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Date: May 28, 2025

The Manager Corporate Relationship Department BSE Limited 1st Floor, New Trading Wing, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai - 400001	The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400051
BSE Security Code: 539400	NSE Symbol: MALLCOM

Dear Sir/Madam,

Subject: Transcript of Conference Call with Analysts and Investors – 22nd May 2025

In compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and with reference to our intimation dated May 19th, 2025, we hereby enclose the transcript of the Analysts & Investors Conference Call held on 22nd May 2025, to discuss the Audited Standalone and Consolidated Financial Results of the Company for the quarter and year ended 31st March 2025.

The transcript of the said conference call will also be uploaded on the Company's website at

https://mallcom.in/pages/investor-relations
(Earning Call 2024-2025– Quarter 4 Tab)

This is for your kind information and record.

Thanking you

Yours faithfully
For MALLCOM (INDIA) LTD.

GAUREV RAJ Digitally signed by GAURAV RAJ
Date: 2025.05.28 12:55:03 +05'30'

Gaurav Raj
Company Secretary & Compliance Officer

Enclosed: As above

"Mallcom (India) Limited

Q4 & FY '25 Earnings Conference Call"

May 22, 2025

MANAGEMENT: **MR. ROHIT MALL – ASSOCIATE VICE PRESIDENT – MALLCOM (INDIA) LIMITED**
MR. SHYAM SUNDAR AGRAWAL – CHIEF FINANCIAL OFFICER – MALLCOM (INDIA) LIMITED

MODERATOR: **MS. ARADHANA JAIN – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Mallcom (India) Limited Q4 and FY '25 Earnings Conference Call 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aradhana Jain. Thank you, and over to you, ma'am.

Aradhana Jain: Thank you, Anushka. Good afternoon, everyone. On behalf of B&K Securities, I welcome you all to the 4Q FY '25 Conference Call of Mallcom (India) Limited. Today on the call, we have Mr. Rohit Mall, Associate Vice President; and Mr. Shyam Sundar Agrawal, the Chief Financial Officer.

Without taking much time, I would like to hand over the call to Mr. Rohit Mall for his opening remarks, post which we can open the floor for Q&A session. Over to you, Rohit.

Rohit Mall: Thank you, Aradhana. Good afternoon, everyone. It's a pleasure to welcome you all to our earnings conference call for the fourth quarter and the financial year ended 2025. I'd like to begin by extending our sincere thanks to B&K Securities for hosting today's call.

Let me start by sharing a few operational highlights for the quarter under review before handing it over to our CFO, Mr. Shyam Agrawal, who will take you through the detailed financial performance.

To begin with the capex updates, I'm pleased to inform you that our greenfield expansion at Sanand, Gujarat is now complete and is currently undergoing trial runs for ProTech range of gloves. The total project cost for this facility was INR95 crores. Further additions will be executed based on market demand and feedback.

Further, our greenfield project, Chandipur Phase 2 in West Bengal for the manufacturing of industrial safety shoes, a DIPP-approved design studio, has been completed and is currently undergoing trial runs.

The project cost for this unit is INR25 crores, against which the company is eligible for a total subsidy of INR7.2 crores. Out of this subsidy, INR5.1 crores has already been received in the current financial year.

During the financial year 2025, the company made consolidated investments of INR78.67 crores in fixed assets on a cash basis. I'm pleased to share that this entire investment was funded entirely through internal accruals, reflecting on our strong operational cash flows and disciplined capital allocation strategy.

In FY '25, we launched a wider toe safety shoe featuring our ergonomically designed single-density GARUD sole along with a new premium range of leather gloves called the Kaala Peela. Both products are specifically targeting the Indian market and have received positive feedback.

With a view to increasing brand visibility and market penetration in India, we also revamped our e-commerce platform, enhancing it to offer comprehensive head-to-toe PPE solutions. The new platform has been well appreciated by our users.

On the marketing front, we entered into an IPR agreement that grants us exclusive rights to use the iconic characters of Chacha Chaudhary & Sabu. This initiative has not only boosted our marketing efforts, but has also served as a powerful tool in raising social awareness about workplace safety and the importance of using proper protective gear.

We were also honoured to receive the Great Place to Work certification on our very first attempt as well as the Safety Leadership Award at the Outlook Business Spotlight Achievers Award 2024.

Additionally, we continue to enjoy the status of a Three Star Export House from the Ministry of Commerce and Industry and hold the AEO T1 status awarded by CBIC under the Ministry of Finance. Our long-term credit rating was reaffirmed by ICRA, which continues to rate us as A with a stable outlook.

And finally, in line with our ongoing commitment to corporate social responsibility, we had the privilege of sponsoring Para-Badminton star, Ms. Manasi Joshi, supporting her journey to represent India at her maiden Paralympics in August 2024.

With that, I'll now hand over to Mr. Shyam Agrawal, our CFO, who will walk us through the detailed financial performance of the company.

Shyam Agrawal: Thank you, Rohit, and good afternoon, everyone. I would like to provide an overview of the financial performance for the fourth quarter and the financial year ended 2025. On a consolidated basis for the fourth quarter, the operating revenue stood at INR137.5 crores, reflecting a 12.43% year-on-year growth.

EBITDA for the quarter was INR15.67 crores, a decline of 7% year-on-year with EBITDA margin standing at 11.39%. The net profit was reported at INR30 crores with the PAT margin at 21.84%.

For the full financial year under review, the company's operating revenue grew by 16%, reaching INR487 crores. EBITDA increased by 6% year-on-year, reaching INR61 crores with the EBITDA margin at 12.56%. The net profit for the year grew by 59% year-on-year, reaching INR57.7 crores and PAT margin was reported at 11.86%.

During FY '25, our EBITDA margin saw a decline primarily due to increased investment in marketing, branding and consultancy charges. These expenses were in line with our strategic focus on improving operational efficiency and strengthening our market position. On the bottom line, the increase in net profit was largely attributed to our higher other income in quarter 4 FY '25 amounting to INR25.4 crores. This gain resulted from the out-of-sale land building pertaining to our east-west garment unit in Kolkata.

Thank you. With this, we can now begin the question-and-answer session.

Moderator: The first question is from the line of Rushabh Shah from Buglerock PMS.

Rushabh Shah: Sir, I had two questions. What is your thought process on export-related markets? How are you going to grow this market? And what percentage could exports contribute to your revenue in the coming future?

Rohit Mall: I can take that. So we are currently also doing a lot of activities for our export marketing. We regularly participate in exhibitions. We have a sales team who travels frequently because these are more customized products that we do, so it is important to know the market, what the customer wants and then sell it. So we develop products as per their requirement. And whatever new launches we have, we go and market it to them. So it's more of a personal one-to-one relationship building that we focus on. Currently, I think exports contribute to almost, I think, 65%...

Shyam Agrawal: 60%, Rohit.

Rohit Mall: 60% of the revenue. I think, going ahead, it will be same or maybe reduce the percentage contribution to revenue because we're expecting the domestic market to increase at a faster rate. But yes, I think in the short term, it will be around, I think, 60%, 55%, something like that.

Rushabh Shah: Okay. And sir, my second question is are you looking for any inorganic acquisitions in Europe since we are seeing a slowdown out there, so we can get many brands at a cheaper price because when we see other big MNCs, they have multiple brands. So just wanted to have your thoughts on this one?

Rohit Mall: So if I understand it correctly, you are talking about M&A in a foreign country like lands we buy outside? Or are you talking about M&A within India for...

Rushabh Shah: No, sir, outside. Outside in Europe.

Rohit Mall: Okay. Understood. See, currently, 60% of my revenue comes out of exports and that Europe is one of the large markets that we have. Right now, we are not in a position where we would like to cannibalize our market because if I buy a brand there and from my customers' competitors. So we are not in this position right now.

On the brand-building side, we are largely focusing on the Asia and Middle East and maybe Africa market. Going ahead also we feel that this is the emerging market and this is where more of our PPE will be required rather than in the Western world where more and more automation is getting focused. In fact, plants are shutting down and that's one of the reasons for the slowdown.

So I think if we have to build a brand, we'll focus our energies on the emerging markets rather than doing it -- there are already big, established brands out there, which is very difficult for us to compete in that market.

Moderator: The next question is from the line of Rohit Singh from Nvest Analytics Advisory LLP.

Rohit Singh: Yes, sir. [Inaudible 0:11:00] that we are doing over the years. So we have been allocating capital efficiently if I look at the past years in the terms of ROCE. But growth seems to be intense for us. Right now, we are doing a decent capex, and looking at the geopolitical tension and probable FTAs with Europe and other countries, coupled with the recent announcement from the Indian government to curb the low-quality imports of safety leather shoes?

So do you think we will be able to grow at a higher double digit in the range of 20% to 25% in FY '26 or onwards? And can we expect a big improvement in the margins from here on because you also mentioned domestic market is going to grow at a faster pace? So how do you look at the growth trajectory from here onwards? So that is my first question, sir.

Rohit Mall: See, right now we're doing lot of investments in fixed assets in the last 3, 4 years because we were looking at something like this where we're more and more...

Rohit Singh: Sir, your voice is not clear, sir. Pardon, but your voice is not clear.

Rohit Mall: Okay. Yes. So the whole idea of when the investments will last for years or so was that we were envisaging something like this to happen there where a lot demand will be there for India and Indian-made goods. And that's why you went on this journey. Obviously, the plant and machinery takes time to build especially in the plant and the land development, that takes time. And now we are at a stage, for example, Santacruz Phase 1 is ready [inaudible 0:13:00]. So we are seeing growth in that segment.

The idea is, yes, in the future, we'll see a lot of growth coming from the India and maybe export market as well. And yes, we are targeting higher than what we've already achieved in terms of growth.

Profitability, we have to see, maybe not in the near term because for us we just want sell itself, right? We have put an effort, we have to do a lot of marketing activities to ensure that our product -- product development, which lowers cost. So I don't think right away it will affect profitability. It will be our efforts to improve profitability, but I don't think it's just going to happen just with the increase in growth from the domestic market.

Rohit Singh: So this growth that you are talking about based on the capex that we are doing, is it going to be there in FY '26 like will we be able to do a kind of 15% or 20% kind of growth in FY '26 top line?

Rohit Mall: Yes, yes, yes. We are targeting that. We are targeting that, and our plans are made in that manner. So yes, hope that we'll be able to achieve.

Moderator: The next question is from the line of CA Garvit Goyal Nvest Analytics Advisory LLP.

Garvit Goyal: My question is answered.

Moderator: Okay. The next question is from the line of Rohit from Mittal Analytics.

Rohit: Sir, I want to ask till when we can expect these lines to start commercial production, the PU gloves facility in Sanand and industrial safety shoes facility in Chandigarh.

Shyam Agrawal: Yes, both will be starting from 1st June. So commercially, we will be starting from first June.

Rohit Mall: In fact, just to add here, the first shipment for shoes goes out this -- hopefully, by this month end will be our -- we'll be shipping out for the shoes. It's already on process. Sanand, yes, 1st June, but shoes have already started.

Rohit: Sir, your voice was not clear. Can you please repeat?

Rohit Mall: I'm saying shoes has already started. So we will start shipping out this month onwards within the next few days.

Rohit: Okay, okay. Okay. And sir, number of distributors that we have as on date?

Rohit Mall: Around 80 [inaudible 0:16:00] India and outside.

Rohit: In distributors, right?

Rohit Mall: Yes, yes.

Rohit: And sir, are we also planning to -- for any new product launches this year?

Rohit Mall: See, PU gloves is going to be a new product line for us. And then we will also be coming out with PVC glove boots. These are our new product expansion. And then definitely, within the product range, we keep launching new products, new articles.

Rohit: Okay. And sir, the last question would be like you -- the management gave previous target of INR1,000 crores revenues by FY '27. So is that target remains intact?

Rohit Mall: I think that's for FY '28, not '27, if I'm not wrong. Yes, we would not like to change it. We would like to keep the target the same and consistent. So yes, right now, we would not like to revise it.

Rohit: So INR1,000 crores target by FY '28?

Shyam Agrawal: Yes.

Rohit: And sir, what is the other income component in this quarter for FY '25?

Shyam Agrawal: Yes. So basically, this is -- let me answer it. This is -- as we had reported earlier, we sold our -- 1 of the garment unit, which has been in the city and the income is out of asset sale, basically land and building, which we sold.

Moderator: The next question is from the line of Suresh Shah from RSPL.

Abdul Kadar: Yes. This is Abdul Kadar Raja here. So just a couple of questions. Sir, if you could just, please give us some light on like what could be the revenue from this new Sanand plant Phase 2. So on an annual basis, how much can we expect the revenues from this plant?

And the second would be, sir, as we see like the gross margins have been falling from the start of this financial year, so roughly, it is down almost 200 bps. So if you could just, please give us some more light on this like why is this happening?

Shyam Agrawal: So Rohit, let me answer this. So for the Sanand project, we are starting with only 25% capacity. So as of now, we have around 6 lakh dozen pair of [inaudible 0:18:59] the capacity which we have installed. And with this capacity, we target around this year maybe INR25 to -- in between INR20 crores to INR25 crores turnover.

But with the full capacity, which we will be building up, maybe it can be built up within 1 year or within 2 years, looking at the market. At the full capacity, which will be almost 4x of what we have done, that turnover should be in excess of INR100 crores coming out of Sanand unit. And the second one, what was your question?

Abdul Kadar: So it was about the gross margin, sir.

Shyam Agrawal: Margin remains are almost similar. There is no change. As have mentioned that the dip in margin has been EBITDA because of additional expenditures we incurred this year on branding, marketing and these consultation charges. So over the period, this should be coming down and then the margin should be at the -- the overall operating margin is in the range of 13%, 14%. So it should remain in that level only.

Abdul Kadar: Okay. So what I wanted to understand and get clarity is, is it because of the change in some mix that our margin operating -- the gross margins have come down?

Shyam Agrawal: No, no, no. As I had mentioned that the margin has come down only because of one-off expenditure, which we have incurred this year. This is additional to regular expenditure. So the margin remains same and we -- it is likely to be same in the future also. Only thing is that for this year, we have 100 basis point dip because of this additional expenditure, which we don't see going forward, it should not be that much.

Moderator: The next question is from the line of Zaki Nasser, an Individual Investor.

Zaki Nasser: Sir, congratulations on a strong Q4. Taking off from the last question, sir, what would the quantum of this one-off expenditure be? And would this have been incurred in the last quarter, sir?

Shyam Agrawal: The expenditure is spread over the year and the 125 basis points, so almost INR5 crores incurred additionally during this year, yes.

Zaki Nasser: Okay. And sir, how is our export markets looking, sir? Which part of the export market is looking better and a bit of light on your white label versus your own branded products, sir?

Rohit Mall: So yes, on the export marketing front, like we have mentioned, we are focusing a lot on the North American market, particularly the U.S. and that's where our efforts are going, and that's showing good positive results as well.

Now with the sudden tariff news, people are a little scared, shocked, wait-and-watch strategy is being deployed. But I think it should be good for India-U.S. ties, but we'll see how quickly we are able to get a trade deal with the U.S. that will directly affect us. That market has been performing well. South America has also been a decently performing market for us.

We started some developments in the Russian market, so it's a large market and it's not an easy market to crack. So our efforts are going there, but we have already been able to get some entry into it.

Europe market is on a slowdown a little bit because, especially the industries here, auto industry and a lot of manufacturing industry, are shutting shops. They're not able to run. The demand is weak; there's inflation and interest rates are also not so great. So we'll have to see how Europe performs this year. But I think we will be more focused on the other side of Atlantic this year, and that should perform well.

And also with our brand in the Middle East market, now we have opened up an office in UAE. So that should help us be more -- closer to the market and grow that market faster. So yes, very insignificant numbers right now, but I'm hoping big developments in Middle East and Africa this year with our brand.

Zaki Nasser: And what percentage of exports are under your own brand, sir? I mean, if I may, you said it's small now, but how has the brand been accepted in Middle East? And going forward, what do you feel of it?

Shyam Agrawal: As of now, maybe let me give the numbers for under brand. We are maybe up to 2% of my turnover -- export turnover is going under our own brand basically, yes. Rohit, you can just drill down to it.

Rohit Mall: So the brand -- so a lot of effort needs to do -- needs to be done on brand building in the Middle East and Africa market. Initially, what we have seen is a good reception because those markets are largely dominated -- earlier were dominated by big American or European brands and then with the Chinese low-cost brands, which got in.

So there is, according to us, some gap in the market where a good price point brand can enter, and us being the manufacturer, we can position pretty well there. So the brand acceptance is there. A lot of effort needs to go in. And now with our office opening there, I think we should be able to capitalize on that market. So I would say it's positive and we are very hopeful from the Middle East and Africa market, particularly.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited.

Bharat Sheth: Sir, I -- earlier your voice was not audible so I missed some of the -- so if I have to compare like, say, export vis-a-vis other parties, large players, so how competitive we are and what is our right to win against those large players? So if you can give some colour -- not immediately, but the way we are spending on the development and marketing expenses.

Rohit Mall: Right. So if you are talking particularly about our white label business in Western countries, so see, all these large brands, they are moving away from manufacturing as much as possible. So they don't manufacture goods. They want somebody else to do it for them. So -- and a player like us who has a long history in the industry and the fact that we offer a wide range of products, this helps us win in the market.

Now these large brands look for stability. They also are looking at India as a more stable country than other Asian counterparts. With the recent tariffs and COVID and all of that happening, I think it's worked largely in India's favour, so that part is also helping. And people are trying to derisk their supply chain or have dual supply chains. So that's where they're looking at options. And also the fact that now we have built up capacities, a lot of players are interested in working with us.

So these are some of the things that have helped us establish ourselves in the market. And that, I would say, is helping our right to win in those markets. Hello? Is that -- does that answer your question?

Bharat Sheth: Yes. Sir, one more question. When we are expecting to double the revenue in 3 year's time? So what kind of additional resources will require in terms of, say, capex, working capital and how we are going to fund those things?

Rohit Mall: See, largely, the capex -- yes, Shyam, please. Go ahead.

Shyam Agrawal: Yes, yes, yes. So in that case, you see as we already mentioned, for the last year we have been planning for this when we stated that we would like to double our turnover by FY '28. So there was a plan behind this. And we have already -- majorly, we have done capex and now almost INR200 crores we have requested.

And we are ready with the capacities are now planned that -- it's per the requirement. We have -- at least we have the infrastructure, and we will be putting up some additional machinery as per the requirement. So it is already geared up.

Bharat Sheth: If you can, sir, put some number, I mean, what kind of for machinery will require? And how much is the manpower side...

Shyam Agrawal: So I just give you one example. Like in Sanand and I mentioned that we target more than INR100 crores turnover from here. So with the current capacity, we should be getting around INR25 crores to INR30 crores. But definitely, on sort notice and as per the need and as per the requirement of the market, we can put up additional machineries there. And these machineries can come within 1 to 2 months' time.

So then, usually, it can -- we have this facility where we can have more number of machineries and the target to have more than INR100 crores turnover from this unit only. So similarly, in case of shoe unit, which we have set up here, again, the turnover can be up to INR50 crores we can get from there. So this will be additional turnover coming. And then we have existing units where again we can have increase in sales and some new units we can install and increase the capacity.

So basic infrastructure is ready and we -- the capacity which we will need for INR1,000 crores turnover is also planned. And over the next 3 years we as per requirement, we will be adding up capacity as and when it is needed.

Bharat Sheth: Okay. Thanks sir. And sir, last question, book keeping question. If I have to understand like, say, our major contribution from the turnover is coming from safety shoes, then garment and the leather gloves ones and the knitted nitrile gloves. So you have to understand value-wise as well as EBITDA wise, if you can give us some packing order, which is the highest profitable and which is more valuable because since we just shared the SKU unit number, but it's not value-wise?

Shyam Agrawal: So see basically, broadly the market is like one-third each for body protection, head protection and the feet protection. So in our case also it is 40%, 30% and 30%. So a little bit higher on the shoe side, but this is what -- fairly the distribution should be one-third each and this is what we target.

And profitability-wise, see, basically the more value-added product you produce and the technology driven product you produce, you will have the better margins. So in our case also like -- it is range bound, basically. I would say, not a much big difference, but in between 10% to 15%. So 15% for the garment or safety shoes or dipped gloves and 10% for the leather gloves category, which is a commoditized product. So that -- so on average, we will have this 14% margin, but the range is like this.

Bharat Sheth: And if I have to, sir, of look at, I mean competitive scenario, so in which SKU the competition like garment where there are several unorganized players? So if I have to understand from that perspective, how really we can -- if you can give a little more colour?

Shyam Agrawal: See, we are not competing in garments with our players. Unorganized players are they are mainly getting to the domestic market. In case of export market, all the export market is only for certified products. You have certified facilities, bigger facilities and with all the systems in place and audit and everything and certifications. So we are catering to that market.

Bharat Sheth: Okay. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Aditya from Securities Investment Management. Please proceed.

Aditya: Hi, sir. Thanks for the opportunity. Sir, my question is on inventory days. So our inventories days have been pretty high for the last 2 years if I compare it to our historical average. So why is that and what should be the inventory days we should assume going forward?

Shyam Agrawal: Yes. So see, in our case as we are into private label thing and we need to have different type of -- we have different range of products and different type of inventory, few of which we also import. Almost 15% of our consumption is being imported. So we have analysed these things and need to have the primary raw material and accessories, we need to hold up to 90 days to 120 days.

And then you will have some finished goods and WIP which is within the acceptable range of 15 to 10 days. So yes, we need to -- recently what we have decided that because of -- to increase the productivity also and to take care of supply chain risk and with the consultant's advice, we had to build up some inventory to take care of productivity.

So inventory has gone up a little bit, maybe up to 30 days last year. But that we are trying to, again, regularize. But within that range up to, I would say, 4 to 5 months of inventory we need to keep as per requirement of our type of business -- requirement of the business. We need to keep that.

Aditya: So, sir one assumes this 180 days to continue because if I look at the cash flow from operations last few year, the cash flow from operations had been pretty low?

Shyam Agrawal: Yes. So this is what I told you that the inventory should be in the range of 120 to 150 days, not 180 days. So we are targeting to bring it down to 150 days up to, but that this much we need to take care of all the supply chain risk and as well as to ensure that the productivity is maintained.

Aditya: Understood, sir. And sir, secondly this capital work in progress of INR74 crores, so is this related to Sanand and Ghatakpur only because I think we have been –we should have been capitalized in Q4?

Shyam Agrawal: No, it relates to Sanand and Ghatakpur both. As I mentioned that the unit -- commercial production is yet to start. So this is capitalized in current year only, yes.

Aditya: Okay. And what would be our capex spend for next year?

Shyam Agrawal: So routine we do around INR10 crores is minimum we do on an average basis, which is a routine capex. But looking at the new facility, then definitely we'll be building up more capacity there. So maybe INR20 crores to INR25 crores this year we plan.

Aditya: Understood, sir. And sir, secondly this new facilities, which we have added, so how should one look at the ramp-up of these new facilities? Is it that we have confirmed orders on hand and the ramp-up should be pretty fast and we should be able to utilize the capacities, 70% to 80% of the capacity can be utilized or is it going to be a slower ramp-up where we have added the capacity, now you have to approach the customers to get the orders?

Shyam Agrawal: So yes, it would be a slow ramp-up in the -- let's see, as we mentioned that we have started with two injection plants and this is what we immediately will see that we can cater to the ready market we have. But definitely, we need to go to the market with the newer product also and see the market how it responds and then we will be adding up capacities.

Aditya: Understood, sir. And sir, on this margins, so now the capex utilization is going to be low initially. So the margins ideally then would be lower next year as well because the capacity utilization would be lower. So how are you looking at the margin piece? Should one assume that next year also the margin should be in the range of 11%, 12% and as the capacity utilization improves, then it will increase to 13%, 14%?

Shyam Agrawal: See, at all our units we are working at almost full capacity, so 70%, 80%. Talking of only Sanand, it is -- we have started with the plant -- 25% of the plant capacity. So again, you -- as you will know that the entire investment is through our this thing, internal accruals and hardly there is any fixed cost there, so very minimum. So we don't see there will be much effect on the profitability there also.

Aditya: Understood. And this INR5 crores onetime expense which you mentioned, sir, but wouldn't it be a regular feature because for now -- for you to increase sales, you have to keep on investing in marketing and consultancy. So just wanted to understand...

Shyam Agrawal: You are not clearly audible. Can you please repeat the question?

Aditya: Yes. Sure, sir. Sir, this INR5 crores of onetime expense, which you mentioned for marketing. Sir, why is it onetime because shouldn't it be a regular feature going forward as well as you try to ramp up your capacity, you have to keep on incurring the expenses. So why are you considering this as a onetime expense?

Shyam Agrawal: No, I tell you why it is happening because it is not only marketing branding, but as well as consultancy also. So as we had mentioned that the consultancy was almost more than 50% cost, which we incurred this year to set up some systems there. And the other part marketing, definitely the budget would be there, but then you have 20% growth in your turnover also. So the budget would not be 20% in line with the growth.

So -- but we target that, okay this year, we had this additional expenditure. But otherwise, it should be absorbed within the total growth.

Aditya: Understood, sir. And sir, just last one question on tariffs. So how do you view this tariffs? So is it beneficial or is it adverse for our business because we were looking to grow our North America part of the business. So wouldn't it be beneficial for us to get more customers over there?

Shyam Agrawal: Rohit, you can answer this.

Rohit Mall: Yes. Am I audible?

Aditya: Yes, sir.

Rohit Mall: Okay. Yes, so the tariff depends on if it's favourable for our category for India or not. So we have to look at the minor details of the tariffs to know if it's better for us or not. So India has some free trade agreements with some of the nations, which has worked well for us for some of the market, large markets. Even Europe, just better tariffs or better import duties or low import duties to places like Pakistan and Bangladesh that does not allow us to grow faster and does not keep in the same level playing field.

So you have seen what comes out of the tariffs. It depends on what kind of an agreement India gets into with the U.S. market. If it's favourable, which I think should be because industries like textile and leather are India's strength and that's what usually they focus on when they go into negotiations with other counties on trade.

So I think it should be beneficial for a company like us, but we have to wait and see. But in any case, like we had started on this journey a couple of years ago. So we are anyway going ahead and the market response has been good. So tariff or no tariff our focus will still be in the U.S. because we are under-represented and we'll push for it.

Aditya: Understood. Just one follow-up. But currently, there would be a tariff differential between China and India for the U.S. for our kind of products?

Rohit Mall: Yes.

Aditya: Between India and China, sorry.

Shyam Agrawal: Yes. It is 10% and 30%. Yes, there is a difference. So yes, but it is just short term. It is just -- and it has been changing also. So the buyer will not decide according to these rapid changes. Definitely, there is a policy change. They are looking for China plus One supplier alternative thing.

But tariffs, we need to wait and see how it settles with now until unless the things are settled with what China will have finally and what India will have, the buyer would be a little bit hesitant. He is not going to overnight shift to you. So they are also waiting and watching and we are also in the same mode. So let us see how it progresses.

Rohit Mall: Yes. Also [inaudible 43:02] the 10% and 20% right now are reciprocal tariffs. So India already had tariffs for some of our products going into the U.S. So this 10% is on top of those already installed import duties, so it's a flat 10%. So whatever we are selling just got 10% more expensive for the buyers.

So -- and there is usually a lag between when the tariffs happen and when the customer agrees and then their customer agrees because eventually somebody has to pay for it. So you have look at how important, essential the item is and then accordingly you decide, okay, where to put the budget which is just inflated.

So we have to see. And even if there's a difference of 10%, 15%. So from these products China is cheaper by 30%. So even if there's that distance of 20%, I don't know how much, it makes the same price level as China. Some people don't want to shift because of the same cost happening through the existing supplier [inaudible 44:10]. So they don't want to change their supplier. It does not happen overnight. It takes a lot of building and lot of gestation period before this should happen.

Aditya: Understood, sir. Thanks for answering the question. I will join back in the queue.

Moderator: Thank you. The next question is from the line of Amit Agicha from HG Hawa. Please proceed.

Amit Agicha: This is Amit Agicha here. Yes, sir, my question was connected to the product response about [inaudible 44:52] and like also your broader brand building plans leveraging IPs like Chacha Chaudhary, how has the response been and second question was connected with the debt-to-equity ratio like what are your plans regarding the debt?

Shyam Agrawal: Rohit, you can answer the first part about these.

Rohit Mall: So the first -- the response has been pretty good. So we did not have a wider safety issue for the Indian market. And that's why whenever the workers have larger seats and larger toe sizes, we were missing all over ongoing markets. And now we will be able to capture those markets as well.

So if you -- the response has been good and still the effort is going on. It's just we launched it about 6, 8 months ago so we just have to go into it. And also with the leather gloves, India does not have brand for leather gloves. It's still highly, highly unorganized like the government has been trying to dip into that market and in our experience from the international market.

So it's been good, it's been shocking for both the product lines. And also with regards to the maintenance program regarding the Chacha Chaudhary IP, that program stays ongoing and we're still doing a lot of campaigns. Wherever this character is known is in largely in East and West of India. So it's a good way to increase awareness and people are responding well to it. So we'll continue with it for the time being and put more marketing effort into it.

Shyam Agrawal: What was the second question?

Amit Agicha: About the debt-to-equity ratio?

Shyam Agrawal: Yes. So see, we are -- I would say that we have been fairly debt-free company and this debt which you see at the books is, again working capital loan only. And this also we have started borrowing -- it is not worth full eligibility. Still, it is -- as you will see that it is part of the working capital -- total working capital.

So we borrowed this year on the higher side because we have been investing very heavily. So looking forward, going forward we see that the percentage of this debt should also be coming down and we plan to have only working capital loans in future also. So we will be generating enough cash to take care of both capex and working capital requirement in the future also.

Amit Agicha: And sir, the question was connected to the e-commerce platform like the revamped e-platform like how has the response been there, sir?

Rohit Mall: Yes. So it's -- this also happened, I think 5 months, 6 months ago. So the early response has been good and it was so that we could try the market also, see how people respond to it. So it's been interesting. We are doing -- adding a lot of features still onto it. I think this year is when we'll have promoted it properly and start seeing what is the response?

Definitely, third-party e-comm platforms, we have been there for a long time. So that response has definitely been there and more of a brand-building exercise for us and to avoid people from buying counterfeits. So we'll focus on e-commerce with that strategy that if people have to at least buy online, then they come directly to us rather than some third-party. So with that objective, we'll go ahead and yes, we're hoping for a good brand-building exercise from it.

Amit Agicha: Thank you for answering my question. All the best for the future.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please proceed.

Garvit Goyal: Hi, thanks for the follow up. Sir, just want to ask on the guidance part again. We are targeting INR1,000 crores by FY28. And I just want to ask what changes because at the same time we are seeing about some slowdown in the European side, especially the industrial manufacturing and all.

So what is going to drive us towards this target because looking at the target, we have to grow at pace exceeding 25% CAGR. So how do you look upon it like what will be the factors, which will help us to ramp up the things? And right now, can you also tell us what is the peak revenue that can be done on the existing capacity, sir?

Shyam Agrawal: So let me -- Rohit, let me answer this. So see how it is happening that we are working at a very low base. It is not like -- the market is to big, almost $68 billion market worldwide. The Indian market is almost $2 billion to $3 billion. So we have to do, what, 20% to 25% growth. And definitely, you will see, talking of domestic market, there's a lot of changes happening, a lot of MNCs, a lot of product awareness, a lot of product ability, import substitution.

And category-wise also, like from manufacturing to services and agriculture then lifestyle also, things like rainwear, etc. So a lot of products to be launched and the market is growing very fast moving from unorganized to organized market in India. So there, we see more than 20% growth coming at a very low base. It is very, very reasonable to expect that we should be targeting more than 20% growth here.

And also, we are trying to do a lot of brand building and trying to reach to the new markets within India also, outside India also. Within India like from industrial hubs to -- from Tier 1 city or Tier 2 and Tier 3 city also. So a lot of marketing plan there and with the support of capacity build-up, which we have done.

Talking of exports also, very briefly, I would say that the market is very weak. Yes, there are challenges in the market. But talking of like if we try to go to the US or looking for China Plus One advantage, so how much target we see? INR100 crores in the year to achieve 25% growth. So very workable because market is very large and with all the challenges and with the efforts, we should be reaching there. So that is our analysis and assumption.

Rohit, you can add on this.

Rohit Mall: Yes. Largely, the idea is to grow even in the export market through product additions to market expansion. And if some geophysical reasons and macro reasons come into play, so we would be ready to capitalize on that also like any sort of free trade agreements, which are in our favour.

And yes, especially Indian market and the domestic and the branded market is what we are focusing on, India, Middle East, Africa. So the market, like Shyam said, is definitely there and is doable. The Europe situation, it comes in cycles. It's not the first time that we are seeing this. It's a cyclical economy. So it keeps on happening. I'm sure there will be a cycle when there is an uptick in Europe also.

Garvit Goyal: Got it, sir. And coming specifically on the domestic market, you mentioned it is a $2 billion to $3 billion market, right? Approximate INR2,000 crores, INR3,000 crores market you are seeing. So how much of it is organized and how much of it is unorganized, sir?

Shyam Agrawal: So roughly, it would be 50%, 50%, I would say. 50% organized, 50% unorganized. And also talking about domestic market, one thing I would like to mention is this labour code, which is also now due for implementation, and I think almost 25 states has already agreed to this. So now Parliament has to just pass this act.

So it was pending for long, and with this enactment, you will see a lot of changes happening and a lot of compliances and safety issues because there is a separate provision for worker safety there. So with this, we see a big boost in our product demand also in India.

Garvit Goyal: Understood. And by then, do we expect this engagement to come into force?

Shyam Agrawal: Yes. So the good thing is that the majority of the states have agreed to the provisions of this. So that's why it was pending mainly for the state's approval. And we know that it is almost done now. So maybe in next parliamentary session they are going to put up this for enactment most probably.

Garvit Goyal: Understood. And for this year, we are pretty much confident of crossing INR600 crores revenue going by the word that you are giving, right?

Shyam Agrawal: That is the target we have kept. Let us see what -- how we are able to look. We have to wait and see. So definitely, we keep the target in line with our stated target already.

Garvit Goyal: And sir, lastly on the semiconductor side. So like expansion is on the way. Government is pretty much focused on this particular area, and we need a very clean facilities. So can you spend a few minutes on explaining your role in establishment of these clean facility rooms? Like what kind of equipment are we currently negotiating with the end customers? Or are we -- will we be able to get a huge chunk of it going ahead?

Shyam Agrawal: Rohit?

Rohit Mall: Yes, I can take. So we have some products already, which can go into such facilities. So we have the footwear for it, where you need clean room footwear. We can also provide with the garments, which is the disposables and even the regular garments, which are required for clean room. Some knit gloves also needed, which we can give. Eyewear is not something they require.

Eyewear also, eyewear is not something that we manufacture at the moment, but we are trading it under our brand in India so we can provide that as well. But once we put out the facility for it, I think we'll be better positioned for it.

So a large part of it we have. Definitely, it now depends on what kind of specifications they ask for do our products match the specification, but please note we are a manufacturer, and we are used to customizing a lot of products. So if there is a need and the demand for customizing a product, we will be happy to do that. Till now, we haven't received a lot of inquiries specifically regarding this. So we have to see, wait and see what is the demand coming like.

Garvit Goyal: Understood. And sir, any -- apart from these tailwinds that we are speaking about, any near-term or midterm headwinds that can -- stop us from achieving the target basically that we are setting for the organization as a whole?

Rohit Mall: Yes. See, that keeps on happening. So when we say we opened some markets, some markets are doing well, some markets close also. Like a market like Turkey used to be a good market, I don't know what will happen to it now with the current geopolitical issue. So that we need to wait and watch, we'll see what happens.

Any market, which like I said about Europe, any market which goes through an economical or political crisis, that market and where we are not present in our own brand, that becomes an issue for us. Supply chain is definitely a risk that we live with. Last financial year, we had to face it and that's how we are trying to protect ourselves from it.

And these are some of the issues that we -- challenges that we foresee and that can come any time. Other than that, any trade-related issues happening between countries that we have no control over, so we have to always be prepared for it, yes. These are some of the headwinds, I would think, at this point.

Moderator: Ladies and gentlemen, we take that as the last question. I would now like to hand the conference over to the management for closing comments.

Rohit Mall: Thank you all for participating in this earnings conference call. I hope you were able to answer your questions satisfactorily and at the same time offer insights into our business. If you have any further questions or would like to know more about the company, please reach out to our Investor Relations Manager at Valorem Advisors. Thank you, and wishing you all a great day ahead.

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