REF: NSL/SG/2025-26/
Date : 19.05.2025

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 14.05.2025

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 May 14, 2025 on Operational and Financial Performance of the Company for the Quarter and Year ended on ended 31st March, 2025. 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: 2025.05.19 16:01:36 +05'30'

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

"Nitin Spinners Limited
Q4 FY '25 Earnings Conference Call"
May 14, 2025

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

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

"E&OE - This transcript is edited for factual errors and readability. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14/05/2025 will prevail."

Moderator: Ladies and gentlemen, good day, and welcome to the Nitin Spinners Limited Q4 FY '25 Earnings 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 star then zero on your touch-tone phone. Please note that this 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 very much, Anushka, and thank you very much, everyone, for joining the call. On behalf of the SMIFS Limited, I welcome you all to Quarter 4 and Full Year 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 Chairman 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 a warm welcome to all the participants to this Q4 and FY '25 earnings call of Nitin Spinners. I hope all of you have had a chance to look at our investor presentation that is uploaded on the company's website as well as Stock Exchange.

Before our CMD elaborate on present industry scenario, I'm giving the financial highlights for the quarter and year ended 31st March 2025. The company registered an increase of 14% in revenue on an annual basis and achieved revenue of INR3,305.65 crores in FY '25 against INR2,905.65 crores in FY '24. This is the highest ever revenue achieved by the company in spite of lower yarn prices.

On export front also, company achieved highest exports of INR2,111 crores during the year, which is higher by 24% against last year. EBITDA for the year stood at INR471.43 crores as compared to INR377.05 crores in FY '24, that is an increase of 25%. EBITDA margin for the year improved from 12.98% in last year to 14.26% during the current year.

PAT for the year is INR175.43 crores as against INR131.52 crores in last year, that's an increase of 33%. EPS and cash EPS for the year is INR31.20 and INR57.48 per share, respectively, against last year EPS of INR23.29 and cash EPS of INR44.47 per share.

As regards quarterly performance, the revenue for Q4 '25 is INR841.29 crores against Q4 '24 revenue of INR800.71 and Q325 revenues of INR838.87 crores. Thus, it has grown 5% Y-o-Y, however, flat against the immediate previous quarter. EBITDA for the quarter is INR120.32 crores against INR116.24 crores in Q4 FY '24 and INR117.16 crores in Q3 FY '25. PAT for the current quarter is INR46.37 crores as against INR39.17 crores in Q4 FY '24 and INR44.78 crores in Q3 FY '25.

The Board of Directors have recommended a dividend of 30% on equity share capital against 25% last year.

Coming to the company's operational performance. Overall, the company has delivered reasonable performance during the year in the challenging times with 14% increase in top line, increase in operating margin and 33% increase in PAT. This was achieved due to optimum utilization of enhanced capacities, focus on value-added products and favorable raw material prices.

On the operational front, our spinning capacity is currently running at over 96% utilization, while weaving and finishing divisions are operating at more than 90%. As announced in last Board meeting, the Board of Directors has approved a significant capex plan of approximately INR1,100 crores across the existing verticals, that is yarn and fabrics, mainly focusing on value addition and cost efficiencies to maintain our growth momentum.

That is all from my side. I now request Shri Dineshji to apprise about the industry and current business scenario.

Dinesh Nolkha: Good afternoon, everyone. Thank you, Maheshwariji. The textile industry is showing promising signs of steady demand and moderate growth, even in the face of global challenges, which we are seeing all around. Factors like geopolitical tensions, regulatory challenges like tariff and non-tariff barriers have created a complex environment. Yet the industry continues to move forward by staying flexible and finding ways to overcome these hurdles.

On the domestic front, the demand has been good and the cotton prices have remained supportive, leading to moderate improvement in the performance. Export volumes have also increased despite global pressures. Still here, it is pertinent to note that the domestic cottons have slightly been more expensive than the international cottons, which continues to affect the margin.

India's role in the global textile trade is improving steadily and export recovery is gaining momentum. Our competitive edge in key markets like the U.S. will drive stronger order flows in both home textile and garments in the long term. However, we have a short-term uncertainty due to non- -clarity on the final tariffs by the United States.

Recent tariff announcements as of now by the U.S. administration are expected to benefit the Indian apparel sector. The new tariff structure appears to be more favorable for India compared to the competing countries likes of China, Vietnam and Bangladesh. This will likely result in higher demand for Indian garments and home textiles, and that will boost -- in turn, boost the domestic consumption of yarns and fabrics. Similarly, the free trade agreement, which has been recently done with U.K. is a positive step that will strengthen India's textile exports in the long term.

At Nitin Spinners, our well-diversified product portfolio and focus on value-added products allow us to benefit from the rising export momentum and India's improvement -- improved position in the global trade. We also have a well-diversified export base across Asia, Europe and Latin America, which helps us to take the advantage of global demand while reducing the risks of being tied to any single region.

To maintain our growth momentum, we are steadily progressing on the capital investment plans that were announced in our earlier Board meeting and detailed in the investor presentation as well. These initiatives are aimed at strengthening our market position, expanding our product portfolio and introducing high-value specialized products and to meet the rising demand for quality fashion fabrics from domestic and international brands. Backed by disciplined capital deployment and prudent working capital management, we remain financially strong and well positioned for a sustained growth going forward.

Now, I would like to open the floor for the question and answers, so that we can take the matter forward.

Moderator: The first question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited.

Manish Ostwal: Good set of numbers on a yearly performance basis. My first question on your comment on the export demand recovery and the margin further expand in F '26 in the presentation. So could you elaborate further in terms of how the channel inventory at a customer level stocking position? And how do you see the volume growth panning out in F '26 given our capacity currently?

Dinesh Nolkha: I'll first address your second part of the question. I think as far as volume growth is concerned, we do not have -- we are doing some small modernizations and other things in our existing plants. So that will trigger very small volumes of small -- very small growth in terms of volume. So that is -- and our capex, which we have already planned is going to fructify in the FY '27. So we do not see any major volume growth coming in this running financial year.

As far as the demand is concerned globally and how the stocking is there, as you all know that we have seen cotton prices as well as the finished goods prices all falling across in last 2, 2.5 years. So this is -- and in such times, normally, most of the stockists as well as retailers tend to reduce their inventory levels. And the same is happening at this point of time. And we feel that the inventories at the various levels is quite reasonable and in some -- at some places, even below the desired level as well.

Manish Ostwal: And margin comments for F '26?

Dinesh Nolkha: We do not give any future projections for the margins as such. So at the moment, if you see our margins have been, I would say, better than the industry margin, which is there. We have been like in short term, we do not see any major driver today to improve the margins. However, we try to achieve the better margins through our cost efficiency measures, product mix optimization and value addition, and we'll continue to focus on that particular part.

Manish Ostwal: Okay. On the capex plan, which we have indicated once it completes, what will be the peak revenue potential of the company? And since we are adding capacity in the value-added segment, so it must increase our operating margins because of that because mix has further increased in the share of the value-added product?

Dinesh Nolkha: Yes. On the present prices, at this point of time, we should be adding another INR1,000 crores of revenues to our top line. So -- and definitely, margins since we are adding more towards the value addition in the fabric side, so we expect that margins should improve by about 100 basis points to 150 basis points.

Manish Ostwal: And lastly, sir, your comment on this China plus -- this China, Vietnam, Bangladesh opportunity plus this U.K. FTA sign. So can you quantify the size of opportunity which is emerging for Indian garment space, which the Indian players targeting to participate that opportunity. So can you give some perspective over there? And what is the Nitin Spinners will play in the role to participate that opportunity in a material way and show better growth in coming period and years?

Dinesh Nolkha: Sure. First of all, U.K. as a market has total textile imports of approx. $17 billion, $18 billion of the market size, wherein majorly the different kinds, including the fabrics, including the yarns as well as garments and also home textiles. Out of this, at this point of time, India's export to U.K. is only about $1.5 billion to -- I think it was $1.6 billion last year. And this year, it could be around $1.7 billion to $1.8 billion.

Traditionally, if you see in various segments, we have different competitors over there. In the segment of garments, means if you see the total exports, the biggest exporter over there is China with 22% market share. Second is Turkey with again with 20% market share and then Bangladesh with about 16% market -- 15%, 16% market share, whereas India has a market share of less than 10%, 8%, 9%.

With this duty free trade agreement happening, definitely, our competitive advantage over the various other competitors will increase by about 7 to 8 percentages. Today, UK as well as Vietnam has LDC status, so have half of the normal duties, whereas we are paying full duties of about 8% to 12%.

So we will have an advantage of 6% to 7%. So that should increase the market. We expect that in the short run, given the circumstances remaining as it is, what has been declared, we should be able to at least double the market there. Since we have an opportunity of about $1.5 billion to $2 billion of increase in market there.

As far as Nitin Spinners is concerned, we have already some presence in form of fabrics as well as in some yarns. We are already selling in that particular market. And we have quite bigger brands which are available in that market to whom we have been already selling in the -- to other countries.

We have not been able to sell them to U.K. because of this duty factor, and this was routed through various other channels. So now with this FTA happening, we will have good presence in the U.K. market also for our finished fabrics as well as also for our yarns also.

Moderator: The next question is from the line of Raman KV from Sequent Investments.

Raman VK: Sir, I just wanted to ask on the export side as well. Sir, what percentage of the revenue is from Turkey? And going forward, how will the Turkey business be impacted if India decides -- I guess, the Indian government decides not to do trade with Turkey?

Dinesh Nolkha: Total exports is -- first of all, total exports is about 63% of our revenues. And our business to Turkey of our total revenues is less than 1%.

Raman VK: Okay. There won't be any drastic...

Dinesh Nolkha: No. Already, they are our competitors rather in this business, in the yarn business as well as in the fabric business, practically in the international market. As I elaborated in my last answer also, that they are competing with us in various markets.

Raman VK: Okay, sir. So with respect to U.K., what's the market share out there? Like how market share as in like what percentage of the total revenue is from U.K.?

Dinesh Nolkha: I think at the moment, it is minuscule should be around 1 percentage to 1.5 percentage, not more than that.

Raman VK: So going forward, we can expect it to be around 4%, 5%, right?

Dinesh Nolkha: We will try to increase to maximum possible with this -- actually, this FTA also is going to fructify another nearly 1.5 to 2 years. It is going to be a graded approach. So in the meantime, we can also tap the market -- tap to build upon our things.

Raman VK: Okay, sir. Sir, my second question is with respect to the cotton yarn spread. Can you give us what was the cotton yarn spread for this quarter?

Dinesh Nolkha: I think this was around the raw material cost. Exactly it is INR100~~,~~- INR105.

Raman VK: Per kg, right?

Dinesh Nolkha: Yes. INR105 per kg.

Raman VK: One final last question. Sir, you said there won't be a huge volume growth in the coming year. So can you just give us the guidance with respect to how much volume growth you expect for FY '26? And can you just give a ballpark number in terms of capacity by the end of FY '26? Like the capex, will that be incremental capex like as in some part of it will be coming in '26 and other part will be coming in '27? Or will it be fully operational in '27 itself?

Dinesh Nolkha: All our capex, which is going to come, except some modernization plan is going to be there in FY '27 only. So there is no incremental capacity being added in FY '26. As far as increase in capacity is very small. It is minuscule. Modernization and other things does not normally result in a major increase in capacities. So you can consider the present capacity as going forward for this particular year. Maybe we may try to improve upon the utilization slightly, which may add very minuscule.

Moderator: The next question is from the line of Sudhir Bheda from Bheda Family Office.

Sudhir Bheda: Congratulations for a good set of numbers. Sir, I just understood that there is a lot of Chinese dumping was going on as far as fabric is concerned. Now there is a restriction on the Chinese imports. And in turn, I think prices of fabrics have gone up and also yarn prices have also popped up. So what's your view on that? I think 7,000 tons per day was the import of China fabric. So can you throw some light on this?

Dinesh Nolkha: There was actually import of -- in India, we are importing Chinese fabric, which is 100% polyester or also viscose fabric normally. This is knitted fabric, which is being imported. So primarily knitted. Yes, of course, some woven fabric also used to come in, very small portion. And these were all at very, very low prices. So Indian government has put a minimum import price restriction of $3.5. So accordingly, whatever has to come can come above that level only.

And as far as quantity is concerned, I'm not sure about the exact quantity, what you have mentioned. 7,000 tons looks to be on the higher side to me because 7,000 tons means about 2,10,000 tons of fabric being imported, which is more than India's yarn exports. So I have some doubt about this, but I cannot confirm about the number.

Yes, definitely, this will have impact. Once this is out, we can see that there is an improvement in -- still we are seeing that a lot of stockists are still holding some of the goods and that is coming to the market. So once this fades out, we may have a better -- definitely domestic demand and maybe better for the yarn also. But it is primarily on the synthetic side, not on the cotton side.

Sudhir Bheda: So lately, have you seen some increase in the yarn prices because of this Chinese dumping coming down and also because of U.K. treaty. So I believe that there is some increase in the yarn prices. So what's your view on that?

Dinesh Nolkha: Not -- nothing major to speak about. Parallelly, we had some increase in the cotton prices in last 1 month. So -- and also these kind of measures were there. So they were both, I would say, interrelated. Maybe -- so cannot comment that this is because of the dumping or any other thing. It is also because of yarn cotton -- raw cotton prices also went up slightly. So both worked in tandem. So maybe both of them helped to improve upon slightly the prices.

Sudhir Bheda: So right now...

Dinesh Nolkha: But nothing major to speak of to be very honest, in last 1.5, 2 months of this financial year, nothing major increase, nothing major has happened.

Moderator: The next question is from the line of Dhruv from Mavira.

Dhruv: Sir what was the realization for woven and knitted fabrics in the quarter? What was the realization for woven and knitted fabrics in the quarter?

Dinesh Nolkha: For the quarter?

Dhruv: Yes.

Dinesh Nolkha: I think woven fabrics per meter realization was about INR163 and knit fabrics was about INR283 a kg.

Moderator: The next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: Two questions I have. One is, I just wanted to understand out of your cotton procurement, what percentage of your cotton procurement is local and what is imported? And whether there is any positive impact on import in case if any changes in the import duty?

Dinesh Nolkha: This you're talking for the last financial year?

Lakshminarayanan: Yes, last financial year. Yes, for cotton procurement.

Dinesh Nolkha: I think nearly our total procurement from the -- in terms of quantity, it is about 15% to 16% is imported cottons and 84%~~,~~ 85% is the domestic cotton. And definitely, if there is a change in the import duty, we have an advantage wherein we are able to reduce the cost.

Lakshminarayanan: Okay. And in terms of your yarn exports, what percentage of your finished yarn is exported?

Dinesh Nolkha: We -- our total -- if you see the total exports of the company is about 63%. And if you see only the yarn part, it is about 70%.

Lakshminarayanan: Okay. 70% of your yarn is exported?

Dinesh Nolkha: Yes, yes.

Lakshminarayanan: Okay. Okay. Third question is that you talked about the cotton spread for the last quarter. What has been the trend for the last 3 quarters, Q1, Q2, Q3, Q4?

Dinesh Nolkha: I think in -- if you see for the whole year also, particularly if you see for the full year, the trend is like it was about INR102 to INR103 for the full year. And on a quarter-to-quarter basis, I think it has slightly moved up only in the last 3, 4 quarters from INR100 to INR104, INR105, it has moved like this.

Lakshminarayanan: And in terms of your demand and price outlook for the next year, how do you think about it? Because I'm told that the cotton prices have become pretty stable across the globe. So just wanted to understand how we are thinking about the next 1 year, both in terms of growth as well as in terms of pricing?

Dinesh Nolkha: First of all, demand is -- you are very right that since the cotton prices have become very stable in the last 6 months' time in India as well as internationally, there has not been major volatility on that side. So the demand is definitely picking up and demand is quite stable at this moment, and we expect the demand to improve going forward, especially in the second half.

Whatever disruption in the demand we had was due to this tariff announcements and other things which -- other geopolitical issues, which happened in the initial part of the March and April of this year. Otherwise, the demand has been very stable and looking upward only.

As far as prices are concerned, we are seeing that utilization level across the globe is still on the lower side. So this increase in demand has still not affected the utilization percentage of the spinning equipment and the other textile things. So as soon as this picks up, we can see the improvement in margins also going forward.

Lakshminarayanan: Okay. Perfect. And I'm told that global brands are relooking their supply chain. And for example, people like Lacoste, etc., they want to get out of dependent on China and move to other geographies in terms of garmenting, etc.. And that I'm told is a certain trend that is getting more structural. So your thoughts on that, whether India would become a good hub for sourcing of garmenting and how we are positioned to address that?

Dinesh Nolkha: Yes. So basically what we are seeing is you're very right on that side that definitely there is an improvement on various brands have been looking at improving on sourcing from India and moving out of China because of various other concerns, including the duty concerns, which has recently emerged. So we stand a very good chance.

And now it is up to us how we improve upon the capacities. At this point of time, as I understand, the garmenting capacities are running full stream in India. Garmenting utilization is more than 90% in our country, garmenting equipment utilization. So we stand a good chance provided we increase our capacities accordingly. What we are lacking today is global size, economic size and accordingly, also the... Can you hear me?

Lakshminarayanan: Yes, I can hear you.

Dinesh Nolkha: Yes. So we need to have better sizes. Once we have better size and the economies of scale, we can definitely have much better advantages going forward.

Lakshminarayanan: One last thing, if I just hear from the other spinning companies which have reported numbers, everybody is talking about high utilization, including yours. So are we also seeing a higher utilization of yarn capacity across the country? Is it something which is episodic? Or is this like you are seeing it very clearly and everybody is adding capacity in my view?

Dinesh Nolkha: First of all, there is no capacity addition. In last 1 year -- last financial year, which is one of the lowest capacity addition in our country in the last 10 years in absolute numbers. I will not talk of percentage, but absolute numbers, the additional capacity in spinning is one of the lowest in last 10, 15 years -- 10, 12 years since 2009 onwards. So that is itself signaling that the existing capacity utilization is not reached to the level where people are induced to put more capex.

Secondly, capacity utilization in reasonable size and efficient mills is definitely has always been there in this range of about 94%, 95% to 97%. It is the smaller units and also the older units, older companies, which has older machines, has the issues of lower utilization. And still, I feel that is not being done. Whatever the numbers are coming out, we see the utilization level in spinning is in the range of 80% to 82% only.

Moderator: The next question is from the line of Pratik Tholiya from Systematix.

Pratik Tholiya: Sir, can you just help me with the fabric realization numbers for fourth quarter of last year and third quarter of this year? I think you've given woven fabric INR162 for this fourth quarter, right? What was it for last year Q-o-Q and Y-o-Y?

Dinesh Nolkha: So yearly average has increased by about 3%. It was -- last year, it was INR160. It has now gone up to INR164. And last year same quarter, I do not have the numbers with me.

Pratik Tholiya: I mean Q3 FY '25.

Dinesh Nolkha: Q3 FY '25 was about INR161.

Pratik Tholiya: INR161. And sir, for knitted?

Dinesh Nolkha: Pardon?

Pratik Tholiya: For knitted fabrics?

Dinesh Nolkha: Knitted is about INR283 is the realization for this particular quarter. And last quarter, it was about INR297. Average for the year is about INR291.

Pratik Tholiya: So knits has actually come down sequentially.

Dinesh Nolkha: Yes, knits have come down sequentially.

Pratik Tholiya: And sir, what was this fourth quarter of last year?

Dinesh Nolkha: Fourth quarter, I do not have the numbers of the fourth quarter of last year. So cannot...

Pratik Tholiya: No problem, sir. And sir, secondly, on -- how much is our exports to Bangladesh? And how is it shaping up with this current situation in Bangladesh, especially with the ports and all having been shut?

Dinesh Nolkha: First of all, there is no port shut in Bangladesh.

Pratik Tholiya: I think, rail...

Dinesh Nolkha: No, no, no. Here, I would like to just tell you that we were -- for exporting to Bangladesh, we had 2 or 3 modes. One mode is rail mode, which is partially used for cotton yarn. It is being used for bigger -- different commodities like coal and iron and steel and other things. And second was road, which is by the Benapole and Petrapole borders.

And third is by the sea. So government of Bangladesh has stopped the imports of cotton yarn through the land route. Earlier also, about 1 year back, also, there was quite a lot of restrictions on this. They're like whatever the kind of yarns you can send from this particular land route.

So there was -- so they had some restriction and also quota for their internal, let's say, for the garment in the Bangladesh. So now they have put a complete stop on export through the land route. So for us, there is no change as far as that is concerned.

Only change is earlier, the companies in Bangladesh used to receive it faster in 10 days from our x mill to them. And now it is taking about 24, 25 days. So it's a lead time increase. Cost-wise, there is no increase, rather cost is slightly lower only by sea for us.

Pratik Tholiya: Okay. And sir, what is the percentage of our total exports that is going to Bangladesh?

Dinesh Nolkha: So total -- if you see from the company's revenue point of view, it is about 27%, 28% is going to Bangladesh.

Pratik Tholiya: 27%, 28% on the total revenues?

Dinesh Nolkha: Yes.

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

Manish Ostwal: Yes, sir, very quickly small data set. What is our overall interest cost for this project and the Rajasthan government benefits, can you elaborate on that? That will be great.

Dinesh Nolkha: Maheshwariji, can you please elaborate on that side? What is the...

P Maheshwari: On the term loan you're asking?

Manish Ostwal: Yes, sir, project financing for the capex.

P Maheshwari: Project financing, the current cost is about 8.5% to 8.75% and we are getting about 3% subsidies on that.

Manish Ostwal: Effectively 5.3%, 5.5% kind of...

P Maheshwari: Effectively 5.5% to 5.75%.

Moderator: The next question is from the line of Rina Kashap an Individual Investor.

Rina Kashap: I just had a few questions. The first one is cash flow from operations has almost doubled year-over-year. I just wanted to understand how do we see this going forward? The second question is on the planned capex.

How do we see maximum debt to be like post this capex? The third question is on the status of our cotton inventory at the moment? And lastly, I just wanted to get your view on the price expectation of India cotton and international cotton.

Dinesh Nolkha: Yes. So first of all, on the debt side, once this expansion is completed, we would have a peak debt of about INR1,800 crores -- around INR1,800 crores, including our working capital and everything. So -- and at that point of time, our debt to equity should be around 1:1. So that is the peak debt which you have asked.

Secondly, you have asked about the forecasting on cotton side. Sorry, before that, you asked about the inventory. Normally, we do not share the inventory levels. You can extrapolate it with the numbers, which we have already given in our presentation as well as other things. So -- and thirdly, about the cotton price expectations.

At this point of time, internationally, we are seeing reasonably good crops coming in from Brazil, Australia and also from the United States at the moment. And that is putting up the pressure on the cotton -- keeping the pressure on the cotton prices. And accordingly, we do not expect a major increase in the cotton prices going forward in at least until December of this calendar year.

As far as Indian cotton prices are concerned, we are driven primarily by minimum support prices operations. So we are -- here, the prices are today driven by the prices which the Cotton Corporation of India is keeping, which is also at the minimum support price level only. And we do not expect a major increase there also. Maybe small -- at the fag end of the season, we may see some small prices going up and again coming back to the normal levels once the season starts.

Rina Kashap: Okay. Just on the cash flow from operations bit and just one more additional question, if I may. From our total exports, how much is U.K.? You said it's a very small percentage. Could I get a number for that?

Dinesh Nolkha: I think it is less than -- it is about 1%. It should be around 1% level, nothing major. I have highlighted them in the first answer also.

Rina Kashap: Okay.

Dinesh Nolkha: And on the cash flow side, I think the cash flow -- whatever cash flow increase is there, we expect to maintain the similar kind of cash flows going forward. And that will be utilized for our capital expansion, which we are already -- which is underway.

Moderator: The next question is from the line of Niraj Mansingka from White Pine Investment Management.

Niraj Mansingka: Dineshji, three questions for you. How are you thinking on the fabric? So you said there was a slightly destocking after that there can be some pressure in fabric prices in India because of the lower import. Is it only to the cotton? Or is it the polyester side that you're talking about?

Dinesh Nolkha: First of all, this is more on the polyester side. What we are seeing is that major imports, which is coming from China, which has been dumped from China was in these both fabrics and also in the polyester side. So it is majorly on that side.

Niraj Mansingka: Okay. So another question, I just wanted to know how you are thinking. See, if the export to the U.K. and Europe picks up and the U.S. treaty plays out, lot of demand should come from the non-cotton side compared to the cotton? Or -- and how do you place to play that opportunity on the non-cotton side?

Last time you had expanded yourself to a PC side, polyester cotton. So can you give your thoughts on this, like how you are thinking the evolution and how Nitin Spinners would take to play this opportunity?

Dinesh Nolkha: Here, first of all, we have a reasonable exposure on the synthetic means on the man-made fiber side also. And the capacity addition, which we are going forward in our -- in all the segments in yarn as well as in the weaving and processing will take care of the synthetic fibers also. We are considering that we'll have to process some of the synthetic fibers as well.

So that is taken care. So first of all, on the capability side, we will have the capabilities to increase our production on that particular side. If we see that better margins are coming in those products, definitely, we can move towards that as well.

Now coming to how we see the opportunities, like if everything falls well, we have a huge opportunity coming our way. Here only means we can -- from here, Indian can easily increase -- we can double our exports. We are in the range of about $45 billion for last 4, 5 years. We are in the range of $40 billion to $45 billion. And with this opportunity coming up, we can easily increase it to $80 billion to $90 billion in next 2 to 3 years' time.

Now how we are able to take it by adding our capacity is something which is to be seen. For Nitin Spinners, we are adding up in spite of the challenges, which is there in the industry today, we are increasing our capacity. So that shows our resolve that we are there for this opportunity.

Niraj Mansingka: But last question on this. Of the incremental whatever export we do globally, where do you see the most growth coming in the cotton or the non-cotton side?

Dinesh Nolkha: We have our majority of the share is in the cotton. So we see opportunity on that side also. But yes, synthetic exports because we are -- actually, if you see on the non-cotton side, we are at a disadvantage, today, if you see the disadvantage of raw cotton, which has sustained for 1.5, 2 years, and we are feeling the pain.

But if you see on the other side, on the man-made fiber side, there is a consistent disadvantage that our prices -- our raw material prices are higher than the international prices by about 15% to 20%, not less than 15%. So that is a major disadvantage. If this disadvantage is removed, then we can see a major growth coming on that side.

That is why on the synthetic side, major focus has always remained on the domestic market. And we have India -- the Indian manufacturers are catering primarily in the domestic market and their exports is very less. So once -- if we have some advantage in terms of duties or others in the market like U.K., U.S. and Europe, then maybe we will be able to increase our production capabilities also on that side.

Moderator: The next question is from the line of Vinayak Mohta from Axia India.

Vinayak Mohta: Congratulations on a great set of numbers. I just had 2 questions. So first is just to understand, you said that the opportunity that is coming your way is super large going forward. In the midst of that, what I'm trying to understand is that why are we being -- are we being a little conservative in putting up capex because ultimately, the peak revenue that this capex can give us is only 30% of the total revenue that we are doing today.

So just trying to understand as to -- I mean, is this just a Phase 1 that you are putting and incrementally if the opportunity comes, can you scale this capex up within a shorter period of time? How are you thinking about not missing out on the larger opportunity just because of not having enough capacity?

Dinesh Nolkha: Like, if you see our trajectory in last 10, 15 years, we have -- I think even in 10 years, we have grown 5x. So it's a CAGR of about 18% -- 18%, 19% on a consistent basis. We feel that consistent growth is better than an immediate bigger jump. So that has been the strategy of the company, and we are following the same.

So we are adding a 30% capacity or 30% in revenues, which will fructify over a period of next 2 years' time. So then again, the -- if everything goes well, we have the opportunities, we can see what kind of opportunity is coming, what is our area of operations where we can improve upon or increase the capacity, will again going forward as well.

So it's a consistent kind of thing. It is not a onetime kind of opportunity which we need to encash. So we always have a slightly conservative approach on that side in growing. But still, if you see this growth percentage, we have grown reasonably well.

Vinayak Mohta: Understood. Sir, it is fair to assume that if opportunities come and you have enough area land-wise and strength-wise within the firm to expand capacities if you need to? Will that be a fair assumption?

Dinesh Nolkha: Yes, yes. If you see, you need to have that capital in hand, first of all, which is if you are generating enough money on that side, then you can definitely go ahead and increase on that side. As far as land is concerned, we have still -- after this expansion also, we'll be left with some areas of land available with us. And otherwise, also, we have enough land available around our both the sites, then we can still acquire more lands as well.

Vinayak Mohta: Understood. Just one last question. When you said that you're looking with this growth plan for the next 2 years, so is it fair to assume that by FY '27, you will more or less be able to utilize majority of the planned expenditure that you're doing.

So FY '26 would be relatively flat year, supported by some price increases, if any. And FY '27 would be a year where you'll have support of the extra 30% of the volume that is coming in, and that will be utilized more or less to the peak capacity? Will that be a fair assumption?

Dinesh Nolkha: You're very right on FY '26. For FY '27, it will be over the year that will come. So FY '28 could be the peak and FY '27 will be part of it.

Vinayak Mohta: Understood. One last thing. How far low are we on the prices front. So for example, from what average prices we have seen historically, how low are we so that we could get an idea as to what kind of pricing benefit could come in if the prices start to increase. So how far off are we from the mean?

Dinesh Nolkha: Let's say, if you see the peak prices, peak prices, we are down from the peak prices about 35% on the finished product side. So the peak prices and if you see the average 10-year prices, we are still lower than that also at the moment.

Vinayak Mohta: Lower -- okay. Understood. So then once the prices increase, then we could also see a lot of it flowing down directly into profits as well because your cost is more or less factored in with the current cost structure that you have in place, right?

Dinesh Nolkha: Yes, it depends on the raw cotton prices as well. So cost structure -- apart from cotton, rest of them are factored.

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

Sandeep Baid: My question is also on the capex side. You mentioned that the domestic demand is improving and export is also looking up. You also mentioned that last year, India hardly added any capacity, which would mean that the equipment suppliers or the spindle suppliers and all will have -- should be able to supply fairly quickly.

So are you looking at expediting the capex that you have already announced? Or do you think it may not be possible for you to do it in a shorter period than what you had earlier envisaged?

Dinesh Nolkha: Here, what we have envisaged is a period of about 15 to 18 months. For the project of this size, we need to do a lot of planning as well as also the civil construction. So that needs this much of time. Equipment supply is not at all a problem. Even in India as well as globally, all the machine manufacturers have shorter lead times. So that is not the challenge today.

The challenge is to have all the regulatory approvals plus also on the civil construction side. So that takes a majority of the time actually. So -- and then you have to set it up and you have to bring it to the reasonable capacity level. That also takes nearly 2, 3 months' time. So all this put together, I think this is quite a minimum time in textile for a project of this size.

Sandeep Baid: Okay. And secondly, given that Indian cotton prices have been on the higher side as compared to international cotton prices for the last maybe 6, 8 months I guess. The margins, especially the yarn margins have been on the lower side. Your margins in the last couple of quarters have been around 14%, 14.5%. Would you say that this is lower than the normal margins that you would aspire to achieve? And what would be your normal margins? Would it be closer to 16%, 17%

Dinesh Nolkha: We have -- with the kind of product mix which we have, including yarns and fabrics, we have consistently said that our margins should be in the range of 16% to 20%, depending on the cycle time. And these margins are definitely lower than what we aspire for.

Sandeep Baid: Okay. So if you take an average of 18%, you say that your current margins are lower by about 3.5%, 4% as compared to normal margins?

Dinesh Nolkha: It is about 300 basis points lesser than the normal margins.

Sandeep Baid: Okay. And do you think that by the second half of this year, the margins with the demand improving should head towards normal margins by the second half of this year, financial year?

Dinesh Nolkha: Normally, second half is a better -- better than the first half. And we expect improvement subject to various geopolitical things which is happening. That is the only subject to which is there at this moment.

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

Aditya Kumar: I have a couple of questions. Can you throw some light on the crop size of India and the international cotton price parity right now? And how do you expect that the premium cotton price in India should come down going forward?

Dinesh Nolkha: First of all, the crop size this year is expected to be in the range of about 315 lakhs bales -- around 315 lakh bales to 320 lakh bales. So this is our expectation of cotton. As of now, already more than 80% has already come. So it is about 275 lakh bales to 280 lakh bales have already arrived. And in the next 3, 4 months, we are expecting another 45 lakh bales to 50 lakh bales coming in.

As far as parity is concerned, today, normally, we look at ICE here now in India, but we need to -- we should look at Cotlook index. Cotlook index is an average of the 6 different growths landed costs various around the world. So if you compare with that, I think we have a disadvantage that is around $0.80 per pound. And our cotton in India is about $0.83 per pound. So we have a disadvantage about 4% to 5% on that side. So that disadvantage which India is having.

Going forward, one of the major questions which we have or major problem which we have is Government of India is consistently increasing the minimum support price year-on-year. So we should be expecting another 4% to 5% increase.

And if the world crop cotton crop, which seems to be okay at this moment is not -- is going to remain at the similar levels, then we should not be expecting a major increase in price internationally and which could cause further more disparity going forward as well. Of course, all these factors depend on the currency of our country, increase in minimum support prices and the international cotton forecasting. So all this put together, we need to look at in the long term.

Aditya Kumar: And sir, the last question for the day is, sir, we have been hearing this China Plus One, Bangladesh Plus One for India exports. So -- and some management also guided that being at this opportunity being -- given this opportunity, India doesn't have that capacity to take this forward. Like what is the current stand -- where does India currently stand to take this opportunity right now?

Dinesh Nolkha: First of all, we have a very good robust capacity for raw materials, spinning and for that matter, even the weaving and knitting side also. Major capacity, which we are lacking is on the finishing side and also on the garmenting. So garmenting capacity has not been growing to the pace what we would expect it. And I think everybody in the industry as well as the government is very well aware.

And time and again, there has been demand from the industry to bring in some PLI or some kind of incentive scheme to ramp up this capacity. You are very right and that if we have to grab this opportunity, we need to ramp up our capacity in our finished goods production capabilities like garmenting and stitching and also on the dying and finishing side. So if we are able to ramp up these capacities, definitely, we have this kind of very good chance of grabbing the opportunity which is coming our way.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Awanish Chandra for closing comments. Over to you, sir.

Awanish Chandra: Before taking management final commentary, sir, Dinesh sir, one question and a lot of people are asking, now we are generating good cash flow from operations. So after debt repayment and interest payment, whatever left can be returned to shareholders because cost of equity is anyway way higher than cost of debt, and we have low cost debt available for our capex.

Dinesh Nolkha: Actually, Awanish ji, you need to understand that we are not funding the growth only with the debt. It is a mix of debt and the cash accruals. So while considering this, we have to definitely consider the part of it towards we use it for growth capital. We would wish to see that the company consistently grows with a good annual compounded rates, which we have been doing in the past.

And of course, we have evaluated for this kind of corporate action instead of paying dividends and going for buybacks and other things. But still, we feel that the amount was not that large enough to offer this kind of corporate action. So definitely, we'll keep in mind. We are already distributing about 10% of our profit to our shareholders, and we'll keep in mind to see if we can improve upon that.

Awanish Chandra: And anything we can think of increasing liquidity like noncash corporate action, the split or bonus, something like that?

Dinesh Nolkha: At this point of time, it would not be prudent for me to comment on this. I would not like to offer any comments for this. This is something which we'll have to deliberate on another forum, I think.

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

Dinesh Nolkha: Yes. First of all, I think we have been able to address all the queries. And if something is left, I would request all of you to maybe send it to our Investor Relationship department. And here, I would also like to thank the SMIFS and Awanish ji for hosting this call.

And if any other questions and other things are left, you can always contact our Investor Relationship department or our Investor Advisors. And thanking you once again for taking the time to join for the call. Thank you so much.

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