Bhageria:** Yes. From third and fourth quarter, we are expecting significant improvement. Not in the second quarter, we're not expecting so much improvement but third and fourth quarter should be significantly better.
- Harsh Patel:** What would be the margin increase?
- Madhu Sudhan Bhageria:** No, I cannot give that number.
- Moderator:** We have our next follow-up question from the line of Basant Pandey, who's an individual investor.
- Basant Pandey:** Sir, you mentioned that the cationic yarn would be entering commercial production within the next 8 to 10 days. So wouldn't that help improve our margin for the second quarter also?
- Madhu Sudhan Bhageria:** It can slightly help but nothing significant. It's a very small volume initially. The plant capacity is 75 tons. And we would be operating initially maybe at 60%, 65%. So I don't think this quarter, we'll have any improvement because of that. Already -- I mean 2 months would have lapsed by then.
- Moderator:** The next follow-up question is from the line of Charvin, who is an Individual Investor.
- Charvin:** So is there any guidance on the debt you will be taking in the future?
- Madhu Sudhan Bhageria:** See, right now, we're not taking any debt. Yes, for our recycling plant, we will take a debt in the subsidiary company because there are some interest-subsidies available from the state government. To avail that, we will take a debt. So that could be around INR150 crores but that will mostly happen in FY '26.
- Moderator:** Thank you. As there are no further questions from the participants. I now hand the conference over to the management for closing comments.
- Madhu Sudhan Bhageria:** I thank all the participants for sparing their time in joining us and hope to talk to them in the next quarter, year-end call. Thank you very much.
- Moderator:** Thank you. On behalf of Filatex India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.