FILATEX INDIA LIMITED CIN No.L17119DN1990PLC000091

FIL/SE/2025-26/10
1st May, 2025

National Stock Exchange of India Limited	**BSE Limited**
Listing Department	Listing Department
5th Floor, Exchange Plaza, C-1, Block-G,	25th Floor, Pheroze Jeejeebhoy Towers
Bandra-Kurla Complex, Bandra (E)	Dalal Street,
Mumbai-400 051	Mumbai - 400 001
Security Symbol: **FILATEX**	Security Code: **526227**

Sub: Transcript of the Earnings Conference call held on 25th April, 2025 for the Q4FY25 and FY25 results of the Company

Dear Sirs/ Madam,

In continuation of our letter No. FIL/SE/2025-26/4 dated 22nd April, 2025 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript in respect of the Earnings Conference call held on 25th April, 2025 for the Q4FY25 & FY25 results of the Company.

This is for your information and records please.

Thanking you,

Yours faithfully,
For FILATEX INDIA LIMITED

RAMAN KUMAR JHA

Digitally signed by RAMAN KUMAR JHA
Date: 2025.05.01 15:43:34 +05'30'

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“Filatex India Limited

Q4 & FY '25 Earnings Conference Call”

April 25, 2025

MANAGEMENT: **MR. MADHU SUDHAN BHAGERIA – CHAIRMAN AND MANAGING DIRECTOR**
MR. ASHOK CHAUHAN – CHIEF VISIONARY OFFICER
MR. NITIN AGARWAL – CHIEF FINANCIAL OFFICER
MR. VEDANSH BHAGERIA - VICE PRESIDENT OF CORPORATE STRATEGY

MODERATOR: **MR. TANISH BANSAL – SHARE INDIA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call hosted by Filatex India 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 the star, then zero on your touch-tone phone.

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

Tanish Bansal: Thank you. Good afternoon, everyone. On behalf of Share India Securities, I would like to welcome all the participants for the Q4 and FY '25 Earnings Conference Call of Filatex India Limited. We are pleased to have with us the management team represented by Mr. Madhu Sudhan Bhageria, Chairman and MD; Mr. Ashok Chauhan, Visionary Officer; Mr. Nitin Agarwal, Chief Financial Officer; and Mr. Vedansh Bhageria, Vice President of Corporate Strategy.

We will now have opening remarks from Mr. Madhu Sudhan Bhageria to give an overview on the company's performance. This will be followed by the question and answer. Thank you, and over to you, Madhu-ji.

Madhu Sudhan Bhageria: Thank you. Good afternoon. A warm welcome to all attendees of this FY '25 conference call. Joining me today are Mr. Chauhan, Mr. Nitin Agarwal and Mr. Vedansh Bhageria. I trust you have reviewed the investor presentations, which have been uploaded on both our website and the stock exchanges.

Let me begin with a quick recap of our key performance indicators. On a quarter-on-quarter basis, operating profits remained nearly unchanged despite a slight decline in sales volume, indicating a marginal improvement in EBITDA margin. On an overall basis, FY '25 was another important year for Filatex as the company continued to make steady progress across key metrics with a focused strategy to enhance profitability compared to the previous year.

For the full year FY '25, the revenue was INR4,252 crores as against INR4,286 crores in FY '24. The sales quantity stood at 390,000, a slight drop from 401,000. Our EBITDA grew by 7.76% to INR257.71 crores, up from INR239.16 crores. PAT rose 21.6%, reaching INR134.6 crores, up from INR110.7 crores.

In domestic market, competition remains intense, and we anticipate gradual improvement. However, the export market for textile yarns continue to face pressure due to lower Chinese prices. High raw material cost makes us uncompetitive in export market. In fact, raw material price disparity is so high. The suppliers from China find ways and means to dump yarn fabrics at low prices, thereby causing pressures on margins in the domestic industry.

To address this, the government has imposed a minimum import price across most HS codes for fabric imports. Indian government must urgently ensure that MMF raw material prices are competitive enough to capture some of the China's share in the U.S. market. U.S. tariff announcement has caused strong waves of uncertainty across many sectors and textile in one wherein there could be a gain.

At operational level, our capacity utilization is above 95%. We are continuously looking at ways and means to reduce our energy consumption as well as the cost. We have tied up with Torrent for a capacity of approximately 20 megawatt renewable energy at a landed cost of INR4.75 per unit.

Energy is our second biggest cost, first being raw material. This power supply agreement will be effective from January 2026. Upon getting this energy, our green energy content will be around 20 megawatt out of a total requirement of 36 megawatts. As this energy will be a cost lower than grid power cost, this will reduce our energy payouts by around INR19 crores to INR20 crores annually.

We also operate a 30-megawatt captive power plant with 20 megawatts when sourced from renewables, the utilization of our turbine capacity is expected to decline. To optimize the use of our boiler and turbine infrastructure, we are proposing a new model, generating approximately 15 megawatt of electricity and extracting steam from the turbine for plants for external sales. This extracted steam can be supplied to several small companies in the surrounding area.

The unique advantage of this scheme lies exceptionally low power generation cost. Additionally, the recipient companies benefit by purchasing steam at a price lower than their cost of self generation. We have received strong interest and preliminary acceptance from nearby industries, many of whom are ready to sign MOUs.

To implement this system, investment of around INR85 crores to INR90 crores is required for the steam pipeline and infrastructure inside the plant. Our projected annual savings from this initiative are estimated to be around INR60 crores annually. We plan to add additional yarn capacities at Dahej plant, POY capacity of 19,800 metric tons per annum, DTY capacity of 14,400 metric tons per annum. FDY capacity has been doubled from what was initially planned. FDY capacity addition will be now 28,800 metric tons per annum instead of 14,400.

FDY market is gaining ground in domestic market. The capacity addition envisages a capital expenditure of around INR235 crores. This additional capacity will be operational by August 2026 and will give it additional EBITDA of around INR70 crores annually. Despite short-term challenges, the long-term outlook remains constructive, supported by strong fundamentals, proactive government policies, corrective steps such as addressing the inverted duty structure of GST on polyester imports will provide further impetus to the domestic industry.

On the raw material supply side, around 2.4 million tons of PTA capacity will be commissioned by calendar year 2025. These plants have been set up by Indian Oil and the other one is by GAIL. This will reduce dependence on imports, which have uncertainties like shipping schedule, exchange rate fluctuations.

Also, Reliance Industries is putting up a 3.2 million ton capacity plant for PTA, which is likely to be commissioned by mid of 2027. All these factors are encouraging and will restore confidence in the future of PET fibers and filaments and boost domestic production. The global textile industry is undergoing a major transformation. It has been identified as one of the world's major polluters.

With environmental degradation affecting rivers, groundwater, air, soil, biodiversity and marine life, the industry is now transitioning from suggestive measures to regulatory enforcement. Environmental and social accountability is no longer optional, but a prerequisite for global competitiveness.

Consumers are increasingly demanding products made with environmental and ethical integrity. They expect fabric tied with responsibility, garment stitched with sustainability and products packed by traceability. We firmly believe this is the time for textile transformation. Our in-house research is going on. We are actively pursuing effective steps to set up our first textile-to-textile recycling plant, which can utilize polyester waste in all forms.

We have developed and patented a molecular regeneration process for polyester textile recycling plant. Globally, many companies are developing technologies to enable commercially viable recycling, and we believe that although the path to sustainability in textile is challenging, it is undeniably the future.

To mitigate environmental impact, adopting a circular economy model is imperative. This model addresses global challenges such as climate changes, biodiversity loss and waste. For us, sustainability is not merely a compliance requirement. It is a foundation for future growth. It is a survival mantra for people, businesses and the planet.

Aligned with the vision, we have been conducted R&D in textile-to-textile recycling, enabling infinite recycling. A pilot plant is already operational, processing various pre-consumer textile waste such as garment and home liens. We wish to inform that we have started execution of our proposed recycling 26,250 tons per annum capacity plant. We are setting up this plant near our existing facility.

This location has easy access to waste, raw material supply as well as good infrastructure. Project engineering consultants have been appointed. Building construction has started and equipment ordering are being finalized. We expect to be in production by July 2026. Thank you.

Moderator: Thank you. The first question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, just first up, I wanted to understand, I mean, we have said in the past as well in terms of EBITDA margins, we would like to see double-digit EBITDA margin. So by when we are targeting to reach double-digit EBITDA margins?

Madhu Sudhan Bhageria: I think maybe in the second half of this financial year.

Deepak Poddar: Okay. And when we say double-digit EBITDA margin, we exclude other income or we are including -- it's including other income.

Madhu Sudhan Bhageria: No, no, we exclude other income.

Deepak Poddar: Exclude. So by second half -- and what would be the trigger point to -- I mean, because currently, I think our EBITDA margin is close to 6% to 7%, right? So this 3%, 3.5% gap.

Madhu Sudhan Bhageria: Normally, second half is better because of winter, the demand of fabric is higher. First quarter, there are a lot of shortage of labor and there's a lot of pressure. And also in the fourth quarter, I think one PTA plant will also start locally. So that will also give some savings in the form of raw material cost. And gradually, the demand is increasing.

No major capacity is coming in. Only one plant of Sanathan, which is expected to start somewhere in July is coming in the north. Thus, there is no increase in the capacity. All that will lead to some increase in the margin. Already, we are seeing some triple happening from this month.

Deepak Poddar: Okay. Okay. Understood. So by second half, you're expecting this 6.6% margins to go up to 10% at least, I mean, by second half. Okay. And I mean, when did government introduce this minimum support price to protect the industry from...

Madhu Sudhan Bhageria: In the budget also they did and recently also for 4 HS codes, they have done it 3 days back, I think, 2, 3 days back.

Deepak Poddar: Okay. And...

Madhu Sudhan Bhageria: It was executed for 9 HS code and 4 more, they have done it 3 days back.

Deepak Poddar: Understood. And in your opening remarks, you did mention that demand in domestic market remain challenging as well as export market prices also remain challenging, right? So how do we see that going forward? I mean, is demand improving? There is a gradual improvement you are seeing in the domestic market demand?

Madhu Sudhan Bhageria: Yes, there is a gradual improvement. There is a gradual improvement in that.

Deepak Poddar: And what about the export market? How do you see that?

Madhu Sudhan Bhageria: Because the imports of fabrics have reduced drastically which was being met by imports. Now the local producers are producing more fabrics to meet that demand. So the yarn demand has also increased.

Deepak Poddar: Has seen gradually improved. And what about the export market?

Madhu Sudhan Bhageria: Yarn export is a challenge because China, you can't compete with them. We are doing very small volume, but not big.

Deepak Poddar: So how much, I mean, 5% of revenue mix?

Madhu Sudhan Bhageria: The raw material is very cheap in their country, almost more than 10% cheap. So it's very difficult to compete with them.

Deepak Poddar: What would be our revenue mix, I mean 4%, 5% -- exports?

Madhu Sudhan Bhageria: 1% or 2%.

Deepak Poddar: 1% to 2%. Understood. Fair enough. And regarding your recycling plant that you mentioned, we are expecting it to start by July 2026. I mean, more than a year from now, right? I mean that's what's -- that's it. So...

Madhu Sudhan Bhageria: We just started construction and ordering it takes time.

Deepak Poddar: Correct. So that will be margin accretive for us, right? Because that particular plant would have.

Madhu Sudhan Bhageria: Yes, the margins there are good, although the size is not that big, but the margins are good. So once this plant is operational and is good, then we will multiply these kind of plants.

Deepak Poddar: Okay. Understood. But what is the revenue potential? I mean, INR300 crores at 35%, 40% margin?

Madhu Sudhan Bhageria: Around INR300 crores.

Deepak Poddar: Okay. And just my final query, I mean, because you mentioned that our capacity utilization is already running at 95%. So what would be the growth that we might be looking at because that -- I mean...

Madhu Sudhan Bhageria: That's what, what I said, we are expanding some capacities, which will be operational by August '26. We are in the process of ordering those machines. So then it will increase by another 12%, 13%, the capacity.

Deepak Poddar: Fair enough, 12%, 13%. So ideally, that means that is coming in August '26. So ideally FY '26, we might see muted growth, right, the same?

Madhu Sudhan Bhageria: Yes, yes. It will be similar quantity.

Deepak Poddar: Similar. So similar, I mean -- and understood.

Madhu Sudhan Bhageria: Similar to FY '25, FY '26 will be similar one.

Deepak Poddar: FY '26 will be similar. And in terms of ASP, I mean, do you expect ASP to be similar as compared to FY '25 as well?

Madhu Sudhan Bhageria: What is ASP?

Deepak Poddar: Realization, realization.

Madhu Sudhan Bhageria: Realization, see, top line depends on the raw material prices. The raw material prices are low, then the top line produces a little, but the margins will remain what I have indicated.

Moderator: The next question is from the line of Swayam Ranabhat from Pinpoint X Capital.

Swayam Ranabhat: Yes. So my question is about like I wanted to know the effect of minimum import prices. Like are we witnessing any positive impact on ground regarding this for domestic player? And if yes, can you please explain it in more detail to understand how things are really playing out?

Madhu Sudhan Bhageria: There was an import of a lot of knitted fabric from China at very low prices, which are below the cost prices. So there the government has put $3.5 as the minimum price. So after that, there is a good demand in the knitted fabrics in India. And that's why the demand for yarn is going up.

Moderator: The next question is from the line of Basant Pandey an individual investor.

Basant Pandey: Sir, with all these expansion programs going on, where do you see EBITDA margin -- EBITDA in real terms in FY '27, sir?

Madhu Sudhan Bhageria: As an absolute number, I see at least...

Basant Pandey: As an absolute number?

Madhu Sudhan Bhageria: Number you want or percentage?

Basant Pandey: No, sir. I would prefer an absolute number?

Madhu Sudhan Bhageria: Absolute number, we expect in the full year to be more than 30%, more than the last.

Basant Pandey: FY '27, sir, I'm talking about. Should we expect about INR450 crores or so?

Madhu Sudhan Bhageria: 30% more than FY '26.

Basant Pandey: Okay. And what would be FY '26 approximately in your opinion?

Madhu Sudhan Bhageria: You know the FY '25 number. You can add 30% and you get the number. why you ask me to do.

Basant Pandey: Okay. So FY '26 will be 30% more than FY '25?

Madhu Sudhan Bhageria: Yes, that's what I am saying.

Basant Pandey: And FY '27 will be again 30% more?

Madhu Sudhan Bhageria: Yes, because we'll be adding more capacity and then the markets will be very good. Because we'll get additional capacity, we'll get savings on the power also.

Basant Pandey: Exactly.

Madhu Sudhan Bhageria: It could be much more than 30%.

Basant Pandey: Another question, sir, the INR68 crores of traded goods, we've never traded goods in such a huge number earlier. So any reason for that, sir?

Madhu Sudhan Bhageria: Basically gas, which we had to take and sell from IOC.

Moderator: The next question is from the line of Aditya from Securities Investment Management.

Aditya: I am a little new to the industry. So pardon me if my questions are a little basic. Sir, this synthetic yarn industry, sir, if you could just help us understand what are the demand and supply dynamics in domestic market. So what would be the demand in metric tons and what would be the current supply? And how much of it is catered by domestic players versus imports? If you could just give some understanding on that?

Madhu Sudhan Bhageria: More or less, it is balanced. The total production of polyester filament yarn is something upward of 4.5 million tons annually. And so is the demand. There is some imports of yarn and there are some exports also. So they balance out.

Aditya: So imports would be how much?

Madhu Sudhan Bhageria: The exports would be roughly around 400,000 to 500,000 tons. And similarly, imports are also close to these numbers.

Aditya: Understood. And now, sir, if I have to understand export market, maybe China will be...

Madhu Sudhan Bhageria: Our imports are slightly lower. I mean, if this is 400,000-500,000 that will be like 250,000-300,000 something like that.

Aditya: Understood. Understood, sir. And sir, if I have to understand the export markets, I believe China would be the largest player. So now with U.S. imposing tariffs on China, now is the cost differential between Indian players and Chinese players has reduced? Are we know, can we get advantage because of these tariffs going forward?

Madhu Sudhan Bhageria: U.S. doesn't import yarn that much. So it doesn't affect so much. U.S. is importing finished garments, mostly fabrics. Yarn sizing, exports from China are to the countries where fabric is being made like Brazil, Egypt, Turkey, Bangladesh, Vietnam. These are some of the major countries and Pakistan.

Aditya: Understood. And if I understand...

Madhu Sudhan Bhageria: We are not affected by tariffs on the yarn side so much.

Aditya: Got it, sir. Understood, sir. Sir, now if I have to understand the cost differential between us and the Chinese players, what would be the approximate cost difference advantage that they would have over an Indian player like us?

Madhu Sudhan Bhageria: They have their raw material costs. Our product is today around $1, $1.10 export price. And they have an advantage of $0.10 in the raw material, so 10% on the finished cost, they have the advantage.

Aditya: Understood. And that is purely because PTA is imported in India, which they have a local source overlap.

Madhu Sudhan Bhageria: Mainly because of PTA, which is short supply in India, and they have abundance of PTA rather they export a lot of PTA. So their cost and we have to pay a price, which includes transfer to the port, freight, clearance charges, everything. All that comes to around $100. That is what we pay extra over and above what the local in China gets the PTA.

Aditya: Got it. And now sir, if I have to understand, you have mentioned that there is sustainability initiatives going on around the world. So now if I have to understand, how do we color our fabrics? So is it using conventional methods using dyes or we use a dope dyeing method?

Madhu Sudhan Bhageria: We make yarns only. We don't make fabrics. So we make dope dyed yarns. But people who make fabrics do both, they use dope dyed yarn, they color the fabrics also, they use dyed yarn also, everything.

Moderator: The next question is from the line of Reet Jain from First Water.

Reet Jain: My question is regarding the recycling plant. So how are we going to source the waste material for the recycling plant? Is it sufficiently available or we need to set up the collection?

Madhu Sudhan Bhageria: It is sufficiently available around Surat area where people use polyester yarn to make fabrics and process houses. So there is sufficiently available there.

Reet Jain: Okay. But that is for the one plant. But when we expand more, what are the...

Madhu Sudhan Bhageria: We'll expand and we'll also develop the technology where we can use the used fabric. So then there will be no problem of availability.

Reet Jain: Okay. So going forward, you assume no...

Madhu Sudhan Bhageria: Only problem is just sorting of the fabric. So we will develop that technology to sort out the fabric. We can use fabrics which have cotton or rayon in –it with polyester, which we cannot use fabrics which have nylon or spandex, 1%, 2% is okay, but nothing more than that. But these 3 constitutes more than 95% of the fabrics. So there should not be any challenge in getting the raw material for the future plants.

Reet Jain: Got it. And are we in talks with any of the clients for the recycling material to be supplied?

Madhu Sudhan Bhageria: We are talking to some buyers. Directly, they will not buy, but they make us like a nominated supplier to the people who are making fabrics and garments for them. So we are in talks with some brands.

Reet Jain: Got it. And one more thing. There is one company called Ambercycle, which has a tie-up with Zara. So how are we positioned against them? I mean is our cost structure lower than...

Madhu Sudhan Bhageria: They are still working, they have also not come out with a commercial production as of yet. So they have tied up with some company in Taiwan, I think, FMC, Formosa, I think. Once their product come, then only I'll be able to comment on that.

Reet Jain: Okay. Got it. And one more question regarding the steam power project. You say that on the INR85 crores of capex, we are going to save INR60 crores of cost. So just wanted to understand what is the life of this project? Are we going to incur again and again or INR85 crores is just onetime cost?

Madhu Sudhan Bhageria: No, no, this is a onetime cost. Then there is a maintenance cost of 1.5%, 2% of the capex that's all. And the life of these pipelines and everything will be more than 15 years.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, if I just do a back-of-the-envelope calculation for your recycling project, sir, it's coming out to be $1.3 to $1.4 that we'll be charging to our customers. So is there a market for a yarn that is similar polyester yarn, but at a higher rate because it is recycled or as the technology...

Madhu Sudhan Bhageria: Yes, recycled yarns are being sold right now also at a higher price than the virgin. The price difference is roughly INR35, INR40 would be than virgin.

Madhur Rathi: INR35, INR40 higher than normal yarn, right?

Madhu Sudhan Bhageria: Yes, yes.

Madhur Rathi: And sir, what would be the margin potential for this project currently? And as we scale, where do we see these margins going?

Madhu Sudhan Bhageria: We should have an EBITDA of anything upward of 30%.

Madhur Rathi: Okay. And sir, what would it -- so we have highlighted that due to this minimum import price, the fabric manufacturing is going in India. Sir, what would be the other triggers for realizations to go up or at least our margins to go up other than the cost saving initiatives that we have done?

Madhu Sudhan Bhageria: See, one is the power saving which will have when we are adding capacity. The third is the demand side will increase. So margins will increase in India. These are the main reasons -- demand of the yarn will increase. There are a lot of PLI schemes of the government. Those plants will also be operated. We feel that the demand of the yarn will be much more than what it is seen .today going forward. 3%, 4% extra demand can change the whole game in commodities.

Madhur Rathi: Okay. Got it. So are we eligible for some kind of PLIs for a new expansion that we are doing of this

Madhu Sudhan Bhageria: We are not eligible.

Moderator: The next question is from the line of Ritika Dua from Bandhan AMC.

Ritika Dua: Just some basics. Firstly, what is our capacity today?

Madhu Sudhan Bhageria: Our capacity today is roughly around 4 lakh tons annually.

Ritika Dua: And that you are saying that would be increasing by 10% to 15% next year?

Madhu Sudhan Bhageria: 12%, 13%. We'll be increasing roughly by 48,000, 49,000 tons.

Ritika Dua: Okay. And a similar run rate maybe in '27 or?

Madhu Sudhan Bhageria: Yes.

Ritika Dua: Okay. And obviously, because it's -- so it's the -- so we are not really obviously looking out of the current geography that we are in. So we are just expanding in the same geography that we are in today or other states we are in today.

Madhu Sudhan Bhageria: Yes, yes. We are expanding in this. And the new, which we said recycling, which we are doing, that's a new venture. That's a 100% subsidiary of Filatex. That is the new thing which we'll be doing. And in future, once that is operational, we would like to grow in that because that will be unique to us. That's our own technology. And that is what the world is demanding these days.

Ritika Dua: And sir, have we shared the -- sorry, if you already shared, if you can just again share the number on the capex for that new facility?

Madhu Sudhan Bhageria: See, INR235 crores is for the yarn manufacturing and around INR300 crores is for the recycling.

Ritika Dua: Sure. Okay. So that's the 2 numbers. And sir, generally, on the...

Madhu Sudhan Bhageria: INR85 crores is for the steam and INR24 crores for green power from Torrent.

Ritika Dua: Sorry, sir, I couldn't hear that. If you could repeat?

Madhu Sudhan Bhageria: INR85 crores for the steam project and around INR24 crores is for the Torrent Power, which we are taking, which will be operational from January 2026.

Moderator: The next question is from the line of Sasha Porwal an individual investor.

Sasha Porwal: My question was how has your product mix evolved over the past financial year? And are you seeing any sustained demand shift towards any particular category?

Madhu Sudhan Bhageria: Sorry, I couldn't get you properly.

Sasha Porwal: So my question was how has your product mix evolved over the past financial year? And are you seeing any sustained demand shift towards any particular category going forward?

Madhu Sudhan Bhageria: Are you talking about the production and the demand?

Sasha Porwal: Yes.

Madhu Sudhan Bhageria: Yes. So production, I mentioned that we have capacity utilization above 95%, which is virtually full capacity utilization, barring some technical glitches in the year. And the demand is also good because we've been able to sold whatever we have produced. It's only the margins which are under pressure because the mismatch of demand and supply slightly is there.

And also crude prices have been falling for the last 3, 4 months. So that also creates a pressure on the sales because prices are going down, so the customer is not buying freely. So once the crude prices like they have stabilized now, so the margins have started increasing.

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

Charvin: So my question was that do you face any challenges from the e-commerce platforms with respect to margins since they all sell at a lower margin?

Madhu Sudhan Bhageria: No, no. We have no -- e-commerce is not a threat to us at all. Our products are not sold or traded on e-commerce.

Moderator: The next question is from the line of Raj from Arjav Partners.

Raj: Sir, overall, we are doing an expansion of around INR650 crores, right? So how are we going to fund it?

Madhu Sudhan Bhageria: Recycle project, we are taking a term loan of INR200 crores, INR100 crores will be infused as equity from the parent company. And the INR235 crores, we will be taking a ECB of around INR125 crores, INR126 crores. Balance will be internal accrual. And rest of the other 2, it will be all under internal accruals.

Raj: All right. And sir, I just kept a point. Earlier on the call, you said you are expecting 30% jump in EBITDA in FY '26 and in FY '27. Am I right?

Madhu Sudhan Bhageria: No, no. 30%, I said for the recycled project when it is on stream. Otherwise, for Filatex, I said first quarter will be slightly better than what we have achieved. And second half of this year, we should have around 10%.

Raj: Sorry? Second half of this year would be...

Madhu Sudhan Bhageria: 10% in the second half of this financial year. And first half will be slightly better than -- I mean, maybe 150, 200 basis points better than last year.

Raj: All right. And sir, for the INR250 crores.

Madhu Sudhan Bhageria: Overall 30% increase in the EBITDA. If you see as an absolute number, last year, we did around INR257 crores. So 30% around over and above that, we should do a year as a whole in this year.

Raj: In FY '26, -- all right. Overall in FY '26. All right. And sir, in FY '27, you are expecting another 30% improvement in EBITDA over FY '26, right, due to all the expansions coming on stream. Maybe more I think.

Madhu Sudhan Bhageria: Because we are adding capacity, we are also -- will be having power also, all these projects, which we are doing will be on stream. So we could have much better than 30%.

Raj: All right. I think in FY '26, sales growth would be flattish, right? And in FY '27, we will see.

Madhu Sudhan Bhageria: There will not be much change in the top line.

Raj: Much change in top line in FY '26. All right. So the change will be in FY '27 only.

Madhu Sudhan Bhageria: It will remain similar. Yes. FY '27 definitely top line will change.

Moderator: The next question is from the line of Niraj from White Pine Investments.

Niraj: I just wanted to know on the capex of polyester side, is it back ended or front end? I mean the capex line will complete totally?

Madhu Sudhan Bhageria: Mostly back-ended. I mean, in the latter half of the -- you just do ordering and then the second half of the time like from main capex will happen from next financial year.

Niraj: And your capacity of the debottlenecking that you said of INR200 crores, you will be adding 20% capacity on the yarn side?

Madhu Sudhan Bhageria: Around 13% capacity, INR235 crores.

Niraj: INR235 crores. Got it. So then -- so if the margins improve because of some demand improvement, so there's a 13% jump because of that and the remaining is because of the improvement in the industry scenario. Am I right sir?

Madhu Sudhan Bhageria: Right.

Niraj: Sir, but one more thing. Do you see this government reducing the import duty for polyester because that has been the biggest thorn in the entire India garmenting side. So any thoughts on that?

Madhu Sudhan Bhageria: Reducing polyester duty on?

Niraj: Import duties on polyester -- and the BIS norms.

Madhu Sudhan Bhageria: Polyester means what -- polyester is very big,

Niraj: **Sir, Polyester yarn**

Madhu Sudhan Bhageria: It can be yarn, fabric, garment.

Niraj: Polyester yarn. Yarn or the raw materials of that...

Madhu Sudhan Bhageria: **yarn is just** 5% duty, what they have introduce..

Niraj: Okay. And the raw material for that, the BIS, does it create a...

Madhu Sudhan Bhageria: Raw material cost, 5% duty. So we are asking the government, make our duty 7.5%. So we have some protection because there are a lot of taxes which we don't get for that RODTAP was introduced. So we say when you recognize there are certain taxes which are not available to a local manufacturer against the imports. So there should be some safeguard.

Niraj: Right. And is there a BIS norm in the raw material for the polyester that you manufacture?

Madhu Sudhan Bhageria: Yes. Raw material also, finished goods also, there are 3 finished goods. PTA and MEG is the raw material. They are both in the BIS. Then finished is POY, DTY, FDY. So FDY and POY are under BIS. DTY is yet to come.

Niraj: Okay. So 2 questions related to this. Do you see the BIS norms being relaxed for the raw materials? And do you see the BIS norms to be implemented for DTY?

Madhu Sudhan Bhageria: So they are already implemented. This is not a problem of norms. It is that you don't can't import from China because government doesn't issue BIS certificate to Chinese. Norms are not a problem for anything.

Niraj: Okay. So it's only the raw material difference in the import duty is what is the issue right now in the industry?

Madhu Sudhan Bhageria: Yes.

Moderator: The next question is from the line of Rishi Solanki from Green Gov Securities.

Rishi Solanki: Sir, given the high volatility in the raw material prices, how do you mitigate that risk? Do you hedge, work on long-term contracts? That would be my first question. And sir, second question is in reference with EcoSys project. Are there any plans to license this technology? And how are you planning to compete with global players like Loop Industries and Reliance who also offer recycled polyester?

Madhu Sudhan Bhageria: Can you repeat, please?

Rishi Solanki: Am I audible?

Madhu Sudhan Bhageria: Yes.

Rishi Solanki: Okay. So my first question is, sir, the raw material prices is very volatile. So how do you hedge that risk? That would be first.

Madhu Sudhan Bhageria: Okay. So raw material prices, we have annual contracts with the local suppliers and the prices are changing almost every week locally based on the international prices. As far as international imports are concerned, the price we have charged is the average of the month of import, but it evens out in the whole year.

Rishi Solanki: Okay. And with the EcoSys project, sir, are there any plans to license this technology? And how are we planning to compete with global players?

Madhu Sudhan Bhageria: Once our plant is operational, then only people will be interested to license. They would like to see it first, then we will see. We are open to that.

Rishi Solanki: Okay. And plans to compete with Loop Industries and Reliance's recycled offerings?

Madhu Sudhan Bhageria: Reliance is not doing any textile to textile. Loop Industries is doing, but I don't think they are coming with any plans of putting up a big plant. It's still in the air. I think ground reality, they have not started anything. This is what my feedback is.

Rishi Solanki: Is there any help that you're getting from the government in terms of PLI and Mithra schemes?

Madhu Sudhan Bhageria: No, nothing. We are trying, but as of now, nothing.

Moderator: The next question is from the line of Darshika from AV Fincorp.

Darshika: My question was regarding the new plant recycling plant that is coming up. We had earlier highlighted that our capex is expected to be to the tune of INR300 crores. What is the amount that we've already spent on this?

Management: Please speak slowly. We can't hear you.

Madhu Sudhan Bhageria: Sorry, we are not able to get you what you are asking. Can you repeat it?

Darshika: So my question is around the recycling plant. We had earlier highlighted that our capex is expected to be to the tune of INR300 crores for this. What is the amount that we've already spent?

Madhu Sudhan Bhageria: So already, we have spent only around INR15 crores, INR16 crores. We've acquired land and some construction work has started and some few advances to small suppliers. That's it.

Darshika: Okay. And major capex for this is expected to be spent in this year or the next year? Would we have a split of this?

Madhu Sudhan Bhageria: Major capex will happen somewhere end of this financial year and early next financial year. Right now, only building and advances would be there.

Darshika: Okay. So can we get total capex split for FY '26 and FY '27, sir?

Madhu Sudhan Bhageria: We can provide you right now. I cannot give you that number off hand.

Moderator: The next question is from the line of Nilesh Patil an individual investor.

Nilesh Patil: I have 2 questions. The first one is on margin development, margin improvement, we can say. So in the PPT, we have mentioned that the import curbs and tariffs are likely to be -- act as a good pointer for margin improvement, but I deem it as an external factor. So I just wanted to check at the company level, what are the triggers that you see for margin improvement?

Madhu Sudhan Bhageria: Like I said, we are working on reducing our power cost. That is one. And from time to time, product mix, we keep on changing as per the market to improve the margin.

Nilesh Patil: Yes. But in the earlier discussion, we had mentioned that we are likely to touch double-digit margin in the H2 FY '26. And at present, we are about 6.5%. So bridging a 350 bps gaps, what will be the key growth and we can say that margin levels for the same? If you can highlight the point.

Madhu Sudhan Bhageria: This is the demand/supply. Main thing is demand/supply.

Nilesh Patil: Okay. So you mean to say higher demand will partly we can say.

Madhu Sudhan Bhageria: Demand will give us reasonable profits. Right now, our profits are such that we cannot plan to put up a new capacity. Any greenfield project will not come at these margins. The margins have to go to at least 12%, 13% to justify greenfield project.

Nilesh Patil: Understood. Understood. Okay. And the second point, sir, I see there is a sharp increase in the other income in the recent quarter. It has grown 3x into Q-o-Q and year-on-year basis.

Madhu Sudhan Bhageria: **There is s**ome interest provision which we had provided that was written back, that's the major item

Nilesh Patil: Sorry, sir, can you please come again?

Madhu Sudhan Bhageria: Some interest provision we had made in earlier year that was written back. There was some interest to be paid to customs and all, so that we were not able to win the case and not need to pay. So that's why we have written back that.

Moderator: The next question is from the line of Rishi Solanki from Green Gov Securities.

Rishi Solanki: So my question would be, do you see any strategic rationale to enter spinning technical textiles like geotextiles or B2C branded products where we can see better margins?

Madhu Sudhan Bhageria: I didn't get you. Please can you repeat?

Rishi Solanki: Sir, in the whole supply chain, do you think we can enter into some other places where the margins are better for geotextiles.

Madhu Sudhan Bhageria: We definitely enter into other spaces. Right now -- but right now, the margins are not so good to -- I mean, want us to get into those places, new territories. The investment to margin ratio even in those areas is not very good.

Moderator: The next question is from the line of Pratik Vora an individual investor.

Pratik Vora: Sir, for the financial year, the working capital cycle has increased. So what is the reason for that?

Madhu Sudhan Bhageria: I think debtors have gone up by 1 day and inventory also, you will see maybe 1 or 2 days. So it depends on the market situation in March, that could make a slight difference. It's not a very major shift in the cycle.

Pratik Vora: Okay. So for the second question is mine that the debt is reduced. So for the current capex, will the debt is required or not?

Madhu Sudhan Bhageria: I've already explained what debt we will take.

Pratik Vora: So what will be the amount of debt will be required? And what will be the financial charges for that?

Madhu Sudhan Bhageria: **INR 200 crores w**e are taking for recycle and INR126 crores for the additional capacity in Filatex

Moderator: The next question is from the line of Amit Vora an individual investor.

Amit Vora: Sorry if I'm repeating something which has been spoken. Sir, you mentioned that ECB you are going to borrow. Any rationale behind that you are taking ECB and not taking Indian loan?

Madhu Sudhan Bhageria: ECBs are slightly cheaper than the Indian loan.

Amit Vora: You would again -- would incur something on the hedging side as well. So that was the reason why I was asking.

Madhu Sudhan Bhageria: Today, ECB from Europe would cost after hedging around 8% or below 8%. You can't get anything below 8.8% or 9% in India.

Amit Vora: Sir, and you mentioned about 30% growth in EBITDA for next 2 years. Cumulatively, that comes around INR750-odd crores. So we would have enough cash flows -- sorry?

Madhu Sudhan Bhageria: Your numbers are not correct.

Amit Vora: Sir, you mentioned INR250 crores, 30% growth on EBITDA, which comes about INR330 crores. And on that, another 30%, we get around INR430 crores. So cumulatively, both years together.

Madhu Sudhan Bhageria: It doesn't come to INR700 crores in one year, total it will be more than INR700 crores.

Amit Vora: Yes, I'm saying that cumulative exactly. Sir cumulative, we are going to get about INR750 crores.

Madhu Sudhan Bhageria: Yes, cumulative, it will be more than INR700 crores. Yes.

Amit Vora: So we should be very comfortable to repay off all these borrowings as well.

Madhu Sudhan Bhageria: Yes. So as and when we have these numbers achieved, we will not borrow, no. This is a line we are taking. It's not necessary to borrow.

Amit Vora: Okay. And on the pricing side, sir, how is it moving Q4 to Q1 right now as we are already in 1 month of Q4 -- FY '26. How is the pricing, sir? How is it moving?

Madhu Sudhan Bhageria: Q1 margins are good, but there was some reduction in the raw material drastic when the crude has fell from \$75 to \$65. So there could be some inventory loss. But overall, we should be better than Q1 of last year, much better than Q1 of last year.

Amit Vora: And even some improvement over Q4?

Madhu Sudhan Bhageria: Yes, yes.

Amit Vora: Sir, one more last question, sir, that you mentioned on the traded goods that were done in this quarter. If we hadn't done that, the margins would have been certainly better. Is that correct understanding?

Madhu Sudhan Bhageria: Yes, yes. Traded goods, we have a very small margin. There's some commitment that we need to fulfill. That's why we are doing it.

Amit Vora: So if we were to remove that, the EBITDA margins would have been much better. Is that the correct assumption is what I'm trying to say.

Madhu Sudhan Bhageria: Yes, yes. It will be much better.

Moderator: The next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: So sir, assuming current scenario and the tariff war and India is still higher power in the export market in made-based fiber product, I'm talking about product. I'm sorry, the cotton products. So do you expect manmade-based fiber product demand -- exports from India will increase in next say 3, 4 years and that benefit to all the yarn manufacturers, and what kind of support you want from the government? And what kind of support of the ecosystem you want in terms of raw materials and others?

Madhu Sudhan Bhageria: See, textile is not predominantly ruled by polyester. In the last 4 years, whatever growth in textile fiber has come, has come from polyester. So going forward, polyester demand has to increase, and if the demand for fiber increases, it is only polyester, which can provide. Cotton production is going down worldwide.

There is no other fiber predominant, which can take up the space. You need at least around 4 million, 4.5 million tons of extra fiber every year. China, which is growing for the last 25 years, has also stopped and slowed the growth in synthetic, which they were doing it.

Now India being number 2, although we are very small compared to them, they are like 72% and India would be around 9%. So the additional volume India can take whatever share they would like, rest will go to other countries. India PTA plants are also coming. There are 2 PTA plants I already mentioned, which is a bottleneck.

Third, Reliance is putting up a big PTA plant. So once the PTA is available locally, the margins will drastically improve. We are paying $100 more on PTA compared to China. Even if we get $50 that becomes around INR4.5, INR5 in the margin extra. Going forward, I feel polyester will do well, definitely.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Madhu Sudhan Bhageria: Thank you all the participants for sparing their time and joining us for our con call and hope to get together again after the first -- Q1 '25-'26. Thank you so much. Bye.

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