Vardhman
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VARDHMAN TEXTILES LIMITED

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SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN TEXTILES LIMITED – Q4 FY'25

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 5th May, 2025 to discuss Q4 FY'25 results.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED

Sanjay Gupta

(SANJAY GUPTA)
COMPANY SECRETARY

“Vardhman Textiles Limited Q4 & FY’25 Post-Results Earning Conference Call”

May 05, 2025

MANAGEMENT:	**MR. NEERAJ JAIN - JOINT MANAGING DIRECTOR, VARDHMAN TEXTILES LIMITED** **MS. SAGRIKA JAIN - EXECUTIVE DIRECTOR, VARDHMAN TEXTILES LIMITED** **MR. SUSHIL JHAMB - DIRECTOR (RAW MATERIALS), VARDHMAN TEXTILES LIMITED** **MR. MUKESH BANSAL - HEAD (FABRIC MARKETING), VARDHMAN TEXTILES LIMITED** **MR. VARUN MALHOTRA - HEAD (FINANCE), VARDHMAN TEXTILES LIMITED**
MODERATOR:	**MR. ROSHAN NAIR – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY'25 Post Results Earnings Conference Call of Vardhman Textiles Limited hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

Roshan Nair: Thank you. Good Evening, Everyone, and Welcome to 4Q FY25 Earnings Conference Call of Vardhman Textiles Limited.

On behalf of B&K Securities, I welcome all participants and the Management of Vardhman Textiles Limited to the call. We have with us today, Mr. Neeraj Jain – Joint Managing Director, Ms. Sagrika Jain – Executive Director, Mr. Sushil Jhamb – Director (Raw Materials), Mr. Mukesh Bansal – Head (Fabric Marketing) and Mr. Varun Malhotra – Head of Finance.

Without further ado, I would like to hand over the floor to "Mr. Neeraj Jain and Ms. Sagrika Jain for their Opening Remarks," post which we can have "Q&A Session." Thank you and over to you.

Neeraj Jain: Good afternoon, everyone. We have declared the Results. So it's a little better compared to the third quarter and the corresponding quarter. At the same time, I think the challenges continue both for the world textile markets as well as Indian textile markets.

The earlier concerns were only because of the two wars. But now considering the tariff war, which was started by USA, there's definitely a more uncertainty as of now for next couple of weeks or couple of quarters till the time there is a negotiation or there is an understanding on the tariff to be put on the various countries.

On the business front, definitely this has been a very, very challenging period for the spinning business because our cotton in India continues to be on a very, very high basis, almost in the range of about \$0.81, \$0.82, because of the minimum support price over here and not possibility to get the cotton imported duty-free in India.

With the most of this period, cotton in the range of about US\$0.66, US\$0.67 per pound on a New York Futures, which means the landed cost of cotton to Vietnam or to Indonesia would be in the range of about US\$0.78, US\$0.79 compared to that the Indian cotton in this period, continue to be almost at US$0.82, US$0.83 which means putting us at a disadvantage of $0.3 to $0.4 in addition to the quality variation differentiation because of the contamination and so on and so on. So the industry in India continues to struggle.

The second aspect of the same is, the quality control standard put in by the domain where the import of any kind where any material to be sold in India or any fiber that would be sold in India, man-made fiber has to be approved. This basically has prevented the import of synthetic, polyester or viscose in India. And our raw material both polyester and viscose are almost as of now expensive by about 18% to 20% compared to the material which is there in Vietnam or Taiwan, Thailand or China. So as a result of that, Indian spinning industry is little lesser in comparison to as of now on the man-made fibers as well. These are the two big concern points. Of course, on the silver lining side, definitely, the brands are coming to India, the business is available and we have done the delivery and the time schedule they require, we serve and manage their lead times as well as their peaking requirements with the new product development innovation that business is surely there, which is ----- (Inaudible). So that's the direction the company has taken where we are trying to look at more of these products where you can enhance your margin, and to that extent, we are modernizing our machine part also, so that it is the shop, there is more robust working whole actively on the margin and new products so that we could capture to these kind of businesses where the competition is a little bit better and the loyalty of the customer is surely better. So that's what is happening in the Indian crop. Almost it was estimated to be about 30 million bales and almost 9 to 10 million bales with minimum support price this year, Cotton Corporation of India procured almost 10 million bales. Now we have started selling it. Of course the prices in India again are higher because virtually as of now the entire quantity is available with the Futures only and we have to buy day day-to-day but at a much, much expensive basis.

The next year expense is about to start. The US intentions are already there, which is lower between 10% to 14% considering the weather and the low remunerative crop over there. So that's going to be one concern where the overall shortage could be there, but at the same time if the USA puts in any kind of duty, that means there could be a possibility of some reduction in the consumption also over there. So to that extent there could be a possibility of consumption also being lower in the USA, which is one of the biggest countries in the entire world.

So as of now, the atmosphere has become very, very challenging, very, very uncertain. Most of the shipments which have happened in the last 3-4 months, the customer expectation is or the brand expectation is whatever is the 10% duty that has to be absorbed by the supply chain, including the brand, but whereas because of a very low margin, it's not in a position to take that. In many cases is being between the between the brand and the government as of now in most of the cases.

Two, I think since this facility of 10% is only available for 90-days, so there's more uncertainty how things will happen in next because any order which comes in today will be delivered in three months down the line only. So those are all uncertain periods, times as of now, which are posing a big concerns to most of not only the textiles, but I think other non-textiles products as well.

Another piece of information that there has been some issue between India and Bangladesh where they were not allowing the shipment by road to Bangladesh, which used to happen through the border earlier. So which means the cost may not increase, but at the same time the lead time surely will increase from about 10 days to three weeks, which is again a concern as industry is moving more and more on the value-added side. So this is definitely most or a very uncertain period, but I'm sure it looks like there's seems to be some silver lining also because if the USA puts in all kinds of duties, as of now, India would have one of the lowest duty, as per the previous understanding, it was 24% whereas most other comparative countries were between 45% to 50%, which includes Japan, Bangladesh was also higher, China was much higher. So, there could be a possibility even in the uncertain times. There could be a possibility of India getting some advantage by the relatively lower duty so that we could enhance our exports to USA. That's my starting comments on the yarn side. I request Sagrika to give her opening remarks on the fabric side as well.

Sagrika Jain: Thank you, sir.

As for fabric, there was good demand from the markets all around. There was good retail sales during the festive season of Christmas and New Year. As a result, import numbers in Jan and Feb were quite good for US, UK and EU markets. So we had a very good Quarter 4. In fact, this has been one of the best quarters that we have ever had. We ran on full capacity and we also had a good financial year.

Adding to what Mr. Neeraj then had said on US tariffs, some of our US-based customers are referring to this situation as short-term pain for long-term-gain and we share the same optimism. So as a response, we are actively engaging with customers to understand what their evolving needs are and we are positioning ourselves as a strategic and reliable partner. Our proactive approach, combined with India's subsequent tariff advantage places us in a strong position to not only navigate the current disruption, but also to achieve sustainable growth over the next quarters.

As far as capacity expansion goes, by the end of our current Calendar Year 2025, our production capacity will increase by 38%. So this expansion will enable us to shift to other products including synthetic, so increase our product basket and also reduce the sale of grey fabrics. So we will be converting our gray fabric proportion to dyed processed fabric. We have seen strong demand from both existing and new customers, which is encouraging. While the fear of US market slowdown could potentially impact short-term demand, we are committed to utilizing this expanded capacity immediately. Our aim is to fully absorb this capacity enhancement and optimize our production by fiscal year 2028. We are confident that with strategic planning, agility and the right customer engagement, we will maximize this capacity expansion and drive growth.

Moderator: Thank you very much. We will now begin the question-and answer session. The first question is from the line of Rajesh Jain from RK Capital. Please proceed.

Rajesh Jain: Hello, sir. Good afternoon. Can you tell me why is there a sharp jump in other income and other expenses in this quarter?

Neeraj Jain: The other income increase is due to land purchase for one of our plants, which is about Rs.25 crores, Rs.26 crores. Other than that I think it's all normal and the remaining is we do mark-to-market on the dollar rupee also. So whatever the foreign exchange gain is, that also gets captured into other income as per the accounting standard.

Rajesh Jain: Why is there a sharp jump in the other expenses, what does that comprise of?

Neeraj Jain: No, that's the general because there is a huge amount of monetization going on in all the factories. So that's all related with the repair, maintenance and the building expense.

Rajesh Jain: Okay. So going forward, this will be the trajectory of the other expenses in the next few quarters?

Neeraj Jain: It will come down for sure. I think most of the modernizations are getting completed in 1st Quarter itself. After that it would normalize.

Rajesh Jain: Okay, sir. And sir, which are the countries to which you export, can you give the country wise bifurcation in terms of percentage of your revenue?

Neeraj Jain: That keeps changing, but I can just give you an idea. I think as a country, whatever yarn we export, 50% goes to Bangladesh and remaining goes to most of the Asian countries or the Central America, maybe some part of this goes to Mexico and so on and so forth. And this is the trend for the country. Our trend is almost in line with the country exports. That is true even for the fabric also.

Rajesh Jain: Okay. So, is the Bangladesh export seeing any continued impact because of the stand that Bangladesh has taken?

Neeraj Jain: No, as of now, no. But it's only the serviceability will be a little different because we'll have to ship it through the water route only. So maybe the number of days to reach the product will increase in some of the products. For Vardhman, let's say 70% of products were already going by the ship, so I think 20%, 30% will have some impact on profitability, but cost wise it may not have any impact.

Rajesh Jain: Just can you provide any update on your foray into technical fibers, how is the capacity expansion going on that front?

Sagrika Jain: So the progress is as anticipated, and we should be operational in Quarter 3.

Rajesh Jain: Okay. Okay, fine. Yes, thank you.

Moderator: Thank you. The next question is from the line of Avinash Chandra from SMIFS. Please proceed.

Avinash Chandra: Thank you for taking my question and congratulations management on good performance. Sir, first thing, in the historical, if I look at the number of EBITDA margin and textile EBIT which you report, all the time textile EBIT was lower than the overall EBIT kind of 1.5%, 2% difference, but this is the first time our EBITDA margin is 11.4% whereas textile EBIT is 12.5%... I understand this is due to an unallocated cost and all. So could you describe what are the huge unallocated cost which is there in the number which is not related to textiles business?

Neeraj Jain: No, all our business is textiles only, there is hardly anything other than that.

Avinash Chandra: Then in that sense EBITDA margin should be higher than the EBIT margin, correct? If you look at your number, your textile EBIT margin is 12.5%, which is reported and reported EBITDA margin is 11.4%. And historically, the whole trend was 1.5%, 2% higher EBITDA margin than the textile EBIT, this is the first time it is a reverse.

Neeraj Jain: Sorry, I will come back to your question in a little while. Let me just look at. In the meantime, can we move forward?

Avinash Chandra: Sure, sir. The second question is you have already talked about in detail the problem the sector is facing uncertainty and everything. In the few of the other calls, also many management highlighted that due to this lower international cotton prices even for some of the spinners business is not viable. So did we reach to that situation even in India that lot of small players are not able to manage any EBITDA margin?

Sagrika Jain: Can you repeat your question?

Avinash Chandra: So in the start, sir already talked about that international cotton prices is lower and that is making an issue as far as our competitiveness against other countries. So I mean has it started impacting our EBITDA margin already compared to the historical, because our EBITDA margin is far lower than the historical. That's where my question is.

Neeraj Jain: No, there are two issues. Definitely as of now, since our raw material expenses are higher, our EBITDA margin surely is lower, and it is impacting all the Indian players. Two, EBITDA margins have always been in the range of about 17%, 18%, 19%. But if you look at the change of rates of raw materials the Indian cotton used to be about Rs.34,000, Rs.35,000 a candy four years back. Today, the bales have become 55,000. So the raw material cost has increased by 70% in this period. Whatever the raw material cost is, to that extent, yarn prices have increased. But if you look at the percentage of EBITDA per se that's not grown by 70%, 60%. So whatever increase in the raw material prices have happened, our EBITDA per se may be same, but definitely in terms of percentage will never be comparable unless the margins improve significantly.

Avinash Chandra: Sure. I mean a lot of few companies have shown some expansion in EBITDA quarter-on-quarter, yes, that's what. But when you answer the first question, maybe that will give more clarity. My last -

Neeraj Jain: Yes. On the other business I just looked at, there is an acrylic fiber business also which is added into the consolidated numbers.

Avinash Chandra: Yes, I have done this math also, but acrylic is just Rs.2 crores, Rs.3 crores, that's a very small contribution so that will not change number from 12.5 to 11.4, so it's a kind of difference of 100 crores to match the whole number.

Neeraj Jain: Let me just look at it.

Avinash Chandra: While you do the math, you can come back during the call on that answer. The last question, I mean on the tariff, you explained everything, so I am not repeating anything. Let's say the tariff remains as it is 10% and then some more tariffs comes and if US retailer keeps pushing to Indian supplier to give discount, do you think it will also some bit of negativity come on the spinners as well, I mean garment manufacturer will also ask us to share the cost?

Neeraj Jain: Whenever anyone in the supply chain is being asked to share the cost, they will definitely try to come back to this spinner also. But if the spinner margin is so poor then spinner may not be in a position to help at all, because there is hardly any margin available. So to me that doesn't look like that the spinners will have to bear the cost. Up to fabric stage for us it can come to some extent, though we are resisting, but at the same time I think it's a temporary period of one or two months. Let's see how things go. Because if this continues, then we will have to increase the price of the retail side, but since it is now uncertainty, and the people are not sure how much duty has to be. So brands will take little time and by the time once the duties are finalized we will take a final call how do we want to go on with that.

Avinash Chandra: Okay. I will wait for that EBITDA and EBIT thing.

Moderator: The next question is from the line of Anil Kumar Sharma, an individual investor. Please proceed.

Anil K Sharma: Thanks, sir. Good set of numbers. Congratulations for that. Madam, Sagrika, you have mentioned that our capacity is running at the full capacity regarding garmenting, but in the sales side, you have mentioned 15 lakhs you have sold in this quarter vis-à-vis it is 5,54,000, it has come down by almost 76%. So can you explain that?

Sagrika Jain: Hi. So are you talking about garment or textile fabric?

Anil K Sharma: Grey fabric, sales, production and sales figures you have given, it is less than the YoY in volume.

Neeraj Jain: You are talking about grey number or fabric number?

Anil K Sharma: Grey fabric number particularly it has come down. Volume you have given. day before yesterday. It has come down from 15 lakh to 5,54,000.

Neeraj Jain: Okay. It could be quarter-to-quarter difference, but what I was saying is in now in FY26, we are expanding our capacity, so the grey fabric will be converted into processed fabric.

Anil K Sharma: But that is okay, but my question is actually overall also grey if you combine both even then this quarter volume wise is less than the YoY last quarter, is it so? It should not be because earlier we were running at 90%, now we are running at 100% capacity, so volume wise it should not be less than that?

Sagrika Jain: It may not be the case; there's also other factors like change in the product mix. So like if the product mix changes, then the price will be different. So the revenue also is different.

Anil K Sharma: But the volume should not be less than -

Moderator: Sorry to interrupt. Hello sir. We may request you to return to the question queue for the follow-up questions as there are several participants waiting for their turn.

Anil K Sharma: Okay.

Moderator: Thank you. The next question. Thank you. The next question is from Prerna Jhunjhunwala from Elara Capital. Please proceed.

Prerna Jhunjhunwala: Thank you and congratulations around good set of numbers on improvement on margin sequentially. Sir, I just wanted to understand the cotton, yarn spread position today and how do you foresee for the coming period, though I understand that uncertainties continue but do you think there is some trend in the yarn business now given that our margins have been improving every quarter?

Neeraj Jain: If you go by the international cotton, it's almost in the range of about $US0.85 to $0.90, which is still reasonably okay, but if you go by the Indian spread, it is almost a little lower than US$0.70 in this period also. Of course there's some improvement happened, but at the same time it's not enough. And if we look at the capacity utilization, country as a whole, there seems definitely almost 15% to 18% capacity has been stocked in the last two years because of the lower margins. So of course, though there has been some respite in this period because when the cotton period started at that stage we were buying cotton at about US$0.78, US$0.79 in India, but it's slowly has increased to now US$0.81, US$0.82 and the New York Futures has been coming down steadily to US$0.67, US$0.68 only. So Indian spread is not more than $0.70 as of now.

Prerna Jhunjhunwala: Okay. So what is leading to margin improvement for us, is it improvement in fabric margin?

Neeraj Jain: For Vardhman, major improvement is coming from the fabric margin, though there is an improvement in the yarn in this quarter, but I think substantial increase is on account of the fabric.

Prerna Jhunjhunwala: Okay. And do we see that there is further potential of improvement in margins given the uncertainty and the challenges at the global economic level or given the uncertainty we would stay away from giving any comment on that?

Neeraj Jain: No, I think it's very difficult for anyone to guess what will happen. But as I mentioned earlier also, even if the duties are put in, India surely looks like would be one of the countries with the lowest duties on it. So the one or two months uncertainty would be there, but if we are at the lower end of the duty amongst other competitive countries, this will be an opportunity for the Indian textile mills, be it spinning, be it fabric, be it garmenting.

Prerna Jhunjhunwala: Second question is on exports to Bangladesh. Given that land route is now closed by Bangladesh, could you help us understand the impact of it in terms of the cost increase that we'll have to incur for the supply there?.

Neeraj Jain: So as I mentioned earlier also, in terms of cost, there's not much of a difference whether material goes through the road way or it goes through the ship. So the cost is not really very expensive, but more impact is on the serviceability because it takes almost three weeks if we send the material through ship and whereas by road it takes only about 10 days. So there is a gap of about 10 days, 12 days on the delivery side. But other than that, direct cost really is not very big difference as of now rather it may be advantages on road but disadvantages through the ship as on date.

Prerna Jhunjhunwala: Okay. Okay. So cost-wise, there's no material difference?

Neeraj Jain: Yes.

Prerna Jhunjhunwala: And sir, just wanted to ask you on other expenses. This quarter other expenses has seen a jump. Any line item that you would like to highlight?

Neeraj Jain: No, not really. There were basically two things happening, one in this period, there has been an increase in the ocean rates because of the various uncertainties and our export also destination wise. So that's one increase. Two, there are lots of repairs and maintenance going on in all the factories where we are trying to modernize those factories. So since lots of work has happened in the last six months, there's some increase on account of that. Other than that I think it's all normal.

Prerna Jhunjhunwala: Okay. And sir, my last question is on the timeline of capacity that comes in the next one year. Could you help us understand which quarter we can expect some capacities coming in?

Neeraj Jain: So on this spinning side, there is only one expansion which was announced, we are yet to start that project, we are still waiting for the government to give couple of approvals and also we are evaluating the overall business circumstances. All modernization of spinning is going on as per the plan and I expect most of the modernization will be completed by September. So it will be helping us both in terms of reduction of cost as well as some increase in the production on the existing setup only. The fabric expansions and repairs, we have already given the schedule. If you want again, Sagrika, can you just repeat when the fabric expansions are coming in for the various products?

Sagrika Jain: Sure. So, our fabric capacity expansion should be operational by Quarter 3. So we would be able to see an impact in them.

Prerna Jhunjhunwala: Okay. But we had two capacities, one is existing product, and one is synthetic fabric coming?

Sagrika Jain: Yes. This answers for both.

Prerna Jhunjhunwala: Okay. For both it will be coming in the fourth quarter? Okay.

Sagrika Jain: Yes.

Prerna Jhunjhunwala: And it will be coming in full or in phases?

Sagrika Jain: So the one expansion of the existing capacity would come in full. And as for synthetics so we have two phases. So phase-I is 15,00,000 meters per month, that would be coming now and then bases how quickly we are able to establish our product and our brand name in this segment, we will expand according to that.

Prerna Jhunjhunwala: Understood. Thank you, Sagrika, and thank you, sir. I will back to the question queue.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. Please proceed.

Resham Jain: Yes. Hi, good evening. So I have two, three questions and a clarification as well. So last time you mentioned you are currently incurring almost CAPEX plus OPEX because modernization is also there, close to Rs.3,000-odd crores. And if I'm not wrong, fabric modernization and yarn modernization is almost like Rs.900 crores and Rs.330 crores. Is that number correct, almost Rs.1,200 crores of modernization related capacity?

Neeraj Jain: Yes, that's true.

Resham Jain: And almost all of this Rs.1,200 odd crores will be rooted through P&L because you mentioned some while back that some of this repair and maintenance and modernization related work is a part of other expenses?

Neeraj Jain: No, no, no, sorry. So whatever is repair, maintenance, which is required as a building repair, and those things that goes as the P&L expense, all new machines because major expenditure in this would be machinery. So all that machinery is capitalized, whereas the earlier machinery will be written off or will be sold, and whatever the difference in the depreciated value of those machines or sale price that can come to P&L be in form of a profit or loss. So all new machines will be deployed, only repair, maintenance, etc.,, building repairs go to the P&L.

Resham Jain: So, this Rs.1,200 crores is the capitalization related number. The P&L related number is separate?

Neeraj Jain: No, no. This includes the P&L number. But P&L will be only 30, 40, 50 crores, not more than that.

Resham Jain: Understood. Okay. Clear, clear. So for the full year FY25, if I look at your trend of repair and maintenance as a percentage of sales, this number would have gone up by what number on an average this year FY25 as a whole?

Neeraj Jain: Half a percent.

Resham Jain: Will it be Rs.100 crores on a full year basis?

Neeraj Jain: No, no, no. Over and above normal it would not be more than half a percent.

Resham Jain: Okay, okay. Rs.50-odd crores. Got it. And the second question is, with all these measures like you will have renewable energy coming in, modernization happening, some of the new machineries will also whatever new CAPEX you are doing are all automated machines. So presume this all will lead to slightly better margins than our historical trends and these are all internal measures which we have taken. So how much on an aggregate basis, how much improvement you expect because of all the internal improvement measures you have undertaken over the next one or two years?

Neeraj Jain: If you look at the nature of these expenditures, one, couple of things are done to ensure the proper quality of the products, which may or may not give you any direct advantages. Two, some of the machines we are replacing because saving in the electricity cost or saving in the number of people, over there that would be an advantage for sure on account of the same. So the third is creating more flexibility in the system so that we can produce the differentiated products, which sometimes on the existing infrastructure may not be done. So depending upon how much those products we are in a position to sell or that kind of business is set to the India we are all buyers, the advantage would come in, but in any case, whatever expenditure we do, our expectation is always at least 15% EBITDA margin should come over and above the existing costs.

Resham Jain: Understood. Okay. The second question is with respect to the technical textiles business. So obviously our project will get completed in the third quarter as I understood. But from the business development perspective, where are we and what kind of enquiries and what kind of customers we are seeing in the technical textiles business?

Sagrika Jain: Currently, we have received a good response from our existing customers. So our existing customers in their portfolio also have these synthetic products, for example they'll have a jacket which will be a windsheeter or which will protect against the rain. So we have gathered quite a few samples and we are building our knowhow and other things to how to develop products. So from existing customers the demand is decent, and we have already reached out to some new customers who we were not catering to, for example, there would be mainly sports brands. So it will be a mix of both existing and new customers. That has been the progress.

Resham Jain: Okay. And just one clarification here, because in the initial comments, sir mentioned that there has been import duties on polyester as well as viscose and several other synthetic fibers. So because these are all export-led products, the import duty will not have a bearing on our competitiveness. Is that a correct understanding?

Neeraj Jain: No, no, no, no, no. So, these are not the import duties, this is basically a quality control order which has been issued there, any fiber which is sold in India has to be approved by the BIS. So all the companies which are sitting outside, if they have to sell their fiber in India, they have to get it registered with the government for that, which most of the companies sitting outside Chinese, Taiwanese, they are not doing it. If they are not registered with the Indian authorities, in that scenario, that import cannot be done in India. So practically the import of all fibers, they were vanished in India and as a result of that the local players, they increased the prices and have become expensive, not the import duties, it is the non-tariff barrier which is put into the system.

Resham Jain: But will it impact our technical textiles business because I presume that a lot of this material will be imported only to begin with?

Neeraj Jain: Polyester, I think majority we will be relying on the domestic market as it is available and quality is also okay. Nylon, we will have to import. Now of course our first preference would be to go to those suppliers who have BIS. So it will depend on product-to-product.

Resham Jain: Okay, got it. Okay, thanks. I will come back with more questions. I have a few more. Thanks. All the best.

Moderator: Thank you. The next question is from the line of Falguni Dutta from Mansura Financials. You may proceed.

Falguni Dutta: Good evening, sir. Sir, how are the cotton yarn spreads now versus Q4?

Neeraj Jain: So Q4 for the Indian mills was about \$0.68, \$0.70 and it continues to be the same.

Falguni Dutta: And sir, these spreads, are we making something at the PAT level for yarn?

Neeraj Jain: On the basic products, probably not.

Falguni Dutta: I missed. You said on the basic products, no?

Neeraj Jain: Yes.

Falguni Dutta: Okay. And sir, I just missed your comment on the tariff. If it's not a problem, can you just repeat that part, meaning what is the situation as regards the US tariff and it is on fabric, right?

Neeraj Jain: No, no, the tariff will be there on all the products, but we don't export yarn to that country and even the fabric will go to the different countries depending upon where the garmenting happens. Tariff is all across all products and it looks like if they're going by their earlier days, India had one of the lowest tariffs. Indirectly, there could be an advantage of exporting garment from this country. So our feeling is even if the tariffs are on and if India gets the lower tariffs, there could be some indirect advantage to India that we will be more competitive.

Falguni Dutta: Currently, it is 10%, right?

Neeraj Jain: It is 10% as of now for everyone.

Falguni Dutta: Okay. And sir, as of now, is it being passed on to the customers there or is it being absorbed by other suppliers?

Neeraj Jain: Yes, as of now it is being taken by the brand itself, but though they have started requesting a part of that to be borne by the fabric producers or the spinners, but spinners as of now clearly said not possible with their margins. So they are requesting the fabric business also. Though we have not agreed on anything, but yes that request is there. So let us see how things goes.

Falguni Dutta: How do you see the spreads directionally for this year?

Neeraj Jain: The industry has already requested the government to reduce the import duty on cotton. So I think if they are in a position to do that, our margins or spreads would improve, but in case they don't do that, in that scenario, CCI will continue to be the sole supplier of cotton and cotton is almost on 1,500, 1,600 basis on, then I don't think that's improving for spinning industry even next year also. So unless we have a raw material aligned to the international markets, it looks a little difficult that margins would improve on the spinning side. Fabric definitely with the kind of customer base we have, the cost reduction taken by the business and all the expansions are coming in the overall capacity enhancement, there would definitely be an advantage for the company but purely on the spinning side, that advantage may not be available till the time our raw materials are expensive.

Falguni Dutta: Okay, sir. Thank you so much. That's all from my side.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Asset Managers. You may proceed.

Resham Jain: Thanks for taking my question again. Sir, two questions. First is on the cotton, given that one-third of the cotton is with CCI and probable import duty cuts may also come in, which means that in both cases possibly the cotton prices may actually come down. I don't know. This is my hypothesis. But when I look at the balance sheet, it seems that we maintain our cotton procurement policy this year as well. So, is there any other view which you are carrying given that so much of inventories already with CCI, in history we have seen that typically those inventory then land up in the market at a slightly lower price?

Neeraj Jain: So there are two considerations for us when we buy cotton. One is the commercial, which is the prices, second is the quality. So since most of our customer base or the product base is based on high quality products for the export markets, we never compromise on the quality of cotton. In the season we definitely try to buy the good quality cotton because that's available practically in about three and a half months' time irrespective of the prices. We do not want our customers to get suffered for a smaller period of time. So that's one where we will have to buy the cotton. Two, your observation can be correct that in case the import duties cut, then definitely CCI may have to reduce the price and the prices of cotton impact can come down. So to that extent in balance sheet I think this year even cotton inventory is much less than what we normally have.

Resham Jain: Okay. So typically you have till September, October, so possibly one or two months lower, is that a right way to understand?

Neeraj Jain: Yes, that's true. Because beyond that, it's difficult for a company like Vardhman because we don't get quality at a later stage. Then the customer definitely will start with that issue. So we generally don't take that call. Maybe one, two, three months we can take here and there. But we don't keep ourselves open to the not-so-good quality of cotton.

Resham Jain: Understood. Clear. The second question, sir, is with respect to the overall CAPEX which you have undertaken and assuming all this CAPEX get consummated, what will be the peak revenue at the current price which you are looking at?

Neeraj Jain: So on the spinning side, as I mentioned, it's only modernization and about 3%, 4%, 5% of production increase may happen because of the modernization. So that's not likely to give any top line increase.

Sagrika Jain: On fabric side, keeping the prices constant, we can expect the revenue increase in FY26 by 10% and the year after that we can expect about 30%.

Resham Jain: Okay. What is that absolute number, ma'am?

Neeraj Jain: So absolute number on the fabric side it's about Rs.4,000 crores turnover there, so 10% that is about Rs.500 crores for the year and a year after that maybe about Rs.1,000 crores or so.

Resham Jain: Total Rs.1,500-odd crores of top line increase? Okay.

Neeraj Jain: Yes, in two years' time

Resham Jain: Thank you.

Moderator: Thank you. The next question is from the line of Monish Ghodke from HDFC Mutual Funds. You may proceed.

Monish Ghodke: Yes. Thank you for the opportunity. The kind of tariffs which US has put on China and Vietnam and given the fact that India might be entering into an FTA with US as well as EU by year-end, I mean, have you given any thought to enter into garmenting space?

Neeraj Jain: So again, there are two ways of looking at it, whether the advantage will come only to the garmenters or if India starts exporting garment to these countries, then whatever textile we are producing that will be supplied to the Indian garmenters. So our major business as of now is textiles material and we want to remain to continue to be a stronger player in that. Though we have a small setting division which we are expanding also, but I think there is still no clear cut decision to expand the garment division in a big way. We have to be comparative. Definitely that advantage would come to suppliers. If they want really to increase to 10 times, that's not a decision I don't know.

Monish Ghodke: Okay. And sir, another question. You said that MMF raw material in India is approximately 20% expensive than China. So the MMF fabric which we will be making, are we catering to end domestic user demand or is it to the export demand?

Sagrika Jain: It will be a mix of both. So initially we could start with more domestic market and then as we establish our product then we will move to both domestic and export. And it will be difficult right now to commit to that how much the percentage will be domestic and how much exports will be. I think we can say that once we actually start production and build double.

Monish Ghodke: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Rajesh Jain from RK Capital. You may proceed.

Rajesh Jain: You mentioned that your more than 50% of revenue comes from Bangladesh and the tariffs on Bangladesh are on the higher side compared to India. But you mentioned that India tends to gain because of comparatively lower tariffs, but in particular how will Vardhman gain because Vardhman supplies mainly to Bangladesh. Are you seeing any negative impact on demand from Bangladesh buyers or how do you see the situation unfolding?

Neeraj Jain: Going by today consideration, the China will be the most expensive in terms of the duties, etc. China has a huge export to USA. In case China is not competitive, that business will go to all other countries which will include Japan, which will include Bangladesh, which will include Pakistan or India, many of us. So to that extent, till the time all other countries they will be getting a share from China, every country will have some advantage. And in any case, wherever we are exporting to these countries other than China, I think that advantage can be shared between the various suppliers because of the duty advantage. So it's only whatever business which will be derived, or which will be shifted from China going to any country that country is going to get advantage only including Bangladesh.

Rajesh Jain: No, but I'm still not able to get one part of it. So you are supplying yarn to Bangladesh, right, and Bangladesh is going to be impacted, right? So just help me understand that how you stand to gain in this scenario?

Neeraj Jain: Because once China is out of the system, ultimately the business come into Bangladesh, they will be in a position to announce their prices of garment because they will be replacing China. So even if whatever we are supplying to them, they should also be in a position to enhance our prices.

Rajesh Jain: Okay. Okay. Sir, on the fabric side, you mentioned that we can expect 10% revenue increase in FY26 to around Rs.4,500 crores and to around Rs.5,500 crores in FY27, right?

Neeraj Jain: Yes.

Rajesh Jain: On this increased revenue, with the new capacity, how much margin expansion do you anticipate, how many bps or percentage?

Sagrika Jain: Sorry, I will just correct you. So currently about 30%, 35% of our revenue is fabric. So from that there will be an increase of 10% in this financial year. And as for margin, I think one, it would depend on how the US tariff war plays out. So it is very difficult to say. I think we should wait for the dust to settle down where we will find the relative advantage and disadvantage and what different brand strategies will be and then we can let you know what the margin we can expect.

Rajesh Jain: But on a very ballpark number, can we expect 1-2 percentage point gains on the fabric side or even that is tough?

Sagrika Jain: Again, it depends on the strategies that brands take.

Rajesh Jain: Okay. Alright. Thanks. Yes. Thank you.

Moderator: The next question is from the line of Lakshmi Narayan from Tunga Investments. You may proceed.

Lakshmi Narayan: Yes, I have one question. If you look at the entire continuum of cotton producers, yarn producers, fabric makers and garmenters, right, so current situation is benefits who in a in a relative sense -

Neeraj Jain: Voice is not clear, sir. Can you repeat your question?

Lakshmi Narayan: So my question is if you look at the entire continuum from the cotton producer to the yarn producers to the fabric makers and garmenters, in this challenging phase who will actually benefit the most and who will actually suffer the most?

Neeraj Jain: Uncertainty as of now. It is very difficult to comment what duties will be there on ours, what duties will be there on the other countries? My only belief is the country as a whole we gain, then the entire supply chain will get advantage of that. How much? Who is going to get? It will depend upon your own negotiation. As a country we have the advantage of a lower duty, that advantage comes to the garmental part, part of that will be going to the fabric region, part of that may go to the yarn region also. This will be shared at a later stage, provided that gain comes to us. Who is going to get work? It’s very difficult in this scenario. We don’t know how much duty we will have. How much capacity the garmenters will be in a position to take advantage of that? So it will be totally theoretical if you try to make a model that this is a big advantage and who is going to get. Not possible to put any numbers as of now.

Lakshmi Narayan: Thank you.

Moderator: In the interest of time, that was the last question. I would now like to hand the conference over to the management for closing comments. Thank you and over to the management.

Neeraj Jain: So thank you very much for your participation and being invested into the company. We have been sharing the challenges continuously. Last two years have been a very, very difficult time, but at the same time considering whatever is controllable by the management in terms of modernization, product mix, new products, costs or the other efficiencies, we are really, really working very hard and whatever results we are seeing, a part of that is into the same. Though these are all the issues and difficulties at this point of time, but as a curious player of textile, we still believe good future for this industry and that's the reason we are investing heavily both on the spinning and on the fabric side. Our idea is that sooner or later these policies will get corrected. That's what we believe. So at least we should be prepared and that we could take full advantage of the same.

Two, it looks like there is some consolidation happening in the industry. There are lots of smaller players. Unfortunately, they're going out of the system because they're not in the position to sustain the business. So indirectly, there is some consolidation happening and eventually as the brand business is moving to India from China more and more brands are coming, we are looking at the companies which are more diversified in terms of portfolio, which are financially strong and which has the technical capabilities and the machine part. So Vardhman gets fit into all these strategies very, very well and also with the quality of management where we score quite good in these areas of brands, etc., in overall textiles chain. With good side, good technical knowhow, good management, good financial and recently good machine part and a good product portfolio we feel definitely that even in these odd circumstances we will do better which we have shown also in the last couple of years and whenever there are small changes happen in the government policies, definitely that advantage will come up. So in this period, because of the tough time we are looking at all cost advantages or cost cutting and whatever could be done internally. Thank you very much for your participation, your patience, and I'm sure good times will be back soon.

Sagrika Jain: Just adding to that, I think we remain vigilant in tracking global development. I see around tariffs and the demand cycle. So our focus will continue to be on building resilience and driving long-term value for our stakeholders. And I'm sure that with our strong fundamentals, customer alignment and operational agility, we are well-positioned to navigate the near-term challenges and deliver sustainable growth. Thank you for joining us and we look forward to the next call.

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