



NITIN SPINNERS LTD.



NITIN

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BSE Ltd.

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Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.

Exchange Plaza, C-1, Block G,

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Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 10.11.2023

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on November 10, 2023 on Operational and Financial Performance of the Company for the Quarter and Half Year ended on 30th September, 2023. 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 Garg)

Company Secretary & VP (Legal)

M.No. ACS 9684

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“Nitin Spinners Limited Q2 FY24 Post Result Conference Call”

November 10, 2023

**MANAGEMENT: MR. DINESH NOLKHA – MANAGING DIRECTOR, NITIN
SPINNERS LIMITED
MR. PURUSHOTTAM MAHESHWARI – CHIEF
FINANCIAL OFFICER, NITIN SPINNERS LIMITED**

MODERATORS: MR. AWANISH CHANDRA – SMIFS LIMITED

**Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy,
the audio recordings uploaded on the stock exchange on 10th Nov 2023 will prevail**

Moderator: Ladies and Gentlemen, Good day and welcome to the Nitin Spinners Limited Q2 FY24 Post Results Conference Call hosted by SMIFS Limited.

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 '*' then '0' on your touchtone phone. Please note that the conference is being recorded.

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

Awanish Chandra: Thank you Akshat. I welcome you all on Quarter 2 FY24 Post Result Conference Call of Nitin Spinners. Today to discuss the results we have with us Managing Director – Mr. Dinesh Nolkha and Purushottam Maheshwari – CFO of the Company.

First, we will have initial commentary from the management and then floor will be open to question and answer. Over to you, Dinesh sir.

Purushottam Maheshwari: First we will give brief financial figures then Dinesh sir will discuss the industry scenario. Thank you Awanish.

Good afternoon and warm welcome to all the participants to this Q2 and H1 FY24 Earning Call of Nitin Spinners. I hope all of you had the chance to look at the investor presentation that is uploaded on the Company's website as well as stock exchanges.

Before our Managing Director elaborates on the present industry and business scenario, I'm giving the brief financial highlights for the Quarter and Half Year Ended September 23.

Revenue for the quarter was Rs. 737 crores against Rs. 617 crores during Q1 FY24 an increase of 19.5% QoQ basis. On a year-to-year basis, revenue increased by 45.8% from Rs. 505 crores to 737 crores in Q2 FY24 and half year revenue for the current year is Rs.1,354 crores against last year's first half revenue of Rs. 1,214 crores increase of 11.5% because of increased capacity utilization and expanded capacity.

Exports for the quarter was 58% of total revenue against 56% in Q1. Export for the first half was 57% of revenue against 56% in last year.

EBITDA for quarter stood at Rs.81 crores as against Rs.76 crores in Q1 FY24 and Rs.57 crores in Q2 FY23. Cumulative EBITDA for first half is Rs. 158 crores against Rs. 165 crores in first half FY23. EBITDA margin for the quarter stood at 11.12% against the previous quarter margins of 12.33% and last year some quarter margins of 11.27%.

Profit after tax for the quarter is Rs. 31 crores as against Rs.28 crores in Q1 FY24 and Rs.29 crores in Q2 FY23. Cumulative profit after tax for the half year is Rs. 60 crores against last year's first half PAT of Rs. 94 crores. EPS and cash EPS for the quarter is Rs. 5.64 and 9.98 per share respectively and for half year the EPS is Rs. 10.7 per share and cash EPS 19.22 per share.

That is all from my side. I request the Managing Director to appraise about industry and business scenario.

Dinesh Nolkha:

Thank you Maheshwari ji. First of all, let me welcome all the participants and wishing you all a very happy festive season Happy Diwali and Dhanteras today. First of all, I would like to highlight upon the industry scenario.

Textile Industry and especially the cotton yarn industry has faced challenges during last several months. I'm pleased to share some positive developments amongst these trying times which has prevailed during last year and the industry is on the path to recovery and there are reasons to be optimistic about the future. Cotton prices have remained relatively stable throughout the year and the gap between international prices has significantly narrowed in last 6 months.

The cotton prices for the new season have been adjusted and now hovering around Rs. 56,000 per candy. This stabilization process allows us to plan more confidently for the future. Furthermore, utilization in the spinning industry is approaching normal levels and there are signs of improvement in demand. Reasonable cotton prices, increased retail consumption and reduced downstream inventory have contributed to this positive trend.

There is a clear indicator that our industry is adapting to the changing landscape. However, due to the effect of geopolitical tension and soaring inflation and increasing interest rates especially in US and European countries, demand remains subdued, and margin remained below normal level.

In Conclusion while we may have encountered some headwinds, the textile and cotton yarn industry remain resilient and adaptive, and we are committed to working together to overcome these challenges and in a brighter and more prosperous future for our industry.

Regarding the Company's performance during the quarter and year, spinning and woven fabric utilization was near optimum levels during the quarter with some additional yarn production from trial run activities this has led to a 19.5% increase quarter-on-quarter in the Company's top line. Overall exports have also increased due to the stability in raw material prices.

Despite these positives, weak export demand and expectation of lower cotton prices have kept our realizations and margins below normal levels. To address the challenges the Company is working to improve margins by focusing on value added segments, enhancing production efficiencies and controlling costs.

With expanded capacities and the modernization of existing facilities, the Company aims to improve cost competitiveness and broaden its products offering to meet the diverse customer needs.

Regarding CAPEX, the Company has already completed significant expansion activities, including the woven knit and fabric divisions by the June 2023 itself. The spinning division expansion at our Hamirgarh location and some part of Air jet spinning at Begun location has already been commissioned during this quarter. The only remaining expansion is the ring spinning expansion at the Begun plant of about 32,640 spindles which are approximately of Rs. 165 crores out of the total CAPEX of about 860 crores. In this expansion, all the machinery has arrived and the trials are underway. The Company expects to commission this expansion within this month itself.

This is all from my side and now I think we are open for the questions from the participants.

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

Prerna Jhunjhunwala: Sir I just wanted to understand the improved utilization levels, is it across India or globally the utilization levels has increased in the spinning industry?

Dinesh Nolkha: First of all, we are seeing that the utilization level in the industry in Indian spinning industry is in the range of about 85% to 90%. Last year due to very high cotton prices many spinning mills stopped their production because they did not want to buy a very high price raw materials. So, in India the level is in the range of 85 to 90% and as far as we gather from the various information that the utilization level overall in the worldwide is also around the 80% level.

Prerna Jhunjhunwala: Now that demand has improved to such a level where overall industry is operating at 80%. What will give us pricing power with the client because we've been operating at sub optimal margins for a longer time now actually, we were happy about getting higher margin during the upcycle, but this down cycle has also remained for a longer time. So, how do you see from a medium-term perspective when do we get our pricing power back to get normal margins?

Dinesh Nolkha: Prerna ji as I explained in my earlier remark in this particular while talking about the industry .what we have seen is that continuously from last one year time cotton prices have continued to fall since they are falling from Rs. 1 lakh a candy to about Rs. 56,000 a candy a fall of about Rs. 45,000 a candy.

In this process, whatever was the inventory has also been absorbed by the industry first ,that has also hit the margin. Second, in a falling regime nobody wants to build up the inventory or rather everybody is intending to reduce their inventory levels. So, this has actually reduce the actual demand per se. In fact, the consumption at the retail levels could be higher, but overall demand remains less.

So, once these prices stabilize and we start looking at a better pricing regime we'll reach the bottom level then only we can see the margins going up. So, it's like a cycle where you are going down so nobody wants to buy and as soon as it starts picking up automatically the utilization as well as the margins will start looking better.

Prerna Jhunjhunwala: Sir your capacity is completing in by this month as you mentioned, could you help us understand how is your debt repayment position is now for the next two years?

Dinesh Nolkha: I think Maheshwari ji you can highlight about this whatever means we have long term maturity debt of about 145 crores in the next financial year FY25 and at this point of time in this year we had a debt repayment of about 115 crores.

Purushottam Maheshwari: Next year it will be 145 crores and this year 106 crores.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: My first question on your export demand market outlook we have seen sir the home textile companies is seeing the demand recovery. So, in our segment how you are seeing the market recovery and then export segment for the second half and the next financial year? So, what's your comment on that?

Dinesh Nolkha: In cotton spinning normally our exports used to be in the quantitative terms used to be in the range of 110 million to 120 million kg per month. This used to be our normal exports during the 21 and first half of 22 as well .post the European standoff Russia-Ukraine standoff, and the increase in the interest rates in US, this went down substantially, and it went down to a low of about 40 million kg also in December 22 and January 23 around.

So, now this has recovered back in the last two months data what we have of August and September. They have already been clocking more than 115 million kg for the quarter. So, I think we are reaching normalcy level as far as the quantities are concerned. Of course, for the pricing, as I explained there are still some pressures on that.

Manish Ostwal: And secondly, our capacity expansion plan, so the remaining capacity commenced during the quarter, how we should ramp up the capacity in the second half?

Dinesh Nolkha: If you see our numbers which we have explained in the presentation investor presentation, we normally used to produce about 18,000 tons of yarns every quarter that is 72,000 tons per annum. So, this we are targeting that we will reach 1 lakh tons per annum by virtue of our expansion. In this last quarter, we have reached 21,000 tons and going forward we are expecting that we will reach 25,000 tons in last quarter of January to March and maybe to around 24,000 plus in the coming quarter. So, accordingly a ramp up in the capacity will happen.

- Manish Ostwal:** And did you share any guidance on margin outlook for the second half?
- Dinesh Nolkha:** Normally we do not share any margin guidance, but as I explained in my opening remarks that the margin remains still subdued as the demand pull is not that much. Once the cotton prices stabilizes and we start to look up for a stable regime then only we can go forward for a better margin, and if you look at our last 10 years margin, they have been in the range of about 16% and in the long term, we expect that we shall reach there, but for the next 3 months, 4 months, 5 months we are not expecting the normalcy to come back.
- Moderator:** Thank you. The next question is from the line of Ankit Shah from ICICI Securities.
- Ankit Shah:** Just wanted to understand about the export market and what is the demand scenario over there?
- Dinesh Nolkha:** Demand scenario definitely has improved since last 6 months since what we were seeing in earlier part of this year. We are definitely better off than that. We lost the price parity, if you would have heard about ,in my earlier calls have also we have explained earlier that there was a wide disparity between the cotton prices of India and the international. So, we lost that parity and because of which our export had come down.
- Now the parity has come back. We are at a reasonable parity level and because of which the demand is also normalizing. Of course, we are still seeing lower demands from the European countries, still they have not recovered to the level what we would expect them to be, but in general overall demand has been better than what it was in the previous two quarters.
- Ankit Shah:** So, can we assume that the second half will be better than the first half in terms of revenue as well as the profitability?
- Dinesh Nolkha:** As far as the revenue is concerned definitely it will be better since our expanded capacities will kick in. So, definitely it will be there. Operating margin wise I cannot comment at this point of time because cotton prices are stabilizing and reaching the MSP levels in India, minimum support price levels which is around 55,000 to 56,000 so they are reaching there whereas international cotton all of a sudden in last 7 days to 10 days have fallen by 10%. So, we'll have to see where this parity reaches and that will also determine the demand as well as the profitability part for us going forward.
- Ankit Shah:** So, we can say that the margin will be in the same range as posted in the current quarter, right?
- Dinesh Nolkha:** I cannot comment that it would be better that you can extrapolate yourself.
- Moderator:** Thank you. The next question is from the line of Ameet Kalyanpur from East India Securities. Please go ahead.
- Ameet Kalyanpur:** The fabrics revenue of 178 crores, which has been mentioned in the investor presentation, can you please provide a breakup in between knitted and woven fabrics?

Dinesh Nolkha: Maheswari ji can you specify.

Purushottam Maheshwari: I think we have given combined figure of this.

Ameeth Kalyanpur: So, is there a breakup I think earlier you used to give a breakup of this number?

Purushottam Maheshwari: Yes, it's true, knit fabrics is in the range of 34 crores and 35 crores and balance is woven fabric.

Ameeth Kalyanpur: And what would it be Q1?

Purushottam Maheshwari: Knit fabrics revenue was 24 crores.

Ameeth Kalyanpur: Also, this interest cost for Q2 and Q1 seems to be about the same level now that the project has been commissioned a significant amount of interest would have been capitalized. Now from Q3 onwards what could be the interest cost per quarter basis and before you start repaying?

Dinesh Nolkha: I think the interest cost before the incentives or anything we receive proposed to receive should be in the range of about 25 crores.

Moderator: Thank you. The next question is from the line of Purna Jhunjhunwala from Elara Capital. Please go ahead.

Purna Jhunjhunwala: Sir opening commentary suggests that home textile started doing better and you also suggested that woven fabrics are doing better. Could you give some clarity on how the domestic demand shaping up across segments and for especially for you as well, so that we can get an understanding because export is recovered you mentioned and if domestic has also started doing better than things could improve meaningfully, but most of the commentaries from retail or brand as of now they're just hoping for a good festival demand, so if you could help us with the ground level demand that is coming up from your customers, it will be helpful?

Dinesh Nolkha: There are four, five segments of our basic textile industry, home textiles, woven fabrics, knits, the denims and also then fifth is the industrial textiles. So, here we are seeing that home textile demand in the international market has improved. In the domestic market, it is more or less at the same level what it was earlier, but since the exposure towards exports is better for the home textile Company, so they're definitely doing well ,there the demand has picked up pretty well.

In the woven fabric in the formal wear segment, we are seeing the reasonable demand and most of the brands are now which has reduced stocks with themselves ,are refilling their inventories and we are hoping for a very good festive season in next two months and there is a very good festive as well as the marriage season coming up because this kind of formal wears have a lot of demand. So, we are expecting reasonable domestic demand there.

As far as knits is concerned, we have already seen the worst. This is our opinion that we have already seen the worst, lot of stocking happened during COVID times, which has already destocked, and we should see a stable demand. We are seeing that the improvement in the utilization levels also at the knitting industry level. So, there we are still seeing an improvement side and we expect going forward we will have better times for knitwear industry as well.

Denim industry, however, we have not seen any major improvement. Denim industry in domestic side still the utilization are subpar and the demand also is subpar. Export side if you see we are catering to various Denim companies all around the world. So, in some part of the world like Bangladesh like Turkey they are doing slightly better than our Indian counterpart. So, I personally feel that domestic industry is still not recovered to that level in Denim what we expect it to be, but hopefully in going forward with lower cotton and lower yarn prices, they should be also able to ramp up their production.

Prerna Jhunjunwala: And sir also help me with the fabric mix how much is domestic and how much is exports?

Dinesh Nolkha: I think in the fabric side our exports is in the woven side the exports is about 15% and the 85% is the domestic and the knit side I think it is 50-50 50% is domestic.

Prerna Jhunjunwala: And sir what would be your cotton procurement strategy now largely because cotton has been volatile, I mean reaching MSP level few weeks back it was 60,000 plus per candy, so how are you looking at stocking up cotton for businesses?

Dinesh Nolkha: There is no fixed strategy for this definitely and we have to see it on a day-to-day basis on a basis how it shapes, but this is our feeling that we are reaching the bottom. We cannot go down below a level where the government will start intervening and the cotton corporation of India will start buying there at minimum support price level.

And for sure if this time cotton corporation buyers they will build their reserve stock which may last for longer period of time. So, if you see just in isolation in India as a country, we will see we should start building up the inventories once the cotton season is in full swing, but internationally also we have to look at where we are seeing a lot of mayhem happening in last one week, the New York futures have gone down by more than 10%. Everywhere the prices are coming down, so we'll have to see both the angles and then decide how to go about stocking.

Prerna Jhunjunwala: And sir is there any MSP in the global market as well or is it in India only I mean just to understand if global prices will find support somewhere if keep going?

Dinesh Nolkha: This is MSP by Government of India. So, this is run by them only. We normally watch for the cost of production, let's say cost of agriculture production which happens below which normally most of the cotton growing countries give subsidies to their farmers. Of course, one of the major producers like Australia does not have any such mechanism where they give any

subsidies. They purely run on commercial terms, but as far as US is concerned, Brazil is concerned and as well as China, they have a support mechanism there whereby when the prices go down the lower level they support to their farmers and that price level normally is in range is around 75 cents. So, even in India, if we calculate the MSP, it will work out to around 80 cents, 78 to 80 cents. So, this is how it should work. So, normally over a longer period of time it should remain in this range only.

Moderator: Thank you. The next question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

Nikhil Agrawal: So, my question was on the margins like since September to October, sorry July to September saw a dip in realization, so are we expecting gross margins to go further down in Q3 given that there is a lag effect?

Dinesh Nolkha: Normally for us already the yarn prices, the cotton prices have also started to fall. So, the raw material prices will also come down if the yarn prices come down, we will also see the cotton prices. They have been moving in tandem since last 4 months, 5 months, so should not have major impacts on us as far as margins are concerned.

Nikhil Agrawal: And sir you had mentioned about your exports in 2021 and then they dip, can you please mention that again I've missed a few numbers?

Dinesh Nolkha: Basically exports was in the range of 115 to 120 million kg per month and now it went down to a level 40 million kg in the earlier half of per month in the earlier half of this calendar year 23 and it has recovered back to nearly 115 kg, 120 million kg in August to September.

Nikhil Agrawal: Okay 115 million kg per month?

Dinesh Nolkha: Yes, per month.

Nikhil Agrawal: So, why are you saying that like export have almost reached peak level why are you saying that demand is kind of subdued and what I mean if you could throw some light on this?

Dinesh Nolkha: Basically, the first part is that during last two years we have seen an increase in the capacity of the industry also. So, it should increase. We went substantially down. So, we should see a basic way to sustain the kind of spinning system which we have as I explained we have utilization already of 85% to 90%. If you have to go further, then this exports also need to increase. So, it should go up ,also basically the margin levels, that is also happening because the prices are falling. In a falling price regime, the bottom of the pyramid, which is the cotton as well as the yarn has the major effect. People are reluctant to buy it and they buy it with the lag effect. So, that actually reduces the margins of the spinning industry. Going forward once the prices start to look up or stabilize, the demand per se will improve and automatically the margins also improve.

Nikhil Agrawal: So, what would be that your figure like you said it was 115 to 120 million kg per month in exports in 21 which was in the peak. So, what do you expect the number to be right now like in that scenario you would say that the demand is good, and it would react in the yarn prices as well?

Dinesh Nolkha: If we are able to sustain the exports above 125 million kg a 10% increase from the top what we saw earlier 125 to 130 million kg of exports consistently for 3 months, 4 months, 5 months, then I think we could definitely look at much better number.

Moderator: Thank you. The next question is from the line of Vikas Rajpal from Reliance PMS. Please go ahead.

Vikas Rajpal: Sir, my first question is on the new product expansion, specifically on the new capacity expansion. So, any new value-added products that you have introduced with the new capacity and also, I wanted to ask on the new client addition, specifically in the export markets for the fabric division, so have you added any new clients in the export market for that?

Dinesh Nolkha: First of all, regarding the new product, we have been focusing on the newer technologies as well as the newer product range also. So, we have now moved towards a lot of blended yarn wherein we are trying to do lot of various kinds of blends, various fibers earlier we were doing only 100% cotton.

Now we are doing polyester viscose, modal, various kinds of recycled cottons, organic cottons, recycled fibers, polyester fibers, all those kinds of various kinds of blends, we are moving towards that. So, a lot of capacity has been dedicated to that direction. So, that new product addition gives much better value addition than the normal yarn. So, that is of course being added.

As far as in the fabric division, we keep on adding the client and we are not focusing on one particular substantial client which I can number, but we are definitely adding many export clients. We have already been working with many of the leading international brands, which we have already mentioned in our past presentations also and we are adding upon their capacity even one particular brand has a lot of verticals where they have verticals for men, women, kids or home textiles. So, we are trying to get into more and more into them.

Vikas Rajpal: Sir, on the inventory part what was the quarter inventory that we had during the last quarter and what was the cost of that inventory?

Dinesh Nolkha: I think it is the end of the season and it was very, very minimal, maybe less than a month inventory would have been there and that was at the current price levels itself only nothing older inventory, they're not holding any old inventories.

Vikas Rajpal: And sir going forward what is your plan with the inventory levels like how many months of inventory would you because I'm asking because earlier when the cycle was very good, we

were keeping 5 months to 6 months of inventory as well. So, now going ahead with the fact that you're saying that the cotton prices have not yet reached their base. So, what would be the inventory level going forward?

Dinesh Nolkha: First of all we never used to keep 5 months to 6 months in last 8 years, 10 years we have never gone to this level of inventory. If you see our past numbers also every year, we look at we have a strategy which we're looking at the demand as well as the cotton cost and the other regulatory factors accordingly we work on the strategy. We, as I explained in the earlier question also that we are still to see, we are of the opinion that Indian cotton prices are reaching its lowest level or stable price.

So, logically we should be building up the inventory, but with the international markets in the in-cotton markets going down substantially in the last 10 days, we have to relook at that strategy as well. So, I cannot give you an exact number what we are looking at, what kind of inventory we'll be holding, but we'll have a much better picture in another two months' time.

Vikas Rajpal: And sir lastly with the new CAPEX which has come up, I mean, I guess we spent about 950 crores on the new CAPEX, so what will be the asset turns for this new capacity?

Dinesh Nolkha: Additional you mean to say additional turnover?

Vikas Rajpal: Yes, additional turnover because of the new capacity.

Dinesh Nolkha: This should be in the range of about 1,200 to 1,300 crores at the present price levels.

Moderator: Thank you. The next question is on the line of Akshay Kothari an Individual Investor. Please go ahead.

Akshay Kothari: Wanted to know whether the disruption currently being caused in Bangladesh would be affecting us in any way or would it be a positive only?

Dinesh Nolkha: We are suppliers to the yarn to Bangladesh. So, any effect on that will have a negative impact on us because they are our customers.

Akshay Kothari: Of course, that demand would be coming back to India, so would be going to Indian players and we would be suppliers to Indian players also, right?

Dinesh Nolkha: That is of course there, but exactly does not move like this.

Akshay Kothari: That all the capacity, which is down, but this is not something which is going to last too long. There is supposed to be elections in Bangladesh in January and this kind of disruption for few days here and there happened definitely it has been happening even in the past elections also.

Akshay Kothari: Secondly, on the Denim front, you mentioned that demand and off take is very weak. So, is this going to be a temporary thing because for the last 6 years, 7 years Denim supply was a lot

and demand was not coming that much and now the thing is demand is also going and shifting to more of softer cotton fabrics rather than Denim. So, what is your view on Denim currently?

Dinesh Nolkha: I think this is a part of fashion cycle and we expect it to come back. The issue has been that we had seen a lot of capacities being built up in the Denim segment in last four years, five years and the demand has not increased to that level. So, this is because of oversupply situation also which is which has caused this problem, but normally we have seen this kind of cycles happening in Denim industry and they should recover back, and we should have that. Once the fashion is back on that side, we'll see a very good demand in Denim as well.

Akshay Kothari: So, what is our current capacity in Denim?

Dinesh Nolkha: So, we are not having any capacity on Denim. We supply yarns to Denim manufacturing. We do not have any denim capacity.

Akshay Kothari: Sir, lastly on the support prices the question earlier asked on support prices in the international market. So, with respect to international as well as Indian market, is there some sort of psychology which comes into play when we say that if cotton prices are at around minimum support level, then next year the farmers would not be going to crop more of cotton and subsequently are the farmers indifferent when they cultivate cotton?

Dinesh Nolkha: No, they are not indifferent at all. There are two kinds of farming which happens. One is by choice and one is by design, because there are areas all around the world where there cannot be any other crop. So, they are not left with any other choice but to sow the cottons. This is also there in India, this is also there internationally as well because of the natural advantages, disadvantages, topography of that region. This happens, but yes there is definitely about 15% to 20% of the area as well as the farmers who can switch over their crops. So, if they get lesser realizations definitely their tendency is to move towards other crops.

Moderator: Thank you. The next question is from the line of Aditya Khetan from AK Capital. Please go ahead.

Aditya Khetan: Sir, my question was on to the international market sir our interaction with the customers into the export market. So, what are they indicating in terms of demand? So, when are they witnessing a revival and they can like increase the order, so by when we can expect this revival to take place?

Dinesh Nolkha: First of all because of high interest costs, everybody last year was looking at reducing their inventories. Everybody wanted to bring down the inventory level as well as also they wanted to because they were all seeing two things. One is the less demand they were expecting less demand from customers retail customers because of the lesser discretionary spendings which they were supposed to be left with and also the higher interest cost which these companies, these retail companies were incurring. Their normal interest cost used to be around 2% to 3% for them per annum, which had increased in the last year time to 6%, 7% because of the

increase in the interest rates in US, Europe everywhere. So, their intention was to bring it down; the stocks were to be brought down. So, now when we talk to various retailers all around the world they are now at the normal level and some of them have also gone down below the normal level, which are minimum required to sell their goods.

In the meantime, there have been a lot of online retailers also built-up which work with very, very lean and mean inventory. They are able to cater to customers with very less inventory. So, this overall has led to a reduction in the inventory levels in the system that has also caused a less demand now what we are seeing is all these if you see the numbers of the international retailers also if you look at the retailers, Indian retailers also apparel side, you see that the numbers are stable, they have not stopped buying rather they are improved only inventory holding time. So, this is an indication that the demand has stabilized, and you could see it better stable kind of demand going forward.

Aditya Khetan: Sir, on to the global inventory position, so the previous scenario so is it possible to highlight how much was the global inventory prior to this destocking event and post the destocking event how much months of inventory is into the pipeline? Any sort of number if you can give that would be helpful?

Dinesh Nolkha: Frankly, I'm not having the any authentic number on this, but definitely as you have suggested, we'll try to get this data out and maybe share with you.

Aditya Khetan: Sir, on to the export markets, sir, is it possible to share the breakup of geographies like how much would be from the Europe, Africa, US, South America, any sort of...

Dinesh Nolkha: Normally we do not share because of the confidentiality results and the competition, but yes it is fairly spread up. It is fairly spread all around the world.

Aditya Khetan: Sir now since we are already hitting so peak utilization level, so for FY26 onwards, so what is the growth outlook? So, what is the plan like how will the Company grow post FY26 once we reach the peak utilization levels?

Dinesh Nolkha: Definitely we have been growing consistently. We have been adding capacities. We have been seeing in various areas. Now at this moment in view of the past one year whatever happened internationally, we are now looking to first consolidate our CAPEX capacity whatever we have put in, bring them to the top level, have better cost utilization and efficient working. Definitely we are working towards having various products to offer various things. We are definitely open to adding our capacities towards the fabric side which has seen good times in last 6 months and we are also open to add the various kinds of new product offerings which we have started. So, we are exploring how the markets settle down and what is the changes in the product profile which is required and accordingly we will go forward for adding capacities.

Aditya Khetan: Sir in our presentation we have mentioned that we are also looking to enhance the value added segment share. So, sir just want to know how much is the current share from the value added products and how much we are planning to target to take this to in the next two to three years?

Dinesh Nolkha: Like in value added segment we have different kind of product offerings. We offer new products and new developments. Normally about 14% to 15% of our capacity is dedicated towards that at the moment. So, we are looking forward to increasing this further by another 10% to 15%. Of course, this is apart from the fabric offerings which we are already doing. So, we are not considering the fabric offering, but in the yarn business we are trying to do specialized yarns by virtue of various fibers and others as I explained earlier. So, we are trying to increase that side. So, we are trying to come do lesser and lesser of the commodity yarn.

Aditya Khetan: So, just want to know so how much of incremental margin shift suppose is that if you can share like it could be x percent?

Dinesh Nolkha: It is more of a sustainable margin going forward. At the moment there are products even in the value-added segment which is not giving any good margins as such. So, this spread is the basic idea once you add value added you also incur some cost towards that. So, the basic idea is to spread the markets, spread our whole production in such a manner that we are having less and less effect of the commodity cycles. So, the improvement in margins is consequential.

Yes, it depends on the kind of demand for that particular product. Let's say today we have also expanded in areas of synthetics or in also into the various synthetic products, which are slightly better value added, but because of very low demand on that segment, some of those products are not giving the kind of value addition which we would have expected. So, this is an overall basket of goods which we are looking at. So, we will not be able to quantify I can quantify product to product but not as a basket.

Aditya Khetan: So, any newer international so market or geography we have like added in our portfolio. So, that can like at least to maintain our exports momentum going ahead apart from the traditional markets like the US and Europe, any new geography like which we are, so we might be planning to add, or we have added recently?

Dinesh Nolkha: Not yet frankly, the last year has been very, very turbulent and the exports have gone down. We used to export more than 65% of our production, which has come down to 57% itself. Frankly, in view of the present situation we have not been able to add any new geography as such.

Aditya Khetan: Any near-term plans to add something like which you might be shocked with your customers?

Dinesh Nolkha: We always look at various markets which are growing, and which are doing. We continue to work on that. Any new we are also looking at various government policies also like new FTA's which are happening all the areas, all the countries where Government of India is focusing, we

are also focusing on those markets to add more share over there so that we became more and more competitive in those markets.

Moderator: Thank you. The next question is from the line of Hemang Kotadia from Anvil Shares and Stock. Please go ahead.

Hemang Kotadia: Sir, where you will see our fabric turnover over the next three to four years down the line because fabric is a high margin business compared to the yarn and higher ROC business also. And India's domestic demand is quite strong in fabric compared to yarn. So, if you can elaborate more on the fabric side of the business that will be great?

Dinesh Nolkha: You are very right the demand of this segment is continuously improving domestically as well as international both and we have ramped up this top line very fast. You see we should be doing more than 600 crores of the fabric business by the end of this year and going forward we see that this business becomes at least 30% of our total business. So, as we as we keep on growing in our other businesses, this business is also continuing to grow at faster pace than what we are doing.

Hemang Kotadia: That will change the margin profile and ROCE profile of the Company. So, once we will have a higher set of fabric turnover, I think that will be great if we will achieve that 30% mark on a higher base I think?

Dinesh Nolkha: Yes, that is what the plan is at the moment.

Hemang Kotadia: And Maheshwari can you please provide the interest cost post expansion like in a cash flow for the first half we paid around 30 crores for the interest cost, so post expansion everything capitalizes what will the cash interest cost we will have to incur for the year?

Purushottam Maheshwari: Interest cost before without counting the subsidies of the new loan, it will be about 25 crores per quarter.

Hemang Kotadia: So, is 100 crores possible interest cost?

Purushottam Maheshwari: After that we will be reducing the subsidy once we get sanctions.

Dinesh Nolkha: We are eligible for the interest subsidies from the state government that will be reduced. So, we are giving you gross numbers accordingly that will come down.

Moderator: Thank you. Ladies and gentlemen, we are taking our last question, which is from the line of Marsal an Individual Investor. Please go ahead.

Marsal: Yes, we can see that the like our production and sales in Q2 is better than Q1 like 30% of our yarn sale is better, knitted fabric is about 60% better. So, in the current quarter like we mean

Q3 December quarter like so far October, November how is the production and sales? How is the sales of basically yarn, knitted fabric and woven fabric?

Dinesh Nolkha: They are continuing to improve then the last quarter definitely. As I highlighted that our capacities we have already commercialized our capacity and we are targeting a production of more than 1 lakh ton of yarn going forward. So, in this quarter we are expecting that we should be able to reach 24,000 tons at least and going forward from the next quarter we should start crossing 25,000 tons as our capacity gets ramped up.

Marsal: So, out of 955 crores CAPEX, how much is already commissioned and capitalized till September and what is the balance?

Dinesh Nolkha: Only 165 crores is left rest 790 crores is already capitalized.

Marsal: So, I think like whenever these were commissioned there was no announcement made to the stock exchange, was it?

Dinesh Nolkha: It is, of course, it is a mandatory requirement, so it was already done. You can check the stock exchange.

Marsal: And how do you see this like the business trend in this current December quarter vis-a-vis September quarter in terms of our different products, in terms of like you can say raw material prices and in terms of all product prices?

Dinesh Nolkha: Raw material prices as I explained earlier also raw material prices have come down. It was in the range of about -- last quarter the raw material prices were in the range of about Rs. 60,000 a candy 60,000 to 62,000 and it has come down to about Rs. 56,000 a candy during this particular quarter.

So, at the moment it is 56,000 if you average it out maybe this is up to now it is about Rs. 58,000 a candy and accordingly some adjustment in the yarn prices have also happened. So, both are moving in. More or less, you can say that the profile is remaining same barring the quantities which has increased.

Marsal: So, means like in other words, suppose whatever additional yarn we are going to produce, so that there is demand we can sell it, right?

Dinesh Nolkha: We are able to sell it.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for today. I would now like to hand the conference over to Mr. Awanish Chandra over to you, sir.

Awanish Chandra: Sir, before taking your closing comment to a small query, many managements has already highlighted on various calls that there is an oversupply situation in the spinning and then we

heard the news from Tamil Nadu that the small-scale spinners are striking, and they are not going to produce because the business is not viable. So, will that production cut lead to some kind of yarn price hike or oversupply situation can come, any commentary on that, sir?

Dinesh Nolkha:

Actually, the problem these small-scale spinners are facing in Tamil Nadu is they are complaining that they are getting the waste at very high rate. The spinnable waste which is being sold by the spinning mills is being sold at a higher rate in comparison to the raw material price, because they are doing mainly waste cotton spinning.

The problem with the spinners is that they cannot move the waste prices in tandem with the cotton prices. So, the cotton prices have fallen by 30%, but normally the waste prices do not fall by that percentage. So, that is their problem and accordingly that is a completely separate segment of industry which is yes, having very small industries having lot of cost pressures, their technology is also older, so they have many, many issues, not only the raw material things they have many other issues.

They have also a problem of the working capital and all those kinds of things, various problems which they are facing, and they are raising their voices against that. I do not see this going to be majorly impacting the rest of the spinning industry at this moment any extraordinary demand coming to other segment is not being seen as such.

Awanish Chandra:

And one last thing you have highlighted in various answers this thing also. So, sir today we have parity and we can't go down because of the MSP. Do you really see a situation when international cotton price is going down or up or we might lose parity in some sense considering the kind of cotton inventory we can have?

Dinesh Nolkha:

Actually, this is something this is a very important and pertinent thing for all the spinning industry which we are in and we are discussing and debating about it internally also in the industry. This kind of cotton prices internationally they keep on falling then definitely we will have a negative impact.

But as I explained, there are governments involved, there are farmers involved, the cost of the production, agriculture production also involved, we are not expecting it to fall too low. There was a huge difference in the cotton prices Indian and international prices were 35%, 40% last year same time. So, we do not expect a similar kind of thing to happen at the moment. Maybe there will be differences, partial differences and if this persists for longer time, definitely we will lose our edge once again, this is for sure. So, definitely we are discussing with the government also to remove the import duties if this kind of things happen then so that we can at least have a clarity on that side as well.

Awanish Chandra:

And sir this time again we are having various commentary on the size of cotton crop, many managements also highlighted various numbers and experts are saying, so your view will it be similar to last year in terms of cotton crop size?

Dinesh Nolkha: I think our view is that it will be similar to last year's size. Last year also if you remember we had in the initial period, we are told that we are expecting a crop about 330 lakh bill and in between there was a lot of hue and cry and the crop was supposed to be 290, but at the end of the day, it has come to about 323, 325 levels more or less what we had seen.

Again, we are seeing a crop of about 320, 325 levels this year. We are seeing that it will be similar to what it was last year, but there is wild guess is happening all around the industry at the moment.

Awanish Chandra: Thank you very much Dinesh sir and Maheshwari sir for giving us the opportunity to host this call. Sir any final commentary before the closing.

Dinesh Nolkha: I would like to thank SMIFS and Awanish ji for hosting this call. And I would also like to thank all the participants for taking out time to join us with the call and once again wishing all of you a very, very happy Diwali. I hope we have been able to address all the queries and if there is any further information desired, our finance team and our Investor Relations Advisor will help you in the same way. Thanks once again and Happy Diwali.

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