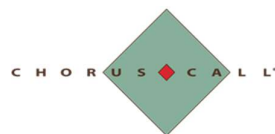




“Sangam (India) Limited
Q1 FY '25 Earnings Conference Call”
August 13, 2024



**MANAGEMENT: MR. ANURAG SONI – MANAGING DIRECTOR –
SANGAM (INDIA) LIMITED**

MODERATOR: MS. VANDINI TATED – GO INDIA ADVISORS



*Sangam (India) Limited
August 13, 2024*

Moderator: Ladies and gentlemen, good day, and welcome to Sangam India Limited Q1 FY '25 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vandini Tated from Go India Advisors. Thank you, and over to you, ma'am.

Vandini Tated: Thank you. Good afternoon, everybody, and welcome to Sangam India Q1 FY '25 Earnings Conference Call. We have on the call Mr. Anurag Soni, Managing Director. Please note that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks the company faces.

I shall now hand over the call to Mr. Soni for his opening remarks. Thank you, and over to you, sir.

Anurag Soni: Hi, very good afternoon to all the participants on the call. My name is Anurag Soni. I'm the Managing Director of Sangam India Limited. I welcome all of you on the call today and I hope you had a chance to go through the presentation shared on the exchange, and I'm happy to take any questions further.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead, sir.

Saket Kapoor: Namaskar sir and thank you for the opportunity. Sir, firstly, if you could articulate to us the current business environment and the factors that are currently affecting our margin and the profitability? And going ahead, what are the key indicators that you would like to address in terms of the growth trajectory?

Anurag Soni: I'll answer that. See, the current environment, textile sector overall has been going through a difficult phase over the last six to eight quarters and that is evident across the results coming out from all the companies in the sector. Currently, it looks like that even in the current times, it is still a difficult time that we are going through. And going forward, probably I think it may take one, two more quarters for actually full recovery to start and results to improve.

Saket Kapoor: And sir, the cost efficiencies which we are currently working on in terms of reduction in our power cost or other variables or the other factors, if you could just tell you where are we working in terms of improving the margin, which when the tide turns or when the environment improves will add aid to our margin.

Anurag Soni: Right. So, see, optimizing cost is a continuous process. So that is across all the cost centers that may include, as you mentioned, power costs or even -- the biggest cost for our company is

actually power cost and then there is employee cost, that is salary and wages. So that contributes about 20% of the conversion costs. So this is a continuous process that we keep working on. So it is nothing specific that we are doing differently right now that I have an update for.

Having said that, both like when we compare our conversion costs to the peers, we do feel that we are quite competitive on that front. And that also tells in the results. So our margins are still on a decent level compared to what the sector is facing. So I think from that point of view, we are well placed on the cost front and whenever the tide turns, we will be able to expand our margins and we have the capacity to maximize that whenever the market turns from that point of view.

Saket Kapoor: So, what is our maintenance capex for the current year and also for capacity augmentation, are we undertaking any capex and what is our net debt number and the cost of fund?

Anurag Soni: So maintenance capex would like normally it would range between 1% to 2% of the gross block. So I think for the current year I think there may be a maintenance capex anywhere between INR15 crores to INR20 crores and this is the number that probably historically over the last three, four years is what we have incurred. So going forward I think it would be at similar levels.

Saket Kapoor: Our debt number, sir, what is our net debt number and our cost of fund both long-term and working capital?

Anurag Soni: Just give me a second. So I think the long-term debt would stand around, just one second. It's about INR850 crores currently that would include any kind of undisbursed loan. So, right now we are at I think INR670 or INR700 crores. There is some amount to be disbursed that is on the ongoing capex. So, I think the peak debt will go around INR850 crores. Working capital drawdown I think is around INR350 crores is what our CC utilization is around.

Saket Kapoor: Cost of fund?

Anurag Soni: Cost of fund, see working capital would range around 7%, 7.5% and long-term debt would be around about 8.75% to 8.8%. This is and if I net off with the subsidies that we receive as interest subvention, it would go down below 5%.

Saket Kapoor: And the last point is we have first quarter EBITDA at INR67 crores and taking into account the current utilization level if you could give some color on the utilization levels and what should be the trajectory for EBITDA for the remaining part of the year?

Anurag Soni: Currently I think this quarter we did about 10% EBITDA margins. What we are looking at for a full year I think it should be upwards from this number. That is one as far as the margin is concerned and like probably September quarter might see a little dip, but then I think December quarter onwards it will start picking up because normally September quarter is one of the lowest performance quarters.

But overall, I think for the full year number, it will be more than what we have done in June. And on the top line front, I think we should see about at least 15% growth on that.

Saket Kapoor: Yeah. Thank you, sir. I will join the queue.

Moderator: Thank you. The next question is from the line of Satyam Badera from Profitmart Securities. Please go ahead.

Satyam Badera: Yeah. Thank you for the opportunity. In last quarter management mentioned that the interest cost is at its high and it would be reducing in coming quarters. However, it is same in this quarter as well. So, what is the plan regarding the debt repayment and interest cost?

Anurag Soni: Right. So, I think in the last call there was a question asked regarding the interest cost. And I think what I had mentioned was that we have peaked as far as the interest costs are concerned. It will not go up from here. However, I don't think that we have mentioned at any time that the interest cost will start going down. So, I think we will see these levels for a certain time.

And as I said there are certain term loans that are still to be drawn down. So, that will add to the interest cost, but then there are also repayments that are happening. So overall number would remain in this range. The interest cost again, I'll mention that it is peaked, but I'm not saying that it is going to come down in the near future.

Satyam Badera: Okay. And my second question is, what is the company's plan for denim and garment division, considering they have a high margin business?

Anurag Soni: You mentioned denim and garments, right?

Satyam Badera: Yeah.

Anurag Soni: Garment is a very small portion of the business in the company currently. However, there is focus on growing that. So, I think that the garments like we've incurred a significant capex just probably two quarters back. So, we have the capacities that we have built. And that capacity can double our garment business. I think over the next two, three quarters, we should start seeing capacity utilizations going up.

And that will add to the overall revenue numbers as well. And the second part is, with regards to denim, I think denim, on year on year, we've done about a 20% growth in that business. And that is a number that, so we are very aggressive on that front. So, we would say that going forward also, we should see a significant growth in that business. So, when we are projecting future, when we are giving any kind of future guidance, I think a significant portion is being added from the denim business here.

Satyam Badera: Okay. Okay, sir. Thank you.

- Moderator:** Thank you. The next question is from the line of Disha from Niveshaay Investment Advisors. Please go ahead. Please go ahead with your question. Disha, please go ahead with your question. Due to no response, we will take the next question. The next question is from the line of Aditya from AK Investments. Please go ahead.
- Aditya:** Yes, thanks for the opportunity. Sir, I want to understand. Currently, there is a yarn business, which is low margin and we want to increase the wallet share in our fabric business, then there is a garment business. So, you are putting a lot of capacity in the yarn. I'm thinking that you would be using that in fabric. And what are your thoughts in increasing the garment positioning?
- Because that is a more high margin business, right? I know you're focusing on the garment, but why are we more focusing on garment, I'm asking, rather than fabric? So, can you share some thoughts here?
- Anurag Soni:** For a long time, Sangam has been a yarn driven business. I think that the transition from yarn to fabric is what the focus point today is. Having said that, as I mentioned earlier in the call, we've incurred a capex on the garment business as well last year, which we intend to fully utilize the capacities in the current financial year.
- Once that is done, I think we can probably, so we are open to expanding that business. But I will also add to that that once what we have incurred already, let us stabilize that. And we deliver that on the results. And then probably next year, again, we can start looking at further expansion there.
- So, when I mentioned that there is a significant capex we have done last year, that is to double the capacity that we had earlier. So, we are already doubling from that number. And then once it stabilizes, then we can look at further increasing capacities here. So, this is a new business for us where we are trying to develop our expertise as well. So, it is a small step that we are taking now. And then probably with a future outlook that once we set up our distribution and our marketing and then we can probably look at further expansions.
- Aditya:** What is the amount of capex we have invested here?
- Anurag Soni:** I think we added about INR100 crores capex last year in this.
- Aditya:** So, on that, how much change we can make?
- Anurag Soni:** So, current capacity, if we operate fully, we can do about INR200 to INR250 crores sales if possible.
- Aditya:** Okay. Then basically, so now thinking as a long term, suppose three to five years. Now, the yarn, whatever, I mean, you can also correct that if yarn you are making, so that would be used as a backward integration for the fabric. Mostly, how much would be in-house consumption there? That is my first one.

And it is a long term three to five years view. How do you want to be your composition? It should be fabric 70 or 50, 60 and rest garment 30, 40 or what is the thought there? I mean, in three to five years as Sangam?

Anurag Soni:

See, obviously, the aspiration is to have as much forward integration as possible. However, I think like one step at a time. So, first, I think the idea is to reduce the yarn sales and use that captively as much as possible. However, there are some yarns we make that are not necessarily low margin products. So, that way that is going to continue even in the future. However, I think currently the composition coming from yarn division is about 45%.

I think this number over 3 to 5 years period will definitely go around 25%. And the fabric composition that is both denim and synthetic side will increase significantly. I think garment composition today is about 3% of the business. This may go up to about 10% to 15%.

Aditya:

So, to handle the garment since we are new here, are we looking for any professional here or once we stabilize, when we think to expand big at that time, we will be looking for professional to manage so that we do not go.

Anurag Soni:

So, the challenge today, we do not have a challenge with the personnel. I think we have a good team already taking care of the business and that team is going to continue for the future as well.

Aditya:

And one more last thing on the debt. So, currently, I see there is a lot of debt because we have done a lot of capex. I understand that. But suppose a problem will come that the cycle does not play out right. So, how do you want to tackle this situation?

I mean, what are the steps we are taking forward so that we do not go into that trap? Or how do you see in term this positioning of India gaining a market share in the global sourcing also? I think you mostly supply to Indian context only. I think a lot of thing is in India. But can you explain on that? And the market and the debt, how do you see going forward? Thanks.

Anurag Soni:

If I got that correctly in the first question regarding the debt and the debt repayment and linked to what the market scenarios are. And the second part of the question was what kind of market do we supply to? So, the first part I'll answer, see, I think we are very comfortable as far as the debt repayments are concerned.

Over the next seven to eight years where the debt has to be repaid, I think the peak repayment is around INR100-INR110 crores in a year. So, even the current EBITDA levels are very comfortable to take care of the repayment. So, we are not over leveraged from that point of view, one. And secondly even today's numbers can take care of any kind of repayments that are due every year. So, we are not going to fall into any trap. So, we are pretty judicious on that front.

The second part is that with regards to the market. So, about 65% to 70% of our sales or maybe like two-third of our sales come from the domestic market and one-third of our sales come from the export market. So, there is a significant presence across the globe. We are supplying to, I

think over maybe 60 countries. So, we are present at major textile centers across the globe as well. So, yes, that was the second question that you asked.

Aditya: How much composition is yarn or fabric or garment? What is the composition when you do export? I think export would be high money.

Anurag Soni: No, not necessarily. So, see, it totally depends on the product and the geography you're supplying to. So, there are products and markets within India as well that are high margin markets. And so, that's not necessary. There's a correlation there. Secondly, you asked regarding the business-wise composition.

So, more or less when I said 1/3, 2/3 that would look across all our businesses. I think that is the number that is going to come out. Garments, we are majorly domestically focused because India itself is a huge market. So, there are a lot of opportunities here itself. So, there, the focus is more on the domestic market. But fabric and yarn, it is 1/3, 2/3 across all the businesses.

Aditya: Okay. Thank you. Thank you for answering.

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

Deepesh Sancheti: Hi. Am I audible? A question on Bangladesh issue now. How does the situation in Bangladesh help the company or how does it impact our revenues going ahead?

Anurag Soni: Well, I'll attempt to answer that question with regards to the company and with regards to the both sides. Bangladesh is one of, I think, probably the second largest producer of garments in the world. So, any kind of disruption that is happening there may not necessarily be a great thing in the short term for the Indian market and as far as for the company because there's a lot of supplies that happen to Bangladesh on the fabric front and the yarn front.

So, having said that, we already are seeing that with the new interim government in place in Bangladesh, the orders have started coming in again and also the payment cycles and the banking issues, whatever was there in the short term, we are seeing that they're getting resolved. So, that is one.

Now, then in medium to long term, once I think India and we at Sangam, we start building our garment capacities, I think that is when we can actually say that any kind of problems there would be more beneficial to the Indian textile market, textile sector. But currently, the textile capacities and the garment building capacities here are very low with regards to the global context.

So, in the very short term, I don't think there's any benefit from any kind of disruption that is happening in Bangladesh.

- Deepesh Sancheti:** And there's no risk because we're supplying yarn to them. So, that doesn't, I mean, none of our payments are being, the payments are being received very smoothly, right?
- Anurag Soni:** Yes. So, all our supplies in Bangladesh are LC backed. That is one. And also, a company has, we do undertake insurance cover for all our export payments. So, there is no, there's not a very big risk on that front that we foresee currently. However, as I said, we already have, are seeing that orders have started to come in again, and things are improving in Bangladesh. So, there's no, there's no, not a very big risk that we foresee even on the business side.
- Deepesh Sancheti:** So, none of the customers have been affected by this violence, right?
- Anurag Soni:** No, nothing major.
- Deepesh Sancheti:** Great. Okay. And now, my second question is, the company, in its, I think, first or second Slide, they have been mentioning that they want to grow the percentage of fabric and garment and reduce the yarn dependence. Now, I am not able to understand that, however, you're doing a capex of INR344 crores in yarn. I mean, it has been allotted. So, while the garment still stands at 3% of the revenue, what is your strategy going ahead?
- Anurag Soni:** Again, I said, the garment is the very (inaudible) . So, this year, we want to stabilize that capex and then probably see that how do you want to go forward towards that. Having said that, if all falls in place, we would want to grow at 25%, 30% on the garment because the base is very low. That is one.
- Secondly, the capex in the yarn that we are incurring right now is majorly to support the denim business. So, as I said, denim business, we are very aggressive there and we are seeing a significant growth in that business. So, we have built our in-house yarn capacities accordingly. And even the other capex, so last couple of years, the company has been in a continuous capex cycle. So, we have done capex in all our businesses that includes the yarn, garment, denims, and the synthetic fabric side.
- Deepesh Sancheti:** And though it looks that the transition from 53% to 60% of value-added product portfolio appears to be an attainable goal. However, there has been no substantial change in the revenue composition as of now right?
- Anurag Soni:** That is from last financial year to the current financial year?
- Deepesh Sancheti:** Yes.
- Anurag Soni:** Yes, I think the Q1 numbers are on similar lines. But see, it is difficult to actually change anything on a quarter-and-quarter basis. But I think on a long-term trend, you will see the difference.
- Deepesh Sancheti:** Long-term, how long? In the next 2 years, 3 years?

- Anurag Soni:** Next 2 years, definitely. So, we are talking about FY '26. So, definitely in 2 years.
- Deepesh Sancheti:** Definitely in 2 years. Okay. And how are you planning to increase your ROE? Because you are doing so much investment, you are taking so much debt. What is the cost of debt? Sorry, if I can just question this question.
- Anurag Soni:** See, our long-term debt is below 5%.
- Deepesh Sancheti:** Below 5%. Our company is doing an ROE of almost sub 10%. How do you plan to take this ahead? Because we are doing almost an ROE of the cost of debt. So, whatever we are earning, literally we are giving it to the bank. We are getting into the cycle of earning for the banks. So, how are we going to get out of that? Are we planning a preferential or something? You know, something like that, dilute the equity or get -- how do we increase our ROE? That's my basic question?
- Anurag Soni:** Right. See, frankly, to increase your ROE, you have to increase your profits. That is something that we have to focus on. Having said that, the current number obviously looks very low. That's also because in the context we are seeing on the last one-year performance where the profit has been hit.
- I think a couple of years back, the ROE was around 20%. So, yes, right now there's a low base and the profitability and the margins are low. So, that's how we are seeing that number. It looks very, very low. Having said that, as I mentioned again, the sector is going through a tough time. We are part of the problem that is being faced by the textile sector.
- Now, once these things start changing, I think, and our margins that we have mentioned that when you see over the next six to eight quarters that the margins start going up, and all these capex that have come in, that will add to the revenue as well. So, I think the ROE will start picking up. So, what you are seeing today is probably the lowest that we are going to be for a long time in the future. So, this is just a circumstance where we have incurred the capex. The debt levels are high. There are sector headwinds that are not conducive. The margins are low. So, all that put together, today, that number looks low.
- Deepesh Sancheti:** So, what I'm trying to tell you this is that we are getting into a debt trap right now. We can't depend on our sector to revive. And then when you're having a viral fever, everybody's having a viral fever. We can't say that, okay, my temperature is 104, but it's okay. Everybody's temperature is 104. Right now, we have to take the paracetamol. We have to take the funds. We have to, maybe dilute the equity and get the funds so that, we don't get into a possible bad situation. So, and when the sector revives, when, the tailwind starts, that time we can outperform the entire sector. This is what I'm trying to say.
- Anurag Soni:** Right. So, see, having said that again, like, let us say, the full year EBITDA comes around INR280 crores to INR300 crores, right? My repayment levels are at INR100 crores. My interest costs are below INR100 crores. So, we are still very well, very comfortable on that front. So,

there is, I don't really see a debt trap there as of now. And even going forward, as I mentioned, that over the next five, six years, our repayment schedule is very, very comfortable. So, there is no challenge there.

And secondly, as I mentioned, even the cost of this long-term debt is below 5%. We are very well capitalized. And then if a need arises in the future where we see an opportunity that raising equity and paying off debt makes sense, I think we can look at that. But currently, there are no such plans.

Deepesh Sancheti: Okay. Now, this was just a suggestion from a long-term investor. That's it. Not trying to, you know, mean otherwise.

Anurag Soni: So, that's perfectly understood. Thank you.

Deepesh Sancheti: Yes. I mean, this is what, I was trying to see how we can, increase our chances of outperforming the markets. That is all I wanted to just mention.

Anurag Soni: No, no, point well taken. Thank you very much for that.

Deepesh Sancheti: All the very best, guys. Take care.

Moderator: Thank you very much. The next question is from the line of Disha from Nivasha Investments. Please go ahead. Ms. Disha, you may go ahead with your question. As current participant isn't answering, we'll take the next question. The next question is from the line of Tushar Vasuja from Yogya Capital. Please go ahead.

Tushar Vasuja: Hello, sir. Thank you for the opportunity. I have a couple of questions. My first one is, what are your current cotton spreads and how have they changed Y-o-Y and sequentially?

Anurag Soni: Right. So, see, cotton spreads, how they've changed year-on-year, I think there is a slight increase. We also mentioned on our presentation that the yarn prices have started to move up, however, not significantly, a little bit. And cotton prices are still probably at the lowest levels. So, but they are still, like on the margin front, there's still pressure. But I think probably we are, I think on the cotton side, we are seeing a recovery. And we do hope that this should start going up from here.

Tushar Vasuja: So can I have a percentage change for sequentially?

Anurag Soni: The percentage change is what probably I think like INR5 to INR7. So maybe I think 2%, 3% there's an increase on the percentage change, if you ask me.

Tushar Vasuja: Okay. Okay. So, my next question is on what's your utilization for denim right now?

Anurag Soni: Denim fabric utilization, I think is about I think last quarter is about 94%. So we are almost fully utilizing our capacity.

- Tushar Vasuja:** Okay. And you're also mentioning that you would have a substantial growth in the denim segment and you're also doing a yarn capex for it. So are you also doing a capex in denim segment?
- Anurag Soni:** So see like on the production side I think like you can still get a lot of fabric outsourced. So currently no we don't intend to do any capex on that front. Because we have a substantial capacity in-house and then like there are certain processes that are easily done on job work outside. So I think to answer your question no there's no further capex plan there.
- Tushar Vasuja:** Okay. So, one last thing that one of your peers is doing a decent size capex in denims. So, how do you see the space going forward in terms of supply and margins?
- Anurag Soni:** Sorry, who did we mention who's doing a big capex on that front?
- Tushar Vasuja:** Swaraj Suiting.
- Anurag Soni:** See again like when you mentioned that there's a substantial capex see overall market, the market will keep growing. There will be people coming in and adding capacities. So as far as Sangam is concerned, as I mentioned, year-on-year we have done a 20% growth in this business. And we are very hopeful going forward as well that we'll keep seeing growth. And as far as the sector is concerned, there is plenty of space for people to come in and then it is about your markets, the geographies that you cater to, the products that you are developing.
- So I think from that point of view, we are very well placed. So just last quarter Sangam has received an award for being the highest exporter of denim fabrics in the country. So and we are seeing good development in new markets on the export front as well. So, yes I think like we will see continuous growth in this business.
- Tushar Vasuja:** Fair enough sir. All the best for the future. Thank you.
- Anurag Soni:** Thank you.
- Moderator:** Thank you. The next question is from the line of Devendra Nagori from Saroj Infrastructure. Please go ahead.
- Devendra Nagori:** Anurag sir. Good afternoon.
- Anurag Soni:** Yes good afternoon.
- Devendra Nagori:** Sir from all the shareholders congratulations to you for the upcoming Birthday on 29 August.
- Anurag Soni:** Thank you very much.
- Devendra Nagori:** Sir, what return gift would you like to give to the shareholders?
- Anurag Soni:** We are trying our best to perform better.



*Sangam (India) Limited
August 13, 2024*

- Devendra Nagori:** Sir, it's been a long time we were hoping that something big will happen. And second sir, you said that in 2026, you are increasing the capacity of your market by 4000 crores. Sir, will a company get some benefit from this in the current year?
- Anurag Soni:** For what benefit?
- Devendra Nagori:** Sir, the market cap that you are increasing, the capacity of 4000 crores that you are increasing of the plant. Will you get any benefit in the current year?
- Anurag Soni:** As we have said in the earlier calls that we are expecting 15% growth in the revenue in the current year and if you will see in the June quarter the revenue number which is there that is matching with March. So historically, March quarter has always been the best quarter. So, we are very happy with the number we have done in June. And if we move forward in this way, then we will be able to expect 15% growth in the current year year-on-year.
- Devendra Nagori:** Okay sir. Sir return gift you have not said?
- Anurag Soni:** Return gift what I can say means I think...
- Devendra Nagori:** You have to say because it's your birthday?
- Anurag Soni:** So we are trying that we perform better and in the next quarter results we hope that you must be happy.
- Devendra Nagori:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.
- Saket Kapoor:** Sir I just got dropped in the call. In the Bangladesh scenario have you thrown some light how have the fiasco, the political uphill there has affected the textile industry in particular and how do you see the dynamics, if any changes are there?
- Anurag Soni:** Yes, see, I had mentioned earlier actually that Bangladesh is a big garmenting hub. And so there is a lot of fabrics and yarns that are supplied to Bangladesh from India and even from Sangam. So, short term, I think there were disruptions over the last one month. Having said that, since the new interim government has been formed, some new orders have already started even the payment cycles. So, all our payments are LC backed, but banking channels, also got disturbed for 10-15 days in the middle. So now all that has started to open up. So hopefully, it seems very disappointing. But we will wait and watch. If there is such a trend, then it seems that the situation will be normal soon.
- Saket Kapoor:** Sir, can you quantify what business we did in the last quarter and what is the yearly average business we do in Bangladesh?

Anurag Soni: See, we have a sale of almost INR25 to INR30 crores monthly from Bangladesh. As of now run rate that's there. Last year, there was not much sale, so Bangladesh was a lower number. Because recently we have been onboarded by a lot of brands whose garmenting is through Bangladesh and nomination is from Europe. So, because of that, the business of Bangladesh has increased. So, currently, the current run rate is about INR25 to INR30 crores monthly.

Saket Kapoor: Sir, one more point. When we see the ecosystem at Bangladesh, Bangladesh is a major textile player in the garment industry. How does it play out in the ecosystem? Can you explain in detail what exactly Bangladesh is related to ecosystem? And how are companies like Sangam and others benefit from whatever growth which route through Bangladesh sir? If you could explain it a little bit.

Anurag Soni: Right. Look, all the big retail brands, their supply chain is mainly Bangladesh dependent. Why Bangladesh? Because Bangladesh has an added advantage of exporting to European countries where 10% of the duty is on the government, which is applied to India and not to Bangladesh. So, Bangladesh gets a substantial advantage there. Also, Bangladesh has focused a lot over the last couple of decades to build their garmenting capabilities.

So, there is a huge dependency of economy on this industry. So, that is why Bangladesh is doing so well and 10% is a big number which is why they have an added advantage. As far as India or Sangam, if the business of Bangladesh increases, then there is no consumption in Bangladesh. It is basically a garmenting hub that is converting for the retailers in Europe. So the business there increases, the supply chain there is very dependent on India, on the yarn and fabric side. So, if the business there grows, it will enable us to export more, that is one.

Secondly, in the long term, in India also, as we said that we have small garmenting facilities, we are trying to develop that. I think once over a period of time over next 5 to 6 years, I think enough capacities are built in India then even we can compete better with Bangladesh despite the duty benefit. But that will still take time. So that can be a medium to long term strategy. In the very short term, it is not that there will be any disruption in Bangladesh, then its big benefit will be transferred here.

Saket Kapoor: Sir, what should be the mixture in yarn and fabrics that we sell in Bangladesh, what percentage of yarn is there and how much fabric is there?

Anurag Soni: I don't have the exact number as of now but maybe I think it will be 60% or 65% fabric and balance yarn.

Saket Kapoor: When they are only having the garmenting facility, how are they utilizing the yarns which they are importing from the country from India?

Anurag Soni: So, there is a major garmenting hub, but having said that, it is not that they do not have any fabric factories there. So, they have some capacities there also.

- Saket Kapoor:** Right. Thank you for all the elaborate answers and all the best to the team.
- Anurag Soni:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Disha from Niveshaay Investment Advisors. Please go ahead.
- Disha:** Hello Am I audible?
- Moderator:** Yes you are audible.
- Disha:** Hi, good afternoon. Actually, I had a question that does the company have plans for recycling and renewable energy and for the treatment plan further? And what can be the capex strategy for this particular recycling and renewable energy?
- Anurag Soni:** Right. Hi, good afternoon. So, definitely, we are thinking on that since I had mentioned, I think, in the last quarter call that we do have plans to add solar power plants within the company. However, we want to stabilize all the capex that are ongoing in the company. So, let us say this year we stabilize that and then post that once the EBITDA starts flowing and the debt levels are under control, then maybe we can look at this. So, maybe I think a couple of years from now is something that we can look at adding further solar capacities.
- And the second part of the question that you mentioned, what is the capex that is going to be required? So, the maximum solar that we can put within the guidelines, the regulations of the state, I think the company will have to spend about INR200 to INR225 crores for that.
- Disha:** Okay. And one more thing that in the previous call it does mentioned that the company has Rajasthan Government Incentive Scheme. So, how long the company will be having this scheme? And is there any duration of this scheme?
- Anurag Soni:** So, see, the major benefit that is coming from the scheme is actually the interest subvention. So, that is broadly, I think, once we start taking the benefits, we can take up to five years. So, that may more or less take care of the duration or the tenor of the loan. So, within the loan period, there is a subvention that is provided on the interest payments by the government.
- Disha:** Okay, sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Aditya from AK Investments. Please go ahead.
- Aditya:** Yes. Thanks for the opportunity again. Sir, when you said yarn would be 25% in coming three to five years, then what are the capacity, how much would be, I mean, how would be utilized, I mean, for the forward integration? Can you throw some light in that how much, when you say you will be selling 25% of revenue outside, then you said that there is something commodity, there is something value addition. Can you throw some light here?

- Anurag Soni:** Yes. Sorry, I didn't really quite understand. Can you ask again?
- Aditya:** So, what I am saying is, you said currently we are putting more capacity for yarn, correct? Now, some would be utilized for forward integration, right? I mean, some would be as a backward integration for fabric. Some would be sold outside, correct? Now, in three to five years, outside, whatever we are selling, that would be 25% of our revenue, correct?
- That element is there. And that would be very, I mean, it is very commodity element. Then you also said that yarn may there is also value addition, which is high margin. Can you tell about which is the high margin in yarn. Then how much you will be consumption? I mean, how much consumption will be internally in this yarn? Right now 45% of the revenue...
- Anurag Soni:** Right. So, see, I think 45% of revenue in today's date. So, going forward, as I mentioned earlier that fabric denim side and the synthetic fabric side, that number is going up quarter-and-quarter. We can see that there is substantial growth on that business. So, to put an exact number on it, it is very, very difficult, right?
- So, I gave a guidance that it will look around those number three to five years. Now, the actual numbers that we are talking about, we have put them in FY26 in our presentation. So, on that front, I think we are saying that the endeavour is that over the next two years, yarn business goes down to about 35% and fabric business goes up to about 60%. And garment goes up to 5%, 6% from the current 3%.
- So, that is what I think we stick to right now. And then if we are able to do this by FY '26, it is just the same strategy that is going forward. This work will keep going on and will keep growing. So in these yarns we have value added there is something.
- Anurag Soni:** There are two things. There is cotton yarn and there is PV dyed synthetic yarn. So, where the dyeing element is coming in. So, cotton yarn is pure commodity. We will convert that into fabric later. On the PV dyed yarn front, that has been a forte for Sangam and in the growth of Sangam, it has played a major role. Majorly that is where we have built the company till date from. That is the biggest profit driver for the company.
- So, that is something that we would like to maintain even going forward. And so, when I say that 25% of the revenue will come from yarn. So, that synthetic yarn will be intact, whatever sale is happening today. And incrementally, whatever growth that we would like to maintain as it is.
- Aditya:** So, roughly synthetic yarn in have a margin 8% to 10% or below that. So, can you I mean can you give a ballpark number that what is the margin difference between fabric synthetic yarn and garment?
- Anurag Soni:** See, if we take out the average of the last decade, then yarn margins have always been around, means if you take out the long term average, it will be above 10%. In today's date, those so those

margins are under extreme pressure. But I will not say that this is not a situation that remains all the time. So yarn margins can be as high as anywhere between 15%, 20% and as low as anywhere between 3%, 5%. So that is the situation currently actually. But long term average we can say that 10% margin always remains.

Aditya: Fabric and garments?

Anurag Soni: Garmenting margin if the capacity utilization is complete then it can go up till 20%, maybe 15% to 20% range is also there in the garmenting. Fabric side if I don't count my yarn margin so I can add anywhere between so yarn margin can be added 4% to 5% for the value addition on the fabric front.

Aditya: Okay. One more sir, when you have put a lot of capacity after so many years in the last 3 years. So, you're as strategy wise you might be well for the totally intrigued model. Correct? Or if you see garmenting business is a sweet spot. Okay. So, why we did not, I mean, I am just asking your perspective, which is not, why did not we focus totally on as a garmenting as there is higher possibility of margins in export then why our majority of revenue is India centric? So what is your thought on this sir?

Anurag Soni: So again, I would have talked about garments first. See, Sangam has a total revenue mix of 1%, 2% from the business garment. So, any kind of strategy, when I say that if we are trying to double that, so let's say INR80 crores, INR100 crores revenue was running on the current run rate. We are thinking of INR150 crores next year, INR200 crores next year.

So there is a substantial growth on that front. However, the company is also growing. So, Sangram revenue was at INR1800 crores maybe 3 or 4 years ago. Today it is at INR2700 crores. 2 years later we are talking about INR4000 crores. So the base is also growing. In that, the garment business is also growing. But percentage to the business, as I said, it is 3% currently, it will be 5%, 6% So, it is not like that, it is not focused.

But our forte has always been manufacturing on the yarn side and now the focus is on the fabric side. So, naturally you will want to focus more on what you know and what you have been doing for a long time and garments, as I said, it is not non-existent it is a small business that we are trying to build and establish and once we have, the capabilities that we can grow on large scale, then we will focus more on it.

So that is as far as I can they can be. It is not that in between export market and domestic market, you earn more from export market. On the contrary there are a lot of products that we do where the domestic margins are way higher than the export margins so this is totally dependent on product to product market to market. Changes keep on happening. One third of my business comes from exports. As I mentioned, in the denim business, we are among the, not among, maybe the largest exporter of denim fabric by volume in that country. So, focus is there too. But, like, we don't really see it from this point of view that there is more income in export or export

should be increased because of that, because export means we have to also see at which point of margin we are getting better so according to that focus and strategy remains.

It's not like we are dependent particularly on one market. Presence is across and where margin is better there we have a little bit like the number of exports also keeps on coming in between 30% to 40%. Normally, if I do the average then we always do around 1/3, 33%-35% but sometimes 40% has gone in the past and on lower side 30% also happens. I would say, I think this is still a very decent number like 1/3 or 35%-40% in the business export is not a small number.

Aditya: Yes, good number. So, whatever the business model we have is currently totally integrated model right. So, integrated model may then also you are guiding for 10% to 12% margin. Then what is the use of having a integrated model rather than we be a single garment player or fabric player or so. So, integrated model we should gain more margin, right? That is what my thinking is. You can correct

Anurag Soni: You are absolutely correct. See say currently like especially from 6, 8 quarters say yarn margins have been in extreme pressure so when we are seeing purely yarn driven companies margin are coming even this quarter when we compare to purely yarn driven companies margin are ranging from 2% to 5%. We are at 10% so the margin which is being lacked now because of there are very low margins on the yarn business.

But as I said historically this number is looking low right now, Normally, it is always around 10%. So once this becomes 10%, we are looking at a more than 15% margin level. So we are giving 12% because see there is no visibility. It is not like that next quarter only these margins are improving. So we have to be conservative in our estimates and deliver on that. But yeah, it can go up definitely till 15%-18%. If yarn margins are spread and improved this number can go up significantly. So

Moderator: The current participant seems to have disconnected from the call. I'll take the next question, which is from the line of Saurabh Rathi an individual investor. Sir please go ahead.

Saurabh Rathi: Yes. So thanks for the opportunity. So my question is with regard to the revenue growth, which we are targeting for FY '26. You said 15% growth for FY '25 or FY '24. So what growth we are targeting for FY '26?

Anurag Soni: Sir, look, we have given guidance of INR 4,000 crores for FY26. Obviously, some of the inflation numbers have been factored in. But if we talk about volume growth then I think maybe we have to do 20% and then another 20% to reach this number roughly.

I think current year we are talking about 15% and from there again another 20%-25% growth we can reach this number so there is normal growth that will come from the current business and there is also a lot of capex which are yet to go live. I think that number will add so in all FY '26 I think we should be able to achieve the guidance we have given.

- Saurabh Rathi:** Okay. And so which is the quarter from where we can see a significant improvement in margins? What is the internal projection of the company?
- Anurag Soni:** It is very difficult to say. I have been wrong a few times predicting this. So it is something that I would not matter -- it is very hard to really say from which quarter this will improve over but yes, I can tell you that if we look from the price realisation angle, so, I think what if it trends are on the upper side. However, very nominal there are very small changes happening. But at least the trends are reversing. We have shared this in our presentation. So, prices are going up but they are very nominal. So, let us see, let us wait another 1, 2 quarter and see where this goes.
- Saurabh Rathi:** Okay and sir lastly what is our backup plan if in case whatever we are projecting and targeting INR4,000 crores revenue if it does not works out and looking at the scenario where debt levels are going up and if we are not able to present what is the backup plan for the company?
- Anurag Soni:** Sir, I have mentioned this in the call that our current EBITDA level is good enough to take care of the debt level. So I am not very much worried about repayments or the level of long term debt in the company. So, like Assuming worst case scenario that even if EBITDA is not added in future, even if no EBITDA is added and all debt is added, today's EBITDA level can still be taken care of.
- Saurabh Rathi:** Okay, thanks. Best of luck. Thank you.
- Anurag Soni:** Thank you very much.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.
- Anurag Soni:** So, very thank you everyone for joining the call today and we trust that we have addressed all your questions to your satisfaction. If you have anything that is remaining unanswered, please feel free to contact our Investor Relations Agency that's Go India Advisors. They will be more than happy to assist you further. Thanks again. Thank you very much, all of you for joining the call today. Thank you.
- Moderator:** Thank you, sir. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.