February 04, 2026

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विक्रम सम्वत २०८२

National Stock Exchange of India Limited
"Exchange Plaza"
Bandra – Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Code: GHCLTEXTIL

BSE Limited
Corporate Relationship Department,
1st Floor, New Trading Ring, Rotunda Building,
P.J. Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Code: 543918

Dear Sir/Madam,

Subject: Filing of Transcript of Investors' conference call held on January 30, 2026

In continuation to our earlier communication dated January 24, 2026 and January 30, 2026 regarding Investors' conference on Friday, January 30, 2026 and pursuant to requirement of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of the transcript of the said earning conference call by Company's senior management held on Friday, January 30, 2026 at 12:00 NOON(IST) for your reference and record.

Please note that copy of this intimation is also available on the website of BSE Limited (*www.bseindia.com/corporates*), National Stock Exchange of India Limited (*www.nseindia.com/corporates*) *and website of the Company* (*www.ghcltextiles.co.in*).

You are requested to kindly note the same.

Thanking you

Yours faithfully

For GHCL Textiles Limited

LALIT NARAYAN DWIVEDI

Digitally signed by LALIT NARAYAN DWIVEDI
Date: 2026.02.04 16:12:14 +05'30'

GHCL TEXTILES LIMITED

Lalit Narayan Dwivedi
Company Secretary and Compliance officer
Membership No.: FCS10487

Encl: as above

"GHCL Textiles Limited

Q3 and 9 Months FY '26 Earnings Conference Call"

January 30, 2026

MANAGEMENT: **MR. R.S. JALAN – NON-EXECUTIVE DIRECTOR**
MR. RAMAN CHOPRA – NON-EXECUTIVE DIRECTOR
MR. MARSHAL SONAVANE – CHIEF EXECUTIVE OFFICER
MR. M. PARASURAMAN – CHIEF FINANCIAL OFFICER
MR. MANU JAIN – SENIOR GENERAL MANAGER, FINANCE AND ACCOUNTS

MODERATOR: **MS. MEHAL GOGIA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the GHCL Textiles Limited Q3 and 9 Months FY '26 Earnings Conference Call hosted by Go India Advisors. 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 call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mehal Gogia from Go India Advisors. Thank you, and over to you, ma'am.

Mehal Gogia: Thank you. Good morning, one and all. It's my pleasure to welcome you on behalf of GHCL Textiles Limited. Thank you for joining us today for the Q3 and 9M FY '26 Earnings Call. Today on the call, we are joined by Mr. R.S. Jalan, Non-Executive Director; Mr. Raman Chopra, Non-Executive Director; Mr. Marshal Sonavane, CEO; Mr. M. Parasuraman, CFO; and Mr. Manu Jain, Senior General Manager, Finance and Accounts.

Please note that today's discussion may include certain forward-looking statements. Therefore, they must be viewed in conjunction with the risks that the company faces. I now invite Mr. Marshal to present his opening remarks, after which we will open the floor for Q&A. Over to you, sir.

Marshal Sonavane: Good morning, everyone, and a warm welcome to GHCL Textiles Earnings Conference Call for the third quarter ended 31st December 2025. Our detailed results and investor presentation are available on the stock exchanges. I will begin with an overview of the operating environment.

On the cotton front, the new crop production is projected to be slightly lower at around 292 lakh bales versus 300 lakh bales last year. Cumulative cotton arrivals for the season have reached 144 lakh bales, an increase from 132 lakh bales last year. The overall supply is expected to remain comfortable. In terms of consumption, domestic usage has eased to 80 lakh bales compared to 94 lakh bales previously.

At the end of Q3, spinners held 35 lakh bales, while the Cotton Corporation of India held 64 lakh bales. Global cotton prices have remained volatile, particularly New York futures due to international trade dynamics. Domestic prices have eased upwards and are in the range of INR57,000 per candy now.

Turning to the demand side. Global yarn markets continue to face volatility driven by tariff uncertainties. While there is no fresh clarity on the U.S. India trade agreement, other markets are opening up with the signing of FTA with Europe, New Zealand, Oman and U.K. earlier.

These FTAs will open up duty-free assets for India, levelling the playing field against global competition and create new avenues for growth across the textile value chain. Despite the current difficult times on the demand side, we have ensured maximum utilization of our units and continued our operational excellence journey.

Next, I want to update you on our strategy and execution. Our 25,000 spindles unit has stabilized remarkably well. It is currently operating at 98% utilization, contributing steadily to our volume and efficiency. We are also making strong progress in broadening our value-added portfolio.

On our vertical integration road map, the installation of our Phase-1 knitting capacity, comprising 15 machines is currently underway and will be completed in quarter 4 FY '26. We'll set up Phase-2 expansion in first half of FY '27.

Now turning to our financial performance. Q3 FY '26 continue to reflect our operational discipline. Revenue stood at INR351 crores, EBITDA at INR334 crores and PAT at INR13 crores. For the 9 months FY '26, revenue came in at INR960 crores, up by 9% same period last year and EBITDA came in at INR104 crores, up by 23% same period last year.

A key highlight this quarter is the strengthening of our financial profile. In January '26, our credit rating was upgraded by CARE Ratings from A-/A2+ to A/A1. This upgrade is a testament to our robust balance sheet, prudent financial management and the confidence that rating agencies have in our business model even in these challenging times.

Our focus remains firmly on our strategic priorities, broadening our value-added portfolio, enhancing operational excellence and strengthening vertical integration. These priorities continue to guide our capital allocation. Our committed investment plans remains on track. GHCL Textile is well positioned to sustain its growth momentum.

Thank you for your continued support. We would now be happy to take your questions.

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

Riddhesh Gandhi: Just wanted to understand when your incremental is -- 10 megawatts of renewables comes up next quarter, approximately how much EBITDA savings should we be expecting from that?

Marshal Sonavane: Riddhesh ji, I actually couldn't hear you. Your voice was breaking.

Riddhesh Gandhi: Yes. When our incremental renewable capacity comes up next quarter of 10 megawatts, about how much the cost savings would we expect from that?

Marshal Sonavane: Okay. So, we have two renewable projects which are in sort of pipeline. There is a rooftop solar project, which is 3 megawatt, which will be commissioned by February. And there is a 10-megawatt ground solar project, which will be done by June '26. Both these projects put together, the saving would be about INR7 crores to INR8 crores. The 3-megawatt unit would have a saving of about INR2 crores and the 10-megawatt unit would have a saving of about INR6 crores. This is per annum.

Riddhesh Gandhi: Got it, sir. Sir, the other question was just given what's happening with pricing of like cotton, the MSP, the duty-free imports being stopped from mid-January and the slight increase in prices in yarn, given all of these things, if you could just sort of highlight what your own outlook is on overall spinning spreads?

Marshal Sonavane: Riddhesh ji, I think spinning spreads in quarter 3 definitely were under pressure and primarily because of two things is that there is no clarity on the demand side, that puts a demand side pressure on us. And cotton, while it was benign at the beginning of quarter 3 has started to go up with the new crop and procurement by CCI. But I firmly believe that I think the worst is over and quarter 3 onwards.

And we saw green shoots in December itself when sort of demand went up, we saw good inquiries from export as well. And cotton price more or less is stabilizing. What we are sensing is that it is going to stabilize. And with the demand side getting better with all your FDAs in pipeline, I think the spread should start to look upwards from quarter 4 onwards.

Riddhesh Gandhi: Correct. But the FTA impact won't be seen now, I assume, right? Because by the time the FTAs are… and all of that, it's still a year away, right?

Marshal Sonavane: Definitely, it's a year away, but I think the overall thinking of buyers starts to align with the FTAs. So, they would start to look positively towards India as a market, right? And you would hear more conversations going on with European buyers and wherever the FTAs have been signed for a more longer-term agreement and relationships will start to get better.

Riddhesh Gandhi: Got it. That’s all from me. Thank you.

Moderator: Thank you. The next question is from Raman KV from Sequent Investments. Please go ahead.

Raman KV: On a sequential basis, the revenue from fabric has declined. And as per the previous con call, our guidance was to have revenue from fabric by 12% to 15% by the end of this year. So, can you comment on that? And does the sequential decline in the revenue from fabric also had an impact on our EBITDA?

Marshal Sonavane: On a quarter-on- basis, our revenue from fabric has actually gone up. I think last year -- last quarter, our percentage of fabric revenue was about 11%. We are at about 11.8%, 12%, right? On a nine-month basis also. if you see it is about 11%, right? So, what we had stated last quarter that a guidance of 12% to 15% of revenue coming from fabric, we are on track of that.

So, by quarter 4 and the year-end, you will see we will be clocking about 12% odd as a percentage of fabric revenue.

Coming back to, I think the second question on impact on EBITDA. I don't think fabric had any impact on our EBITDA for this quarter. So, I think from a fabric point of view, whatever we have committed, we are on track for ramping up that volume.

Raman KV: No, sir. I meant the fabric volume. So, on a sequential basis, the fabric volume has declined?

Marshal Sonavane: If you see on a nine-month basis, our last year volume was about both put together, right, about 386, I think in the presentation it is there, about 386 tons of fabric and 114 lakh meters of woven fabric. Compared to that, we have significantly improved, right? We have done about 1,000 tons of knitted fabric and 142 lakh meters of woven fabric. So, you will have to see it on a more longer-term basis. Definitely, there will be a quarter-to-quarter variation. But on a longer term, we are on track of ramping up our fabric volume.

Raman KV: So, the sequential decline in the EBITDA margin, what can that be attributed to, towards?

Marshal Sonavane: So, two reasons primarily, if you see our power cost this quarter has been higher compared to last, primarily because of the change in mix of power, renewable energy proportion, right? Generation is lower this quarter compared to last. And the second reason is a bit of a compression in the spreads.

Raman KV: Sir, if you can provide what is the current domestic cotton yarn prices for the Q3 quarter? And what's the current domestic cotton prices?

Marshal Sonavane: I think we can talk in terms of spreads because that number we have been giving quarter on quarter.

Raman KV: Okay, yes.

Marshal Sonavane: Yarn prices will depend a lot on what product we are talking about, right? And similarly, our cotton price will depend a lot on that. So spread, I think last quarter, we were at about INR131 per kilo before packing cost. This quarter, we are at about INR128 per kilo. Our Q3 was INR128 per kilo before packing cost.

Raman KV: And currently, are you seeing any revival or is it still decreasing?

Marshal Sonavane: We are seeing a revival. I would not be able to put a number on how much could it be. But definitely, we think December onwards, situation has started to look up.

Raman KV: Understood, sir. And sir, I just want to understand how much do we -- how much percentage of our total revenue is exports? And if you can give a split between how much are we exporting to U.S.A. and how much are we exporting it to EU? And on a follow-up on that, international cotton prices are technically are at a lower price than Indian cotton prices. So, does this impact our exports by any margin?

Marshal Sonavane: So, I think the percentage of exports is also there in our investor presentation, which has been uploaded. So, for nine months FY '26, it's about 9% of our revenue is on exports, right? And I think this last year, it was about 17%, but that was a conscious decision from our end because the realizations were better at least for our category of products in the domestic market.

As a follow-up question, you had asked about how global cotton prices being lower, affect our export potential. Yes, it does affect, but in our GHCL Textiles' case, we are in very sort of customized high value-added products. For us, as in the product quality plays a lot of role in our ability to export the product, definitely higher cotton prices reduces the margin which would have got if the cotton prices were similar across market.

Raman KV: Understood, sir. And sir, my final question is on the knitting side. You said by Q4, you will -- your knitting capacity will be commissioned and you expect 14% to 15% margin. So, are we on track of it? And if you can throw some light on how much revenue -- incremental revenue are you expecting in FY'27 -- will -- and with respect and also the margins with respect to it.

Marshal Sonavane: So, see, I think what we are saying is that quarter 4, the machines would be operational. But definitely we would need a few months for stabilization of customers' products and everything. I think from next year onwards and let's say on FY '27 because we are also putting sort of a number of 40 machines being in-house by quarter 1, quarter 2 maximum.

I think the 40 machines and the entire Meenakshi project put together, we have said that the total margin will be accretive, right, in terms of 13% to 14% to 15% is where we will be able to get on that. So that entire project, I think the number will be between INR250 crores to INR300 crores at a 13% to 14% margin.

Raman KV: So, we can do INR200 crores additional INR200 crores in FY '27?

Marshal Sonavane: In FY '27, because Meenakshi as in our new 25,000 spindles has already been operational. Okay. So, if you just want to talk about what would be my additional top line from the 40 knitting machines, which will come up next year and assuming for a full year operation, it would be about INR30 crores to INR40 crores, right?

Moderator: The next question is from Saransh Gupta from SVAN Investments.

Saransh Gupta: I have a couple of questions. So, in this quarter our export contribution has gone up somewhere around 11% if I'm right which was 9% last quarter. So, with such uncertainty in the global market, where do we see demand going up? And does that mean that in our domestic market, there is some pain that we are taking?

Marshal Sonavane: So yes, I think exports for this quarter have been better than last quarter. And our exports are well distributed across Bangladesh, Europe, Southeast Asia, East Asia, right, a little bit in some of in Northern African countries once in a while, it happens as well. So, we are sort of seeing -- your question was where do we see the growth coming from? Is that -- is my understanding of your question correct?

Saransh Gupta: Yes. And also, is there some pain in the domestic market?

Marshal Sonavane: Okay. So, 2 questions. Yes. From an export point of view, we definitely see demand moving from India to some of these other locations, let's say, primarily Bangladesh and Vietnam, right? And particularly the U.S. led demand has started to move so to say. So definitely, there some better exports happening from these locations, particularly Bangladesh, and we saw that a lot in November and December when exports went up.

In fact, I think India exported about 115,000 tons of yarn in December compared to a usual run rate of about 100,000 tons. So, December, definitely, the entire industry sort of exported a lot more. Domestic demand, while it has remained muted, but we do not see a large contraction in the domestic demand. There are month-on-month variations for sure. But largely, I think domestic demand has remained the same, at least in our case.

Saransh Gupta: Okay. Second one was that you said that our cotton spread was INR131 in the last quarter came down to INR128 this quarter. What was the yarn spread this quarter, it is sequentially down, if you can like -- we can compare it with the last quarter?

Marshal Sonavane: That is the spread, right? Our yarn spread as yarn minus cotton price, that is about INR128 per kilo this quarter. Last quarter was INR131.

Saransh Gupta: No, no, I am asking like after December, like for January and for January, how is it shaping up?

Marshal Sonavane: So, it's difficult to give you a number because we are just in the first month. But I can tell you that it has started to look upwards, at least between December and January, things have started to look upwards.

Saransh Gupta: That's good to hear. So, sir, out of the INR1,000 crores capex commitment that we have done, we already deployed, I believe, INR600 crores till now. So, the rest INR400 crores, if you can give us a bifurcation and by when we will be deploying that?

Marshal Sonavane: So, the rest INR400 crores we have set for our vertical integration journey. This could be frankly investment coming in fabric and processing capacities. most likely between next 2 years to 3 years. Processing, we are looking at PM MITRA Park as a location or some other suitable locations where it could be put up.

Depending on the execution of those projects, this investment would also happen. But our internal number is that between next 2 years to 3 years, entire remaining INR350 crores, INR400 crores will be deployed.

Saransh Gupta: Okay. So, as we are moving forward towards vertical integration, do we have any plans to get into other segments also such as like polyester yarn or maybe garmenting going ahead?

Marshal Sonavane: We are into blended yarns, right? So, we are into blended ring spun yarn where we use a lot of these polyester, modal tencel and other fibres. If your question pertains to filament yarns, we do not have a plan to enter into filament yarns. Garmenting also as of now, we do not have our first port of call to finish our commitment of INR1,000 crores investment, which is up to ready-to-wear fabric only.

Saransh Gupta: Okay. Sir, just one last question. Like in the December, the duties from cotton -- imported cotton was removed. And first of all, is there any new news on that, that will it be implemented again? And if not, do we see any impact from the quality of the cotton that we get or the prices of the cotton yarn which has been stabilized for a quite good time. Can we see difference in that?

Marshal Sonavane: So, there have been representations from the industry and conversations with ministries on extension of duty waiver but of course, no decision has happened until now. And duty has been reinstated from 1st of January. There is a difference between global cotton prices and domestic cotton prices. And that definitely, if your raw material is expensive, it will have an impact on the overall industry as well.

Probably we will see -- as in the conversations are going, we will see when the outcome of those conversations come about. Second, in terms of overall quality of cotton available in the domestic market, as in the supply situation because India -- a lot of Indian spinners imported almost about 3 million bales have been imported, right? And India's domestic production itself is going to about 292 lakhs bales.

So, on an overall basis, I think the supply is comfortable. That's what we feel. Quality, of course, because of unseasonal rains which happened, quality concerns are there. But we have been able to procure with our relationships with the dealers and with our procurement approach, we have been able to secure good quality cotton at least for our company.

Saransh Gupta: That's good to hear. Sir, just one last question, if I can squeeze in. With the 40 knitting machines expansion coming up in H1 FY '27 out of which 15 has already commissioned --

will be commissioning in Q4. How do we see our revenue mix shaping up for the next at least 2 years to 3 years?

Marshal Sonavane: Sorry, I missed your last part. How do you see -- can you just repeat from that part?

Saransh Gupta: The revenue mix shaping up for the next 2 years to 3 years?

Marshal Sonavane: Right. See, I think we have given a vision for last quarter as well and before that also Mr. Jalan has stated it. Once we complete our vertical integration journey, we will still have the sort of yarn proportion would be about 40% and the rest will be sold as a processed fabric. I think this is the vision we have kept, and that is how our revenue mix will also change.

Moderator: The next question is from Devang Vishal from DV Enterprise.

Devang Vishal: Sir, my question is, if our export is just 10% of the rebate, right? Then what will make it a difference for these FTAs and all?

Marshal Sonavane: So, sir I think we are -- so let me just sort of elaborate our customer mix, right? So, we have -- a large part of our production is customized value-added goes to strategic customers, large buyers in India. The 10%, which we export to other countries is also highly specialized and premium products only, right?

So definitely, there is a scope of doing better on that. That proportion can go -- let's say, last year also, we were about 17%, 18%, right? That proportion can go up to that level, and that is where the FTAs will help. Some of the doors where we have not been able to go, right? And primarily, we are an upstream value player, right?

So, we are yarn manufacturers. So, our direct exposure on exports will be limited, particularly to some of these areas like Europe, US or New Zealand, for example, right? Primarily, it will go to some of the countries where conversion happens and they will be exporting, so to say. If India signs FTA, the garmenters who are in India will be able to export more. And ultimately, the benefit will trickle down to us. That is how the FTAs are going to help.

Devang Vishal: Okay. Sir, can you just get me on that, like what's the net debt we have? And at what percentage the debt is at? Hello?

Ravi Jalan: I think yes, the net debt at this point of time is around INR41 crores. So, it will be roughly around 8.5.

Devang Vishal: Yes. So, it's very negligible. Sir, is there any possibility that we can grow on the operating profit margin by double-digit or high teens?

Marshal Sonavane: On a year-on-year basis, you are saying the growth?

Devang Vishal: Yes. Can consider on both the sides because if quarter 1 or 2, like half of the year has been completed, right? So, like is there any possibility like OPM to touch by like efficiency can we go on a higher side by double-digit or higher teens?

Marshal Sonavane: I think on an EBITDA basis also, we have delivered a double-digit growth compared to last year, right? And on a PBT basis also if you compare 9 months this year versus last year. Coming back to, let's say on a contribution margin basis or maybe on EBITDA basis, if operational efficiency can help, definitely.

I think there are 3, 4 levers where we continuously work on. One is how do I make my product better? How much of more value added can I do, which sort of helps me differentiate from the competition. Second is, can I reach out to the right set of customers? Can I improve the kind of customers I operate with, enter into more premium categories. The third is that can I improve on my utilization? We currently are maintaining about 98% utilization and that effort continues to happen on that. And how do I sort of make sure my power mix gets better and better and where we are investing in our renewable energy, right? So, all of these things are happening.

And we have actually delivered double-digit growth on our profitability compared to last year. So, I think that effort continues to happen. We are hopeful the journey will continue on that. Right now, putting a number that how much will be my growth as in the situation is changing month-on-month, quarter-on-quarter basis, particularly on the demand side and cotton side. So, it is difficult to give you a number. But yes, I think our efforts are in that direction only.

Devang Vishal: Okay. And sir, the last question, like we are having a very good line of spindles. If I'm not wrong, it's 2 lakh, 2.5 lakh spindles we are having, right? And the rotors are there, we are coming up with the knitting plant also. Sir, can you just define the perfect ratio like what's the timeline? Like is the machine or the plants are older one or like you can use it for the next 5 years, 10 years with the same efficiency?

Marshal Sonavane: So, I think the question -- so we have -- we do not have very old spindles. Every year, we have been spending money on modernization. So, there is a significant modernization capex, which has gone in already. We do not see a lot of modernization capex at least for the next 3 years to happen, right? So whatever money we will be investing henceforth is primarily on expansion only.

Devang Vishal: Okay, sir. That's fine. That's all from my side. Thank you very much for it.

Marshal Sonavane: Thank you.

Devang Vishal: And all the best for the coming years.

Moderator: Thank you. The next question is from Raj Lakhani, who is an Individual Investor. Please go ahead.

Raj Lakhani: Yes, thank you for the opportunity. So, I have two questions from my end. So, over the next 3 to 4-year period, how do you see internal yarn consumption for the fabric segment? And second question is what are the key levers for ROE expansion going forward during the same period?

Marshal Sonavane: So, on the fabric internal yarn consumption, the 25,000 spindles which we have recently commissioned, that unit has been commissioned as entire, like, end-to-end from yarn to fabric. It produces 21.5 tons to 22 tons per day. I think that would get consumed in these 40 knitting machines. For the woven we sort of utilize a mix of in-house and outside yarn. Some of the yarns which we don't produce, I think that gets utilized there as well.

But overall, if you see on a net basis, probably it will be about 40 tons per day, which will get when, let's say, particularly for next year between 30 tons to 35 tons per day would get used once these 40 knitting machines and our woven fabric current production is happening. So out of -- just to sort of clarify again, we produce about 130 tons to 145 tons per day. Out of that, about 30 tons to 40 tons per day would get used in our internal yarn consumption.

Raj Lakhani: Okay. And the second one, like what are the levers for our ROE expansion.

Marshal Sonavane: Yes. Sorry to remind, I actually forgot to answer your second question. For our ROCE or maybe ROE expansion, see, first of all, we believe the normalized EBITDA for spinning industry is about 14%, 15% and we have actually delivered. If you see our history for 5 years, 7 years, I think we have delivered that level of EBITDA percentage.

I think with the demand side getting better, we should be able to reach that normalized EBITDA of 14%, 15%, which we were able to get on a standalone spinning. Along with our vertical integration, which will be more margin accretive, right? It is more profit maximization, which happens on vertical integration. I think that will take us to an EBITDA margin of about 16% to 18% on a normalized basis.

I think that lever definitely will help us on our profit maximization, which will lead to our ROCE improvement. Also, we are working on how do we adjust our working capital, can we optimize it better, right? And I think these two primary levers will help us on ensuring we are touching about 8%, 10% ROCE.

Raj Lakhani: Okay, okay. Thank you so much.

Moderator: Thank you. Next question is from Arun Chulani from First Water Capital. Please go ahead.

Arun Chulani: Hello. Can you hear me? Hello?

Marshal Sonavane: Yes, I can hear you, but not that clearly. Could you speak louder?

Arun Chulani: Sure, one second. Yes. I want to ask about the cash situation. It seems like you're operating on a very thin level of liquidity. How are you doing that? Because like as of September, it was INR6 crores. So how are you managing to operate as a business with such a low level of cash?

Marshal Sonavane: So, Jalan ji, can you or Raman ji take this question?

Ravi Jalan: Look, I think what Arun ji, you are asking is that how are we managing the working capital, right?

Arun Chulani: Yes.

Ravi Jalan: The cash balance is INR5 crores to INR6 crores. Then in addition to that, we have a lot of credit line also with the banks. And our working capital deployment is already more than roughly around INR200 crores, INR300 crores.

So, liquidity wise, we don't have any problem. And like you must have heard to our CEO that overall, our debt at this point of time is very thin, only INR41 crores of the debt on this kind of a balance sheet. So therefore, the liquidity, I don't see any kind of a challenge.

Arun Chulani: Yes. But I mean, most businesses don't work on such a thin as in like if there's a liquidity squeeze or whatnot and lines are withdrawn, there seems to be very little for contingency?

Ravi Jalan: No. But Arun ji, in our case, it's the other way around. We are strongly -- we have a very strong balance sheet with a very low debt. We have a possibility of raising the debt at a significant level, even if we want to go at a 1:1 level also, 1:1 also.

Along with that the kind of a margin what we have at this point of time the cash generation, what we do. I think, frankly speaking, this is one of the strongest points of GHCL Textile that we have a large cash or the large ability to raise the resources and deploy in the growth of the business.

Arun Chulani: Got it, got it.

Raman Chopra: Already as you are saying that INR400 crores in the working capital.

Ravi Jalan: INR400 crores is already deployed in the working capital against that and along with all other assets and things like that, our debt is only INR41 crores.

Raman Chopra: So INR400 crores is the liquidity actually.

Arun Chulani: Got it. Okay, okay. That’s fine. Thanks a lot.

Moderator: Thank you. The next question is from Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti: Yes. Continuing from the question which the previous participant had asked about how your working capital is being done. I heard that you have been using a working capital of about INR400 crores. Is that right?

Marshal Sonavane: Yes, the working capital in the business is currently INR350 crores, INR400 crores.

Deepesh Sancheti: INR350 crores. And most of it from our credit lines, right?

Marshal Sonavane: No, not really. We don't have any credit. Like I said, our net debt is only INR41 crores. And therefore, this money, you can assume that is the internal money has been deployed in the business, right?

Deepesh Sancheti: Internal money. Because I saw the interest cost was hardly anything to support that kind of -- if there is any credit line. So net debt is only...

Marshal Sonavane: INR41 crores, yes.

Deepesh Sancheti: Okay. And interest cost would remain in the similar levels going forward also because we are not doing any capex. We've already done our capex for the next 3 years, right?

Ravi Jalan: No, like what our CEO has just said that we have a growth plan like what we have this 15 machines we have already kind of in the process of installation. Then another 25 machines needs to be installed. The another INR400 crores of the investment, which we just said against the INR1,000 crores, we have already invested something around INR600 crores, INR650 crores.

Balance INR350 crores needs to be invested over a period of 3 years, 4 years. And that kind of some debt increase may happen. But in the shorter term, if you look at a few quarters from now, maybe the interest cost will remain in the range bound.

Deepesh Sancheti: Okay. So just want to understand where we have invested such a big amount and at such low ROE, I mean, how do you feel that you're getting the right return on investments? Because your ROE is in single-digit, that is a lower single-digit of around 4%?

Ravi Jalan: There are two reasons on this. First and foremost is like if you look at our ROCE, ROCE, at this point of time, ROCE is around 5%, which Marshal just said a couple of minutes before that normalized EBITDA in a normal situation, this ROCE should be something around 7% to 8% should happen, okay! And if your debts are on the same position, probably the ROCE or ROE probably in the range bound of around 8% to 10%, right!

Deepesh Sancheti: No. So, when do you see this ROE to come to around… I'm talking only about ROE, ROE to come about more than 8%. Because I mean, below 8%, it doesn't make sense for us to do business at around of putting so much INR600 crores into the business. Rather you put it into FD and you'll make more money. I mean that's -- I just want to know when the ROE you are expecting to again come back to around 8% -- more than 8% or in a double-digit figure?

Ravi Jalan: Yes. So, like just we said in our discussion that over this business outlook, which has been seen now the positive, hopefully, in the next few quarters, the things should start looking up. And in a normalized situation, this ROE of 8% to 10%, we will definitely be able to -- and historically, we have been achieving this 8% to 10% of the ROE.

You know that the textile industry at this point of time is passing through a headwind. And because of this ROE or any return on the capital is lower. But in a longer-term basis, definitely 8% to 10% of the ROE is achievable.

Deepesh Sancheti: How much are we affected from this current tariff situation and what do we see that once the EU deal is signed, how much outlook do we look at -- I mean, how much benefit do we look from the EU exports?

Ravi Jalan: Marshal, would you like to respond because you have already said earlier.

Marshal Sonavane: No, I think it is not –see I think the down cycle is not just because of the tariff. I think there have been multiple reasons and the down cycle has continued, I think, since '23, '24, so to say, right? And probably that is why the reason the ROE, ROCEs are down. And as Mr. Jalan said, historically, we have been delivering that 8% to 10% of ROCE number.

We have been impacted. And if you see on a normalized basis, when we are saying we have been achieving 14%, while we are at an 8%, 11% EBITDA, definitely, there is a drop compared to what a normalized EBITDA would be and primarily right now the reason is actually the demand uncertainty, so to say.

Once some of these demand triggers are falling in place, I think -- and once these deals are ratified and everything, we definitely would return to this 14%, 15% EBITDA margin, considering the operational excellence we have put in place, the focus on value-added products and how much premiumness we have brought into our products, I think that would get us back to this 14%, 15%. I think it is a time when textile down cycle looks to be ending.

Deepesh Sancheti: True, sir. But then till that you should not do any capex because your point is if you're doing any -- taking any debt, you'll be having -- you'll be able to take a debt around 8% to 10%. And for that, I mean, 8% to 10% taking the debt and if you're not able to do that ROE, then I mean, it just doesn't make economical sense. And frankly for 8% to 10% is not even a ROCE number for investors. There are companies who do 15% ROE also. So just want to understand that whether our company is in line with that kind of a thinking till we achieve a better ROE, we will not be putting any capex or we are still in line with the capex situation?

Marshal Sonavane: See, I think in general, we have a confidence on the situation getting better and textile industry coming out of down cycle. That is primarily the reason why we keep investing and preparing for the good times. Of course, as in tough times it is every price is an opportunity ultimately, right? So, we are utilizing this. Most of the capex till now has been done from our internal accruals.

And despite investing about INR650 crores, our debt remains low. We do not see significantly our debt-to-equity ratio getting higher. We will primarily be able to fund it either through our cash generation or maybe a little bit help from the debt. So, we believe definitely that the textile industry will get better and the down cycle looks to be ending. And we are sort of preparing ourselves for the good time, so to say. And our entire vision of going towards ready-to-cut fabric is on ensuring we are able to deliver this double-digit ROCE numbers to our investors and stakeholders.

Deepesh Sancheti: How much capacity utilization have we done over all the plants?

Marshal Sonavane: We are maintaining 98% capacity utilization across all our units now.

Deepesh Sancheti: And that kind of demand is still there, right?

Marshal Sonavane: We have no problems in our sale book. We have been able to utilize our capacities, maintain our FG levels to our desired numbers.

Deepesh Sancheti: Great. Thank you so much.

Moderator: Thank you. Next question is from Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Yes, sir. Namaskar sir and firstly thank you for this opportunity. Sir sorry for the inconvenience I joined late. My question may be repetitive. So kindly bear with me. Sir, firstly, I think so you must have mentioned in your opening remarks, but if you could just allude to the factors that has led to the margin compression Q-on-Q. And what according to you are the factors that have been now negated and we will be improving on our EBITDA margin going ahead?

Ravi Jalan: Marshal.

Marshal Sonavane: Sorry, I'm here. I was on mute. My mistake. Saket Ji, on a quarter-on-quarter basis, the profitability has dropped primarily for two reasons. One, change in mix of our power. So renewable energy generation is lower this quarter and it is a seasonal thing. If you compare our power cost last year as well, it would be in the similar number.

The second reason is primarily what the entire industry is facing on spreads getting reduced. I think these are the two reasons why our profitability has dropped this quarter compared to last. The spreads, I think, are starting to look upwards. I actually answered this in previous question as well that while our spreads have dropped in quarter 3, it has started to look upwards December onwards.

Saket Kapoor: Okay. And sir, the volume -- the incremental volume of 25,000 spindles we have utilized the same at the optimum level for Q3?

Marshal Sonavane: In quarter 3, the 25,000 spindles achieved 98% utilization. So, we have been able to utilize it completely.

Saket Kapoor: Okay. And sir, going ahead, what would be the capacity addition, if any, for the next financial year? And when will that be into commercialization?

Marshal Sonavane: Saket ji, we have few projects which are in pipeline, right? So, we said that we are putting up rooftop solar and ground solar. We have knitting machines, 15 knitting machines, which are under installation now will be commissioned in quarter 4. And we have Phase 2 of knitting machine, which is coming up, right? So, these projects are in pipeline already.

Going forward, we have already said that we are going on a vertical integration journey where we will be going up to ready-to-cut fabric. Some of the fabric and processing capacities are under discussion as and when we finalize it, we will announce it.

Saket Kapoor: So sir, going ahead, what should be the volume growth the next year that would we anticipating and taking into account the spread trends currently and the volume -- incremental volume expansion, we would be on similar lines for the exit of Q4 also, the same aspects of the margin profile will remain the same or can we see an uptick in the margin?

Marshal Sonavane: Saket ji, I think in quarter 4, we are -- because we saw things getting better in December and January, we believe that quarter 4 margins would get better compared to quarter 3. The revenue would be similar because most of our units are already running at full capacity.

So, we do not expect a lot of revenue bump, except for price increases and because of that, but no volume increase will happen in quarter 4. But yes, we look as in we are -- based on December and January numbers, looks that quarter 4 will be better than quarter 3 in terms of profitability.

Saket Kapoor: Right, sir. Thank you, sir. And I hope, sir, that the ROCE part which I think so all the participants have been alluding to including myself, we should be in a position to exhibit better ROCE once as Jalan Ji has mentioned that normal conditions prevail. So, if you could just give a scenario of how and when we will understand that these are the factors that allude to normal situation and we going back to those 16%, 18% EBITDA margin?

Marshal Sonavane: Saket ji, I think from lesser demand side getting normal, things looks to be falling in place with the entire FTAs at least getting signed and probably by next year, all of these will get ratified and implemented as well. The second part is that on our vertical integration journey, we have already said that these knitting machines are going to be done by quarter 1 next year, the 40 knitting machines maximum by first half of next year.

And our vertical integration journey remaining on expansion of knitting, wovens and processing. We will be able to complete it in the next 2 years to 3 years. So, let's say, just to answer other participant's questions also on ROCE. I think it will start to look upwards at minimum in FY '27 and maximum we will be able to touch it by FY '28, '29.

Saket Kapoor: Correct, sir and thank you and all the best to the team.

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

Resham Jain: Yes. Hi, Marshal ji. So, my question is with respect to the processing plant, which you are planning to put out. So, this is primarily for knitted fabric. Am I right?

Marshal Sonavane: So, we are looking to put up both knitting and woven because we are currently also doing woven fabric and knitted fabric. We will sort of take a decision which one to prioritize. I think that conversation we are having internally.

Resham Jain: Okay. Because in weaving, then you need to buy the fabric from outside because you don't have weaving fabric capacity, right?

Marshal Sonavane: Resham ji, I think when we go for vertical integration, we are looking at both knitting and weaving. And I think depending on how the situation it is there, we will sort of decide a call which one to prioritize early, so to say, but the plan remains to be in both knitting and weaving.

Resham Jain: So, you will put up looms as well because as of today, the -- whatever little fabric expansion which is happening is primarily the knitting fabric expansion. So, you have to then put up looms for weaving capacity and along with it you will put processing as well. Am I right?

Marshal Sonavane: Right.

Resham Jain: Okay. Understood. And the second question is with respect to this because a lot of your yarn may get consumed in-house once you will put up this fabric capacity and you will process it. So, the existing set of customers to whom you are selling grey yarn right now, they have to then buy from someone else. So, will you plan yarn capacity also along with your forward integration projects because the set of customers which you will get after 2 years with forward integration will be very different from what you are supplying right now?

Marshal Sonavane: Right. I think when we are fully integrated also part of our production will be sold as yarn. And I think the question that we won't be able to service the entire gamut of customers we are able to do now because everything gets sold as yarn. So definitely there will be a decision on which one to serve and where can we exit, so to say.

Resham Jain: Okay. Understood. So, your yarn portfolio will become more optimized in terms of margins and mix once you do forward integration?

Marshal Sonavane: Yes. I think it will all be on profit maximization. So, wherever you think that selling yarn is better, you would sort of only do that.

Resham Jain: Understood. Okay. Thanks. That was my question. Thank you. All the best.

Marshal Sonavane: Thank you.

Moderator: The next question is from Kareena from SMIFS Limited. Please go ahead.

Kareena: Yes. Hi, thank you for the opportunity. I just have one question. What is the company planning to do with the freehold land of about INR209 crores in its books?

Marshal Sonavane: That freehold land is for the expansion of when we get into fabric and probably other things. So that land is available for our expansion.

Kareena: Right. So, which is -- there is no immediate plan to use it as of now like is there a timeline for this?

Marshal Sonavane: Yes. I think our vertical integration journey is for next 2 years, 3 years. I think that is what we have alluded to earlier. I think that land is available for that expansion only. So, we are not looking at any other immediate use for that land.

Kareena: Okay. Thank you.

Moderator: Thank you. The next question is from Uday Kumar from SMIFS Limited. Please go ahead.

Uday Kumar: My question has been answered sir. Thank you for telling.

Moderator: Thank you. We will move to the next question. The next question is from Partha Mazumder from Eastern Financiers Limited. Please go ahead.

Partha Mazumder: Can you please guide me what is the total capex amount and how much has already been done and how much is left?

Marshal Sonavane: In our vision, what we had given, we had planned for INR1,000 crores investment. Out of that, INR650 crores have been invested about INR350 crores is pending.

Partha Mazumder: Okay. And next is our raw materials, sir, how much do we import cotton, or totally it is from domestic only?

Marshal Sonavane: No, it is across. We utilize cotton from India. We utilize cotton from Africa, Australia, Brazil, U.S. So, it is a very diversified mix of cotton, which we use.

Partha Mazumder: And in percentage terms, how would that be as total percentage in raw material cost?

Marshal Sonavane: It sort of varies, but 65%, 70% of our cotton is domestic and that includes polyester also and 30% is imported.

Partha Mazumder: Okay. Sure. And you already said that we will not be directly benefited with this EU FTA, but we will be indirectly benefited. Any ballpark numbers what can -- and besides our exports have actually gone down, which you said that it's a strategic decision by the management to focus more on domestic. So, will this whole thing change with now FTAs, although it is pretty early, but still, anything on these lines?

Marshal Sonavane: See most of the export which you see is direct export as yarn. So, with the FTA, we -- so of course, that -- see, on the Europe particularly, the import duty on yarn is only about 5% while on garment, it is 12%. So, the garment exporters are the primary beneficiaries of this FTA. Indirect benefit will be much higher due to FTAs compared to a direct benefit of yarn export.

Partha Mazumder: Okay. Got it, sir. Thank you very much.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference over to the management team for closing comments.

Ravi Jalan: Thank you. Thank you very much. I just wanted to kind of give you some of my thoughts. First and foremost, this GHCL Textile, of course, was a part of the GHCL, but has a long history of the performance. I just wanted to share the number in terms of the margins of EBITDA margin in the last couple of years.

Since 2018 till 2023, the number was a range bound of around 15%, 17%, 18% kind of a number, except in '22, that number was significantly higher to 28%. If I take an average of all these EBITDA numbers, these numbers are in the range of around 15%, 16%. '23 onwards, the downward trend in the textile industry has been seen. Of course, '22 was a peak period and after that, there was a downfall.

And in '23, our margin, EBITDA margin was 7%, went up to 8%. And in last year, it was 10%. And like our CEO has just said, this year we are looking at number slightly better. And so, one thing which is very clear in our mind is a long term, this business definitely has a possibility of 15%, 16% of the EBITDA margin.

And in addition to that, the changes which we are doing in terms of vertical integration, surely this number will be moving the needle from 15%, 16% to 18%, 20% kind of a number should happen.

Number two, I think always, I personally believe that you invest in the business when the things are not good so that you are ready when the opportunity comes, you can encash that opportunity and you are not left out at the time. The right investment time is always at the time when you have a downward. You also get an advantage in terms of your capital cost negotiations and things like that.

This I have seen even in my other businesses also that always when we have done in that period, we have always got major advantage out of that. The second point in this business is that we have a kind of and every business has its own strength and kind of this thing. In this business, ROCE of around 10%, I think considered to be reasonably well because of the kind of a growth opportunity in this business.

There are many other industries where the ROCE, if you continuously grow your ROCE will be in the range of this kind of a commodity industry I'm talking about. The third point I just wanted to kind of highlight here is like our CEO Marshal has just said that we are definitely looking at this scenario of the bottom is already kind of achieved and that things should start looking at from here onwards.

And some of the logic what I have in my mind, I just want to highlight. First and foremost, yes, U.S. and India trade has not happened. But I personally believe this business moving away from India to the other part of the world, I'm seeing a kind of not a big possibility of that happening. And reason is very simple, which are the other countries which has the potential of supplying these opportunities.

Bangladesh, you know how the geopolitical situation in Bangladesh is there. China has a priority now they want to kind of more on going for the value additions and they want to kind of… so they are also not having a big opportunity. And in terms of what you call the duty part, China and India has a similar position.

Left from this, there are only small countries like Vietnam or maybe Cambodia. And I don't think they have the kind of a big possibility of kind of ramping up the production to beyond that level. The second, like this EU deal or the EU FTA, of course, it will take some time, maybe around 6 month to 9 months' time. But this will create definitely a big opportunity for

Indian garment manufacturers. And ultimately, the beneficiary of that will also happen to the spinners as well, that will definitely happen.

Third, my understanding is the rupee dollar, the way at this point of time is definitely also helping, will help the kind of an exporter from the Indian space. So overall and the last point I just want to highlight, like the cotton, like Marshal said the crop side this time is slightly lower than the last year. However, the quality of cotton this time is slightly, I would say, is even inferior as compared to the last year because of the unseasonal rain. And the people who have a strong balance sheet, who have a better working capital management will be able to procure the cotton at the right time and they will be able to get benefit out of this scenario as well.

So overall, I personally believe that '26, '27 should definitely be better as compared to what we have been seeing since '23 and '24 onwards. So, with the hope that things will normalize and we are taking the right steps in terms of the growth. Like we said, we have a very clear vision that we want to move to the ready-to-cut fabric and we are moving. Now knitting is already in place. Some new machines has to be added. We are already actively working with our -- getting the land on PM MITRA Park. All those things will definitely make sure that our growth journey continues in this business. With this, thank you for all of you for your support and we will continue to deliver on your expectation. Of course, some -- there are certain things which are not in our control. But the things which are in our control, we are definitely making sure like our investment in the green portfolio. I think has really done a remarkable cost competitive advantage to us. We are almost around 75% of our power requirement gets covered from the green energy. So, all those things, the right steps are being taken by the management and we will ensure that we get the benefit out of that. Thank you very much.

Moderator: Thank you very much. With that, we conclude today's conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.