"Sangam (India) Limited
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Vandini Tated: Good afternoon, everybody and welcome to Sangam India Limited Management Call. We have on the call, Mr. Anurag Soni, Managing Director, and Mr. S. N. Modani, Vice Chairman of Sangam India Limited.
I must remind you that the discussion of today's call may include certain forward-looking statements and must therefore be in conjunction with the risks that the company faces.
May I now request Mr. Anurag Soni to take us through the company's business and performance and Mr. S. N. Modani through the outlook, after which we will open the floor for Q&A. Thank you and over to you, sir.

Anurag Soni: Hi, good afternoon, everyone. Thank you for joining us today on Sangam India Limited Management Meet. As this is our first interaction, we would like to discuss the journey, followed by strategic updates and performance highlights. Our investment presentation has been uploaded on the exchange, and we hope you have had the opportunity to review it. Sangam India Limited personifies India's growth journey with a rich history spanning 4 decades, marked by expertise and a commitment to excellence. As global leaders in PV dyed yarn and prominent players in the denim sector, we have maintained a leadership position by consistently delivering high quality products. Our workforce comprises over 12,000 skilled employees, has been our true assets, and has been instrumental in our success. This dedicated team has helped us secure significant market share in the textile sector, serving marquee clientele. Our growth story reflects not only our ability to meet market demands, but also our commitment to operational efficiency and customer satisfaction. Today, we operate as an integrated textile player spanning across the entire textile value chain operating 5 manufacturing plants in Rajasthan. We export to over 60 countries globally, specializing in PV yarn, PV fabric and denim fabrics. We are one of the most diversified textile producers in the country with integrated in-house facilities. This high level of integrations helps us to be highly cost competitive over our peers. Over the last 6 years, Sangam India Limited has transformed into a value-added textile player marked by a strategic shift towards high-value-added products. This transition has propelled margin expansion, reflecting a dedication to enhancing profitability. Our EBITDA has doubled during this period, while EBITDA margins have improved from 8% to 11%. Value additions and improved operational efficiency and cost management have played a role here. I would now like to hand over the mic to our Vice Chairman, Mr. S.N. Modani.

S.N. Modani: Good afternoon, everyone. Thanks for joining us today. Our company stands at the forefront of innovation and excellence in the textile industry, maintaining our position and price leader. And today around we have 300,000 spindles with us and with 2,500 rotors for open end yarn. And we possess a formidable production capacity of more than 1 lakh tons per annum. The expensive capability allows us to meet the diverse needs of our clientele with maintaining stringent quality standards. The garment division has seen remarkable growth with revenue surging 4.4 times over the past 6 years, now contributing 3% of SIL's revenue with a manufacturing capacity of 114 state-of-the-art machine seamless garment knitting machines from Santoni, Italy. We are equipped to meet diverse demands. We use cutting edge machinery for our operations, which are sourced from, as I said, the world leader in the seamless garment, Santoni Italy. 90% contribution comes domestically, whereas 10% is from exports. On the denim front, revenue increased 2.2X in the past 6 years. The Sangam brand is well-placed in the domestic market, internationally we collaborate with the leading brands. Leveraging our expertise and state-of-the-art facilities to meet their exacting standards, our dedication to quality underscored by the state-of-the-art lab setup, ensuring stringent quality controls throughout the manufacturing process with a production capacity of 48 million meters per annum, supported by 5 Indigo processing lines and 302 weaving machines. We are equipped to meet demands of our customers efficiently and effectively. Lastly, we have gained significant market share in synthetic fabric. Our company holds a prominent position in the fabric processing industry, specializing in a range of fabrics. Our CAPEX plan is of 792 crores to fuel our future growth. This strategic move has allowed us to develop a diversified and resilient business model supported by a strong presence throughout the value chain by maintaining a varied revenue base and competitive pricing strategy alongside our backward integrated approach, we have effectively mitigated risk associated with market fluctuations. Our Capex is supported by long-term debt and we are currently in a comfortable position in terms of debt repayments. Our debt repays are funded internally through accruals, a testament to our strong financial stability. I would now like to hand over to mic to Anurag Soni to discuss the performance highlights. Thank you.

Anurag Soni: Coming to the financial performance for the last quarter ended December 24. Our revenue from operations was at 621 crores, which was a slight increase year on year of about 3% and EBITDA levels were at 48 crores with a margin percent to 8%. There was a decline of 18% year on year on the EBITDA front. Now looking forward to the next couple of years, our focus is on advancing up the value chain into fabric and garment production, we are undertaking significant capital expansion to create emerging opportunities in these segments. We are targeting a top line of about 4,000 crores while ensuring EBITDA margins remain steady at about 12.5%. Our strategic agenda includes maximizing return on equity and leveraging capital expenditure to sustain long-term growth. Additionally, we are poised to enhance margins by offering value-added products. With this, I would like to conclude my opening remarks. We can now open the floor for questions.

Vandini Tated: Participants, please raise your hands and form a queue for the questions. Yes, Mr. Saket you may go ahead and ask your question.

Saket Kapoor: Yeah. Namaskar Sir. And, Sir, firstly, thank you for this opportunity and for detailing and a very detailed presentation also. So firstly, sir, if you could tell us a little bit about the outlook of the industry. Because the numbers of the last quarter, our margins are very compressed. And we have outlined a large capex also, which you have outlined for FY26. Where are we in that capex? How much have we spent? And how conducive is the current business environment to substantiate this capex? If you could tell us.

Anurag Soni: Thank you Saket Ji. So, I will answer the question with regards to the market scenario of today and till when the capex is going to be completed. The outlined capex of approx. 800 starting two quarters from now, and by the F1 FY 26, we'll get that. Our capex is intended towards, one, cost reduction that will help the margins and second growth in the segments where we want to add value basically, fabrics and garments. So if we see our turnovers from yarn are consistently coming down quarter on quarter. And we expect the next after completing all these capex, we will be able to generate about two- third of our revenue from the fabric and garment division. And about one-third will remain from yarn. So that will add to the margins. Now, secondly, with regards to the industry scenario, so there has been pressure over the last 6 to 8 quarters. There's been continuous downfall in pricing. In fact, as we stand today, we are probably at the bottom of the pricing levels over the last 6 to 8 quarters. It was majorly impacted due to export markets because there was a crackdown on inflation by most governments. So commodity prices were constantly crashing. Cotton prices have halved from the peak. So now we see that, things are, improving, prices have bottomed out. In fact, probably in the current quarter also, we should see some kind of improvements coming in. And every quarter we should see some kind of support from the market to support our margins. So, industry outlook to be that prices have most likely bottomed out and we should see some improvements and also already there is some demand that has started to come in from the export markets as well. So, that will help us in sustaining.

Saket Kapoor: Sir, currently what are our utilization levels across both yarn and the fabric segment? And sir, as you mentioned that we are planning, or we envisage going ahead our yarn proportion to be one- third and two- third to be fabric. That is what you mentioned sir?

Anurag Soni: Right

Saket Kapoor: Post the expansion?

Anurag Soni: Right

Saket Kapoor: And sir in the fabric segment it will be D2C B2C business we will be doing or what is?

Anurag Soni: See, in Fabric segment some part of it will be B2C but in it there is a lot of, so those customers that are coming in are basically garment manufacturers and also brands who nominate garmenters. So basically we are we are dealing directly with brands like so internationally brands like Primark, decathlon, mango, jockey. So they are nominating our fabric to their garmenters who in turn buy from us and are supplying to these brands. So that is the business model there. Now, what you said about yarn, currently we are about 42 to 45% of revenue comes from yarn and going forward, it will be one-third, two- thirds.

Saket Kapoor: Sir, how are the current utilization levels?

Anurag Soni: Current utilization levels are denim and PV fabric; we are running at 90% levels and in yarn we are running at 80-85% levels. So basically, capacity utilization is almost at peak levels.

Saket Kapoor: And currently as you said cotton prices have also stabilized and from the peak they have halved. So, what is the inventory we ourcarrying and how is our spread in the yarn business?

Anurag Soni: So, we have built up our inventory levels a little bit. So, our inventory levels are higher than normal. (inaudible). So, inventory levels are higher than normal. And because we feel that the prices have bottomed out. So there is stocking happening on that front and yarn spreads are looking at, constantly where we are seeing there is some improvement that we will see some gains there. So it's difficult to point out a number because in a moving market, it's a lot difficult to get that, especially, commodities. So that we should see that there will be improvement quarter on quarters.

Saket Kapoor: Sir, in Q3, the numbers that we have posted, if I look at your PBT number or EBITDA would be better understanding. So, in that, a bottoming out process is seen. Sir, how was your Jan-Feb December exit in terms of our margins for the yarn business?

Anurag Soni: See definitely we can see that December numbers have bottomed out and we will see that numbers coming in for the subsequent quarter will be better definitely and in this we are at 8% margin levels at the December number. Now the biggest deterrent to the margins falling is lower contribution on the yarn spreads. So, the margins of yarn have been down and constantly, in falling prices, the stock losses also keep increasing. So, there has been pressure because of that. But because now prices are bottomed out and we see yarn margins improving. The Guidance we are talking about over 12- 12.5%, it should deliver. So, I think that will that that should come in now.

Saket Kapoor: Sir I have some more questions of mine I should or should I join the queue?

Anurag Soni: Sure, as you wish.

Saket Kapoor: Okay, so you mentioned that 800 crore capex is what is outlined. So how much have we spent as of 31st December or this is the pending Capex?

Anurag Soni: No, no, it is a total Capex. 792 is the committed capex. So how much have we spent? See exact numbers, if I share them after the call, it will be easier. But more or less the equity part has been the company has to invest in inter-accruals So that has already been done. Debt I think, which is 70-75% of Capex. I think we have drawn down about 15-20% levels. So Balance is pending.

Saket Kapoor: Okay. You mentioned out of the 800 crore 75% will be debt.

Anurag Soni: Yes. So 75% is debt because there is a promotion, investment promotion scheme of Rajasthan government, which gives good interest on debt, that turns out anywhere between 4-5%. So it is highly cost competitive. There is no cheaper capital available than this. That's why we try to take as much debt possible on the projects. In this access equity or access cash generated by company will go through, because our working capital costs are higher. That's about 7.5% to 8%. So we'll try to reduce those numbers rather than long-term loan numbers.

Saket Kapoor: Ok and sir what are the current net debt numbers, what is our working capital requirement and long-term borrowing?

Anurag Soni: So long-term borrowing as on date stands at about 560 crores. Working capital is anywhere between 450 to 500, which keeps fluctuating. We see that this number for working capital is more than enough even to sustain future business. So I don't think we should add much working capital there. Term loan will peak at about 850 crores. I think is what the peak number will come at. That will be about 5-6 quarters from now.

Saket Kapoor: And taking that interest of venture into account, what should be the dependent cost of funds or separately if you want to tell?

Anurag Soni: Term loan costs will be, see, before subsidies is about 8.5% to 9%, post subsidies, it's below 5%. So that is the number for the term loan. Working capital is anywhere between 7.5% to 8%.

Saket Kapoor: Correct sir, And lastly, what steps are we taking to reduce our power and fuel, the cost of power by investment in the renewable segment? What have we outlined? And the capex of 800

S.N. Modani: Actually, we have a Agro-based boiler. Earlier we were running thermal power plant we scrapped that those ones.

Saket Kapoor: Come again, sir.

S.N. Modani: We are we already installed 3 numbers of boiler based on the agro waste.

Saket Kapoor: Okay.

S.N. Modani: And green energy And whatever expansion we are doing now we are putting all the solar power plant on the top of tops. So that will also reduce the cost in next couple of quarters. And so the capacity in solar is also going to increase. As on date, it is 16 megawatt. And we have a I mean,

Anurag Soni: yes. So to add to that, I will just say that about about 8 to 10% of our costs are renewable as on date. And on the steam that is generated for the dying process. So all that is shifted to renewable from the thermal side. So that is already in place today. Solar or adding renewable power is part of a long-term strategy. However, the CAPEX plans are quite heavy in the company as of now. So, the focus is to complete these, deliver the numbers that are supposed to be generated out of these capex. And then probably in future, we will take steps to further reduce our renewable costs, power costs. And also going forward, probably like a year back, the policies from the government were not as favorable as they are probably today. So that is also 1 of the reasons to wait it out. And also the costs of installing solar plants are coming down day to day. So we are waiting for these things. So probably that's a second step after these Capex are done. We will see it than.

Saket Kapoor: Currently, the power and fuel is we are drawing from the grid. The cost

Anurag Soni: 90% of it is from the grid and 10% is self-generated through our solar and wind plants.

Saket Kapoor: Okay. And what is the cost per unit?

Anurag Soni: Cost per unit from the grid? Yes. About 7 and a half rupees per unit.

Saket Kapoor: Okay. And sir, how much is the receivable from the road tip part? And total proportion of our export? On the basis of that will be road trip

Anurag Soni: So about one third of our business is coming from exports. And road tip, the question with regards to receivable standing, is that to ask? Like How much is my debtors to receivables?

Saket Kapoor: Yes

Anurag Soni: So I think at any point it's about 4-5 crores that is pending to be received from the government. So this is a tradable script, so you can sell your licenses to importers.

Saket Kapoor: And how much is the interest subvention subsidy unpaid?

S.N. Modani: 2%.

Anurag Soni: Until what quarter? December. So December quarter is cleared. Quarter money is going to be received in the March quarter. Until September, all the money has been received.

Saket Kapoor: As a last point, other expenses that are line item, we have seen that for this quarter there is a reduction, although your revenue have remained flat. So any cost saving exercise we have done and this could be a sustainable number I think so 63 crore is the other expenses. Q1Q we have seen a reduction of 10 crore year on year also there is a reduction of 10 crore. So this number is sustainable number now or what are the key line items?

Anurag Soni: So a couple of things, one, last year, basically, yeah, when we are comparing to last year, the, the freight costs and exports were, were very, very high. And then they started coming down drastically. Right. If we compare it two years back then the last year number was very high, so if we are comparing it against this year it was very high, this year's a little low. So, I would say it is sustainable, but however, these costs, the freight ones that are booked under other costs, other expenses to, and that is a substantial number, almost for an year 100 Crore- this freight freight. So, yeah, number keeps on fluctuating which is not in our control however, these are always passed on to the customer because we are selling on CFR basis. We add the freight and in the cost and sell so it doesn't impact the profit that much. So, I would not read too much into that number.

Saket Kapoor: Okay. So the numbers of other expenses will stay sustainable,

Anurag Soni: Yes

Saket Kapoor: In that proportion only?

Anurag Soni: Yes

Saket Kapoor: Means 10% of our revenue? Closer to that

Anurag Soni: One percent here and there but roughly it will be this

Saket Kapoor: And sir, in the resolution, You called an EGM last year, the 11% to 16% payback of the remuneration payout of Whole time directors. Can you explain that to us? Was it because of absolute number or What was the reason for that? Because your profitability is dipping. What message are you giving from this resolution?

Anurag Soni: So I will clarify this, there is no incremental payout to directors on an absolute front. There is a variable pay and there is a fixed pay that the directors draw. Variable pay directly linked to profits. So profit will go up or down, that is how it fluctuates. Fixed pay is in line with last year. We had to take this permission because our the overall profits for the year are low so the ceiling of total remuneration was breaking so we had to do it. Otherwise, the key management professionals in the company, and to do anything extra on absolute payment, that number is not increasing.

Saket Kapoor: What was the payout in the absolute number last year?

Vandini Tated: Just that, Mr. Saket sir, we'll take your question.

Saket Kapoor: I'll join the queue, ma'am. Just let me clarify this from sir. I'll join.

Anurag Soni: Last year payout, see because there are 8 to 10 KMP, it will be difficult to give exact number. After the call we can provide you over email. May be you can get in touch with the email provided to you.

Saket Kapoor: Okay Sir, I join

Vandini Tated: Thank you, Mr. Saket Kapoor. The next question is from Mr. Darshal Javeri. Sir please go ahead and ask your question.

Darshal Javeri: Hello, good afternoon. Hope I'm audible.

Anurag Soni: Yes.

Darshal Javeri: Yeah. Yeah. So thank you firstly for the detailed presentation and detailed answers. So just I wanted to understand our dependence on market prices or market situations. So we aim to have around 12% plus EBITDA but then I think market forces somehow will impact that. So, you know, I just wanted to understand number one, like currently in terms of margins have we bottomed out and what would be the trajectory that we can see maybe next year and next to next year. We've given a guidance for FY26, but what about FY25 and Q4 currently? And how much would like our current mix be dependent, you know, that will be dependent on market margins so you know is can we just get a segmental breakup of margins how much does yarn contribute as a percentage or something like that that would be helpful

Anurag Soni: right so see thank you for the question now to talk about margins see the biggest dependence for the margins on the market is on the yarn side because there it is commodities like cotton or crude are not are beyond our control. So there is a lot of dependence on that front. However, the long-term strategy for the company. So we were at probably 5 or 6 years ago, we were, we were at one, two- third yarn and one-third fabric. So from there, we are talking of one-third yarn and two- third fabric. So the more, you move up in the value chain, your dependence on these factors reduce. Now it cannot be eliminated, but it can, it can be reduced as much as possible. That is point number one. Now, segmental margins, we can say, see a long-term average for, for a pure yarn company or a pure yarn business is anywhere between 8 to 10%. Right? So if we can see last 8 to 10 years, average, that is what the number would come down to. And value addition towards fabrics, we can say you add anywhere between another 8 to 10%. So when you say two-third and one-third, the number, your arithmetic will go up to 14- 15%. Or so now from our point of view, we say that, okay, today the market scenario is not very favorable. It is probably at the bottom end of the cycle. So we, we are when we are giving a guidance of about 12, 12 to 12 and a half percent, that is keeping some kind of safety measure in place. And we are saying, okay, this is the number that can be delivered. And, there is some kind of factoring in that, the yarn, yarn, margins have bottomed out So that, that there is a consideration that we have taken into that. So basically this is the, I think, in totality, some kind of market improvements, changing from, our revenue makes some young to fabrics and, so, and increase in overall revenue. So, from 2,700, we are talking about a 4,000 crores. So that is, again, going to add to economies of scale. So all these factors together is going to lead to that number.

Darshal Javeri: Okay, so something related to this. My question is, what would be the current yarn prices and what kind of yarn prices would we need to hit the 10% margin? And what kind of inventory losses have we had in current year?

Anurag Soni: So see, this is difficult to answer to your first question that what kind of yarn prices are required to hit the 10% margin. See yarn prices for us is irrelevant. What, what is important for us is the Delta between the. Cotton prices and, cotton prices, polyester prices and the yarn prices. So, there, the one, one green lightning, the one green schute is that, Both polyester and cotton prices have have bottomed out and probably increased about 2 to 5% from their bottoms. So those prices being low, it is, we feel that it is favorable that now whatever increase in young prices happen are going to add to the margin. So now that is driven by demand. So there is some export demand that has started to pick up. So that is where the fall had happened that because exports had dipped drastically because of various reasons beyond our control. So now those numbers are picking up again. So we see that that will add to, some yarn prices going up and with, with long-term prices being favorable, we should see that that number shall improve. Sorry, your second part of the question, I missed it. Can you, can you repeat that?

S.N. Modani: Margins?

Darshal Javeri: Yeah, I think I got the major answer. Just like so, what kind of other risk that do you see currently? Right? Like that we could face like that could maybe be the bump to our, you know, growth.

S.N. Modani: I don't think because as again, economy is doing well and exports just picked up because of Turkish fiasco and Ukraine and all this will settle down. So things are improving. You see, when the after COVID the pent up demand came and every company performed 18 months nicely. So the 18 months are going to be complete by June because we are facing a lot of pressure. So I think there will be a demand And because India, I would say the cost of the company, whatever expansion we plan, it is going to reduce in all terms, maybe in overheads, maybe in our, and what we are consuming our yarn. So we are saving on the packing cost. We are saving the transportation cost. We are doing all things with that margin will also, I mean, add to the add to the margins in totality. So and demand is going to be there. I mean, it's not that.

Anurag Soni: So I think, to sum that up, I think we are at the lower end of a cycle. So until there is not a big business that we see here on now things beyond control. See, there are so many geopolitical developments that happen across the world. So those things are obviously beyond our control. So apart from that, I don't think there's major risks.

Darshal Javeri: Okay. So just last 2 questions. One, like with our Capex, what is the peak revenue that, you know, maybe we could achieve and you know, and how fast would it happen? And you know, would we need a second set of Capex because if we see certain demand that would be my first question and in terms of completion of Capex we are planning by I think Q1 FY26 so till that because the utilizations are very high will FY25 be around the similar run rate that we are seeing right now?

Anurag Soni: So see, our peak number will be at about 4,000 crores top line. And now for the year, the current financial year coming up, we can assume 18 to 20% growth from our current numbers, because there is some Capex that already happened in the current year. And the ongoing Capex will be, there will be some part of that that will contribute in the next year. So our projection is about 18 to 20% growth in the, in the next year. And probably we should see a margin level of about, about 12% in the next year.

Darshal Javeri: Perfect. Perfect. Thank you so much. Thank you so much for answering from a detailed question. So that's all the best. Yeah, I'm done. Thank you so much sir. Thank you so much for answering all the questions. Thank you.

Vandini Tated: Yeah. Thank you. Mr. Darshal Javeri. The next question is from Raj Maccwan. Sir please go ahead and ask your question. Mr. Raj, sir.

Raj Maccwan: Hello, am I audible?

Vandini Tated: Yes

Raj Maccwan: Yes. I skipped a point on the completion timeline for the CAPEX.

Anurag Soni: See completion timeline for all the CAPEX is about Q1-26. That is what the projection is. But there are, see, so there is CAPEX happening in the yarn side for the backward integration of our denim division. There is CAPEX happening on the synthetic fabric division, in the denim division. So the timelines are anywhere that are starting from Q1 of 25 and going up to Q1 of 26.

Raj Maccwan: And how much of asset turn are we expecting on this Capex?

Anurag Soni: Sorry, how much?

Raj Maccwan: Asset turn, how much of the peak sales are we able to achieve from this capex?

Anurag Soni: 4,000 crores

Raj Maccwan: 4,000 crores from a capex of 800 crores. So you are expecting at peak, you will be able to do an asset turn of 5x.

Anurag Soni: No, no, no. So 4,000 is total number, so currently we are 2700 so that will go to 4,000 and margin so see there are two things happening here one is one the kind of capex that adds the turnover and then there is some cost cutting capex. So, so we're talking of both together, 4,000 and 12%.

Raj Maccwan: Okay, how much of this is for increasing the sales?

Anurag Soni: How much of this is to increase the sales? So I think we are about at least 60-65% is towards increasing sales. And so one third would be about cost cutting and two third would be about.

S.N. Modani: Because we'll be mostly, we'll be consuming our yarn captive, you know, so that our ultimate production value will be more for the turnover because when it is captively used, so the ultimate turnover will be less but it will improve the margins.

Anurag Soni: Yes.

Raj Maccwan: And also do we, do we expect that export share to increase? Going forward?

S.N. Modani: Definitely will increase, it will increase because when the production in terms of meters and yarns tonnage is going to be increased. So definitely the ratio in exports will also be increased.

Anurag Soni: So export is about one third of our sales. So it ranges from 30 to 40%. So currently, I think it is at the lower end of that spectrum. So, but I think, going forward, we should be anywhere between around 38 to 40%.

Raj Maccwan: Okay, And how much is the price of cotton for Candy right now?

S.N. Modani: It depends upon different qualities of cotton are available like in Rajasthan and Haryana and then the Mac and Shankar 6. So the Rajasthan cotton is available around 55 to 56,000 per candy and Shankar 6 around 62,000 and Mac also 62,000. That is a mostly commonly used cotton up to 40s count. If you go beyond that, then you require DCH and all MMCO5. So that is we are not in that segment. So the low I mean, this is the pricing as on date.

Raj Maccwan: All right. Okay, sir. Thank you so much.

Vandini Tated: Thank you, Mr. Raj Maccwan for your question. Mr. Varun Gajaria, you may go ahead and ask your question, sir.

Varun Gajaria: So, just a couple of questions. one is that you mentioned that you'll be touching 12% or 12% margin in 25. But in 25, there won't be much of garment Capex that will be executed. Right, so touching 12% margins, I'm not sure. How will that work out?

Anurag Soni: So garment Capex has already happened in the current financial year. So if you see the garment capacity relation is on the lower side. So we expect that. So I think current year we'll do about 80 crores of business in the garment side. Next year, we expect to double this number. So, so garment capex is already factored in the current year. That is one. Secondly, the majority of the EBITDA is actually going to be added on the fabric front as well. So there the growth is going to be So about one third of the business will come from the denim division, about 5% will come from the garment and about 25%-28% will come from the synthetic fabric business. That is going to be the mix of the business next year. Now, whatever incremental fabric sales are going to happen is going to aid that margin. So even today, as I mentioned earlier, the long term yarn average for margins is at least about 8 to 10% and any kind of value addition let's say another 8 to 10% and that is two third of my business. So that 12% is a number that we feel is a safe number that we can achieve next year.

Varun Gajaria: And on yarn front, what is the captive consumption right now and post expansion what will be the captive consumption?

Anurag Soni: Currently, say 43% of our sales or 44% of sales are coming from yarn. Now that will go down to about 35 percent.

Varun Gajaria: 8 percent additional?

Anurag Soni: Yeah

Varun Gajaria: Okay so the 8 percent will get adjusted in captive consumption for manufacturing the fabric and garments. Okay, Thank you for taking the question.

Vandini Tated: Thank you Mr. Varun Gajaria. The next question is from Zaid Munshi. Sir please go ahead and ask your question.

Zaid Munshi: Yeah, hi, thank you. So my question relates to exports actually and the free trade agreement that is expected. So as an Indian exporters, we have to pay import duties to Europe and USA, right, which makes us less competitive as compared to Bangladesh right now. So I mean any update on the FTA side and how that will impact our export trajectory because in the last 1 year our exports are also dipped right.

Anurag Soni: So see one that is the duties are actually on the garment side.

S.N. Modani: Not on the yarn side and all.

Anurag Soni: Yes.

S.N. Modani: And basically the market for Europe gateway is Turkey and Turkey will supply a lot of dyed yarn. And that's why even if FDA happens with us, so India will get the boost in the garment. And because of the Bangladesh is having advantage because of LDC, because it is a developed country. But if we have, FDA takes place, that Indian garment will be at par and get the better pricing because they have 13% duty advantage Bangladesh and all. So India is going to take the advantage. So the garment's export will take place from India. Therefore, the consumption of Indian fabric will be increased more because otherwise what we are doing, we are selling our fabric to the Bangladesh, Sri Lanka and all, they are converting and then they are sending back to the all European market and all. So I think this FDA will have definitely and what India did with UAE. So a lot of that is a gateway for Africa and all so a lot of governments, they see the development. I mean, improvement has taken place in the garments exports from India to the UAE and all. And so definitely FTA will help the Indian industry.

Anurag Soni: But as to the timeline of the FTA, that is for anyone to guess. So let us see when the next government comes in, how that happens.

Raj Maccwan: Thank you. Thank you.

Vandini Tated: Thank you, Mr. Zaid Munshi for your question. We have another question coming up from Sanika Khemani from Sapphire Capital. She wants to know the market dynamics of the denim industry as a lot of companies like Mufti and Raymond have indicated a slowdown in this market. So producer of denim fabric, what are we seeing in this market lately?

Anurag Soni: So see overall when we see the denim production in the country, it is under pressure. The capacity utilizations are low. However, when we talk about Sangam, our capacity utilizations are more than 90%. And we do have a sustainable customer. (Unaudible) We've added new customers, new geographies over the last 6 to 8 quarters. We've done a lot of work on that front. So we feel that our numbers and sales and individuals should in fact, for the next, that is going to be the driving force. So currently, we're about 30% of 28% of the business is coming from the denim. We expect one third business to be done in division in the coming year.

Vandini Tated: We have next question from Mr. Ketan Athavale. He wants to know how much will be the capacity utilization FY26, including expansion?

Anurag Soni: The capacity utilization will be at at least these levels. So the levels that have been mentioned right in our presentation that is going to be there and garments will see an improvement definitely. So, we should double our garment sales from here.

Vandini Tated: Okay. Mr. Ketan further wants to know, sir that details about C9 brand, does it entirely consist of garment revenue and what is the growth rate expected there? And what are the strategic plans for this brand?

Anurag Soni: C9 contributes about about 30 crore, about 25 in this year we should close anywhere between 25 to 30 crores top line no it is it is that for nothing to do with government supplies, this is completely B2C So there is a distribution network in place through which we are selling the C9 garments. And secondly, for the growth plans, I think next year, about we can say anywhere between (Inaudible) on that front. Yes.

Vandini Tated: Okay. Thank you, sir. We have next question from Akshada Deo. What is debt to equity ratio company wants to maintain going forward?

Anurag Soni: See the current, current equity is is below 1 going forward to see because there's a heavy capex plan going on. So I don't so we see it will be 1.3 and then it will come down again post that. So that is the level that, so current level is what the ideal levels are and this is something that we should maintain as a long-term average.

Vandini Tated: Thank you. We have another question from Mr. Darshan Jhaveri. Where is interest subversion recorded in books? We pay full interest, and when government pays us, what's the difference, and where is that recorded?

Anurag Soni: So it is recorded in the finance course. So it is netted out there.

Vandini Tated: Mr. Saket Kapoor, sir do you have further questions?

Saket Kapoor: Yeah, yes, sir. So firstly, if you could give us the peer comparison for the product profile we have in the yarn and the fabric segment, who are we competing in the market currently?

Anurag Soni: You see, here I would like to say.

Saket Kapoor: Your voice is breaking.

Anurag Soni: Can you hear me now?

Saket Kapoor: Yeah, very clear.

Anurag Soni: Yeah. So our product portfolio is actually quite diverse. So we are into, on the outside we have both the PV dyed yarn and cotton yarn. And then there is synthetic fabric and denim fabric. So there are actually not many companies in the country with a product portfolio like that. So it is hard to actually compare a like for like with any peer. We can have a comparison on the business side with the leaders in each category. So that is the way I think we will look at it.

Saket Kapoor: Okay, so category wise, sir, can you give Who are the likely competitors?

Anurag Soni: Again, there is a list here. If it is okay, we can share a list of peer comparisons. Maybe after the...

Saket Kapoor: Right. Sir, for the drop, hello.

Anurag Soni: It will be 10-15 companies. It will be a bigger number. I will probably share it. I will share it on email or something.

Saket Kapoor: Okay. Sir as you mentioned in the presentation that We are the largest buyer of viscose in the country from Grasim. So in the mix of raw material, how much is the total annual consumption of viscose?

Anurag Soni: On the PV yarn side, it is about 30% of the PV Yarn

S.N. Modani: around 13,000 tons of dyed viscose on annual basis.

Saket Kapoor: 13,000 tons and hello.

Anurag Soni: Yes.

Saket Kapoor: Turnover based on What should be the turnover? How much we spend on the viscose? In value terms, sorry.

Anurag Soni: In terms of... 250

S.N. Modani: crores... About anywhere between 200 and 300 crores.

Saket Kapoor: 300 crores for the last year total cost of material consumption was 1,577. So 20% will be around that.

S.N. Modani: Yeah, so that is because we have cotton also, we have polyester also. So depending upon that.

Saket Kapoor: So what is the key advantage there when we take viscose from Grasim? What is the differentiation and do all PV yarn players have the input of viscose as a raw material or other petroleum product can also be.

S.N. Modani: Basically blend of polyester and viscose and the blend varies from 70% polyester, sometimes it may be more or less also, depending upon the ultimate fabric requirement, it is there. Since we are the leader in polyester viscose dyed yarn as well as in the PV (inaudible). So, it is (inaudible). So, that's why we are leader in that. It's called the poly viscose and you see on point 0.6 million fabric is woven in India in a day. So 0.6 million and Bihar has a capacity of around 90 million meters per month. So close to 25% of our yarn is being used for PV suiting and PV suiting is the most comfortable suiting because 35 percent viscose gives the more comfort near to the cotton and it's a man-made synthetic fiber so the PV and the and also the poly wool fabrics and all it has all the elegant look like all the jacketing clothes and summer suits and all. So it has a demand and probably and we are the leader because of our range and our capability to produce and we have produced in the over the years since 95 more than 20,000 colors which is a library of the colors where the Pantone shade color is only 7,000 colors. So with the mixture of colors, with the formation and all, and different count, different blends. So that's why how the Sangam India is planning and getting a better advantage because that yarn, we can convert into fabric and there's a better finishing because we have one of the good process house capacity of around 75 lakhs meter per month is a capacity of our processing. So that also adds to our validation in terms of processing and all. So end to end solution to the customers.

Anurag Soni: And also with regards to this course, supplier, so actually Grasim is one of the only suppliers and it is the largest in the world? 80%?

S.N. Modani: In the dyed yarn

Anurag Soni: Yeah, 80% Yes, so there is no other, it's a monopoly business there.

Saket Kapoor: Sir, if we take our market share currently, what is the total size of the business, the yarn business in the country and what should be our market share? What should be a fair understanding?

Anurag Soni: Yes, see textile is a very varied field. There are various counts, various shades, various compositions. So it is very, very difficult to actually put a number to that and say what our market share is because we we we can talk about the segment we are in. So, that is otherwise, yeah, there is cotton yarn, there's PB yarn, there are a lot of categories there.

Saket Kapoor: So in this PB yarn part, what should be our market share for the kind of

Anurag Soni: I think anywhere between 20 to 25 percent there.

S.N. Modani: Yes.

Saket Kapoor: The last 2 points I had first, we said we have seen in many cases that earlier textile companies have gone through rough patches and there has been capital restructuring. So at any time this company

S.N. Modani: we have never

Saket Kapoor: Okay, so we also find that there is in the shareholding pattern we find (inaudible) investment and infrastructure holding around a closer to 11% equity in the company. So are these the strategic investor because these people are generally present in companies where there is a there's any debt crisis or they buy the debt or convert into equity. So that was my reason how or how do we classify them? If you could have any

Anurag Soni: They are purely a public shareholder. It has got nothing to do with any kind of debt profile in the company.

S.N. Modani: Correct.

Saket Kapoor: Right, sir. I'm done with the questions. You mentioned 4,000 crore top line post this capex, in 26.

Anurag Soni: FY 26 Yes. Yeah.

Saket Kapoor: at this pricing

Anurag Soni: Yes as per the current pricing, you have to consider about 5% to 6% inflation year on year because there will be something that the normal inflation level country will have to factor in.

Saket Kapoor: Okay that we will have to factor in, You are telling 12.5% EBITDA margin. What was our EBITDA margin in the last 9 months?

Anurag Soni: We are at around 8%. As I mentioned this has been exceptional year. There have been continuous downfall in pricing every quarter on quarter. So there are also stock losses factored in this performance. And when the prices fall continuously, the margin pressure is a little high. And the stocking comes to the mills, versus anywhere in the market. So that has played out and we feel that this is probably at the bottom and we should see an improvement going forward.

Saket Kapoor: Historically, what is the trend in the 5 year average in your business?

Anurag Soni: As I said earlier, yarn margins tend to trend in 8-10% in a long term average. It is not relevant to see our number in the last 5 years because we are continuously moving towards value addition. When we add value from yarn to fabric, 8-10% margins on the value added percentage get added. So the more we move towards that, the more margins will increase.

Saket Kapoor: So going ahead we will expect 10% more on a consistent basis. Let's leave the year's mark to market.

Anurag Soni: Yes, so I think 12 IS numbers that we can do.

Saket Kapoor: Ok sir. And about promoters, 70% hold equity promoters. In which you and Mr. Sodani. In which there are 2 names, Mr. Soni and Mr. Sodhani. Are the promoters correlated? What is the structure?

Anurag Soni: Promoter that is between promoter family and so about 70% holding here promoters.

Saket Kapoor: I was just trying to understand these 2 promoters are correlated Soni and Sodani. I think that is mentioned there.

Anurag Soni: I think if you're referring to Mr. Mr. Vinod Sodani, he's he's my brother-in-law. Yes. Okay.

Vandini Tated: Thank you, Mr. Saket Kapoor.

Saket Kapoor: Thank you for the elaborate call, sir. And all the best to the team. Sir, hope for plant visit going ahead if that could be arranged.

Anurag Soni: Thank you. Most welcome.

Saket Kapoor: Thank you, sir.

Vandini Tated: Thank you. Thank you, Mr. Saket Kapoor, sir. You can also have a look at Go India Stocks as a website, where most of your questions will be answered as well. We have another question from Mr. Devang Jain. What PLI incentive do we get from the government?

Anurag Soni: PLI only kicks in I think 25-26. Year 25-26 is the first year. So that will be about, so that is about so absolute number over a 5 year period is about 45 crores. If you achieve all the the benchmarks that is set by the scheme and it is about 11% of the of the turnover from the first year. So we expect about 200 crore turnover from the garment business coming in and in that year and that 11% in the first year and then incremental benefits from there on.

Vandini Tated: Okay, sir if anybody has any other question, they may raise their hand. We have another question from Miss Prerna Jhunjhunwala. Mam, you please go ahead.

Prerna Jhunjhunwala: Hello, sir. Thank you for the elaborate answers. I just wanted to understand the value addition portion largely because yarn on 7, 8 to 10% marginal average, as you mentioned, but their share is coming down. So what could be the sustainable margin for our business? If you could just help us understand how the denim business is spanning out and how the garment business margins are there in your company that will help.

Anurag Soni: So when we say the share is coming down, the production capacity is not coming down. The production value is still remain. We are just adding further value to the yarn in towards denim and synthetic. So our raw materials for the denim and synthetic business are about 90% in-house, yarn is used there 85 to 90% right. So the yarn margin will be intact for the entire quantity and then whatever value we add on the denim and fabric side is where we add further 8 to 10% on that margin. So that that is the way it should be looked at. So two third business.

Prerna Jhunjhunwala: If you could help us understand what should be the margin in absolute terms for different businesses that will be helpful because different denim value addition will be different and your PV value addition fabric value addition will be different and garments value addition will be different.

Anurag Soni: If we see absolute numbers I think denim numbers will be anywhere between 15-18% and PV fabric numbers will be anywhere between 17-20%.

Prerna Jhunjhunwala: And Garment will be?

Anurag Soni: Garment is again anywhere between 15-20%.

Prerna Jhunjhunwala: And garment will be? Sorry. I mean, again,

Anurag Soni: anywhere between 15 to 20%.

Prerna Jhunjhunwala: So, so then 12 and a half percent sustainable margins is low, no, then you should be doing a little higher margins going forward.

S.N. Modani: When we produce fabric, 60% of the yarn is being consumed there. So you have to factor in that.

Anurag Soni: No, and also see 12.5% if you see pure arithmetically, we can say it is low, but today yarn margins are on the lower side so what you asked is a normalized number when yarn margins are at about 8 to 10 percent then adding value that number can be changed so today yarn margins are not there that's why we are giving a conservative number.

Prerna Jhunjhunwala: Okay I'll just repeat the numbers denim is 17 to 18 percent and PV fabric is again 18 to 19 percent and garment is also 15 to 17 percent.

Anurag Soni: Right.

Prerna Jhunjhunwala: Right. OK. So also, could you help us elaborate on the garment business? Do export or it is a domestic business? And in the PLI, what will be the product range?

S.N. Modani: 90% in the garment, domestic 10% only export and PLI scheme, we are going for at-leisure sort of garments made from man-made filaments and all. So that will mostly for domestic and export as well. We also open a lot of things to a lot of brands, Market Spencer, Decathlon and all. And so we are their approved vendors. So for Indian abroad for their global sourcing. And so in times to come it will increase because it is, we have capacity of expand last last year only. So it is on that stage.

Prerna Jhunjhunwala: Okay, okay. So your current capacity of commenting and post expansion capacity.

Anurag Soni: So, our, I'll talk in terms of revenue on our capacity that we have today we can achieve anywhere between 180 to 200 crore revenue. So, we expect next year we should do about 150 and achieve full capacity utilization by FY26. So, that is the year when the PLI kicks in.

Prerna Jhunjhunwala: And what will be the revenue for PLI?

Anurag Soni: About 200 crores.

Prerna Jhunjhunwala: And you are investing 100 crores, right?

Anurag Soni: Yes.

Prerna Jhunjhunwala: So your revenue should be higher, no? Because it's...

Anurag Soni: See, our garmenting unit is actually it is capex heavy because there are knitting machines that we need to produce these garments. So we are not actually converting our fabric to these garments. So the seamless garments that we are doing are more capex heavy and it is not related to the raw material, is not what we are producing in our fabric or the yarn division. So that is a different segment altogether. And because of the knitting machines that are there, the CAPEX is higher.

Prerna Jhunjhunwala: Okay, I understood. I mean, I've seen your seamless factory, garment factory in Bhilwara. So I understand the business, but I was just trying to understand that PLI scheme is a 100 crore investment. Government requires double revenue in first year and then it requires continuous growth going forward. So then how do you really achieve the incentives?

S.N. Modani: Actually, The PLI scheme, the base year is 25-26, you can even defer it. So it's not the next 5 years. Each year to complete investment. (Inaudible)

Prerna Jhunjhunwala: So you're not audible. To complete investment. And the turnover to both companies. Sorry, sir,

Anurag Soni: So the PLI kicks in, actually, FY 2026. And that is the year where we have to achieve a 200 Crore number, which we are confident of achieving. Sorry, can you hear me?

Prerna Jhunjunwala: Yeah, I can hear you now sir.

Anurag Soni: So 25-26 is the year where we have to achieve 200 crore, which we are quite confident that we will. And going forward, there is an incremental turnover that is required. That is about 25% growth year on year. But the scheme also allows if there is a year you don't do that number, and let's say next year, you are able to achieve it, you will still get all the benefits. So The first year number is actually the biggest number. So 200 crores, 11% is about 20, 22 crores. So that actually, so 80% of the PLI benefits is in first year.

Prerna Jhunjunwala: Okay, understood. So even if you achieve first year, I think you mean you are good enough to get the incentives. Rest of the years, you are okay if you get half or not. Not much incentives is achieved. It's okay. That's what you are trying to say because good number is achieved by then.

Anurag Soni: So there are 2 things I would like to highlight. one, our expansion is not purely based on PLI incentive. It is still a viable business. one. And secondly, the good part about the PLI scheme is that it incentivizes you to grow at a faster pace, but it is not penalizing you if you don't. So whatever incentives you get in the initial is are still yours. If you don't achieve the incremental turnovers, only those that year benefit is, is going to be missed. And the highest benefit is actually the first year.

Prerna Jhunjunwala: Okay. I understand. Just to understand. I mean, I just trying to understand this PLI only that, you know, our company is looking at, taking all the years benefits or first year is good enough and then we were here (Inaudible).

Anurag Soni: Okay. (Inaudible) but even if if we miss a year, only that year incentive is missed.

Prerna Jhunjunwala: Yeah, because it's very difficult. I mean, the PLI incentives that they have announced 25% growth every year. I'm not seeing any business doing 25% growth every year in textile business consistently for next 5 years, you know, so it's a very the scheme is only designed that way, can't help it, but that's what I was thinking. Okay, great. Thank you, Anurag ji. This was really helpful. I will come back to you in case of any further questions. Thank you.

Vandini Tated: Thank you, Ms. Prerna Jhanjhanwala.

Rakesh Arora: I think we are done with all the questions now. Anurag, do you want to do any closing comments?

Anurag Soni: All right. So, thank you everyone for joining the call today. We trust that we have addressed all your inquiries to your satisfaction. If you have any remaining unanswered questions, please don't hesitate to contact our investor relations agency Go India advisors. We will be more than happy to assist you further. Thanks again.