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“Sangam India Limited
Q4 FY '26 Earnings Conference Call”
April 23, 2026



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GO INDIA ADVISORS



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

MODERATOR: MS. MEHAL GOGIA – GO INDIA ADVISORS

Moderator: Moderator: Ladies and gentlemen, good day and welcome to Sangam India Limited Q4 and FY '26 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Mehal Gogia from Go India Advisors. Thank you and over to you, Mehal.

Mehal Gogia: Thank you. Good afternoon, one and all. It's my pleasure to welcome you on behalf of Sangam India Limited. Thank you for joining us today for the quarter four and financial year ended 2026 earnings con call. This call is being hosted by Go India Advisors. Please note that today's discussion may include certain forward-looking statements, therefore they must be viewed in conjunction with the risks that the company faces.

Today on the call, we are joined by Mr. Anurag Soni, Managing Director. I now invite Mr. Soni to present the company's business and outlook, after which we will open the floor for Q&A. Thank you and over to you, sir.

Anurag Soni: Good afternoon, and thank you for joining us today. FY '26 has been a defining year for Sangam. We've crossed INR3200 crores in revenue. We more than doubled our PAT to INR83 crores. Our domestic business remains strong, and our exports hit an all-time high. And perhaps most importantly, every single quarter this year was better than the last. Q1 to Q2 to Q3 to Q4, revenue, EBITDA, and PAT all moved in one direction.

To put that in perspective, in Q4 alone we delivered INR880 crores in revenue, an EBITDA of INR98 crores, and a PAT of INR33 crores. Our quarterly PAT was nearly what we earned for the full year in FY '25. That consistency is not accidental. It reflects disciplined execution, deeper operational efficiency, and an organization that is generally getting better at what it does.

These results reflect work that has been building for some time. The last two years were demanding for Sangam and for the industry. FY '26 was the year we rebuilt. We stabilized our operations, sharpened our execution, and earned back the momentum this business is capable of. What you are seeing in these numbers is the result of that work, and we are just getting started.

This year, we have embraced a simple principle: better than before. Every quarter, every process, every metric. One question: are we better than last time? That is what you saw play out in FY '26, and it is what I am confident you will see play out over the next four quarters as well. Our balance sheet is in good shape. We are carrying roughly INR200 crores in treasury. Our working capital cycle improved dramatically from 80 days to 55 days in a single year.

Interest coverage is improving. We are maintaining a net debt to equity ratio of about 1.1x, ensuring a prudent and stable capital structure. On the energy front, we are doing significant work to secure our energy costs through renewable solutions. And this will remain a consistent

theme for us going forward. This is a structural reduction in our cost base that will show up in our numbers in the coming quarters.

Our backward integration into recycled polyester fiber is also a point of quiet pride. We are now meeting approximately 50% of our polyester fiber requirement through in-house recycled production, processing close to 40,000 metric tons of plastic waste annually. This is sustainability and cost leadership working together. Across all our segments, we have built a deep understanding, each with its own customers, its own dynamics, and its own room to grow.

Our job is to keep making each of them better. That is what drives us. Last year, we doubled our PAT. We aspire to do that again in FY '27. I use the word aspire deliberately, and I mean it in that way. What I can say with confidence is that the journey from here has a clear direction. We are a manufacturing business, and capacity is the foundation of growth. The investment cycle that we undertook to build capacity is now largely behind us, and those assets are running at very high utilizations across all our segments.

That's a good problem to have, and it tells you where we are in our journey. The next leg of growth will require investments and we are preparing for that. We will share more as plans mature. Sangam is at an inflection point. The global supply chain is reorienting. Buyers, both domestic and international are looking for reliable, integrated and quality manufacturers with the scale and credentials to deliver consistently.

Sangam is exactly that. The opportunity in front of us is significant. And I believe we are well-positioned to capture it. I want to close by thanking our employees, our customers, our partners, and our shareholders. Your trust is something we take seriously. And we intend to keep earning it. I am deeply confident in our ability to keep improving, quarter-after-quarter. We are not chasing a single number or a single event. We are building a business that compounds. With that, I am happy to take your questions. Thank you.

Moderator: The first question comes from the line of Saransh Gupta from Svan Investment. Mr. Gupta, I'm sorry, but you're not audible. Mr. Gupta, please proceed ahead with your question. I'm really sorry, but your voice is not audible. I request you to please re-join the queue. The next question comes from the line of Rehan Syed from Trinetra Asset Managers.

Rehan Syed: I have a couple of questions. First on the export side that we have seen quarter four that exports have reached an all-time high this year. So could you help us understand which geographies or customer segments are driving this growth and how sustainable this momentum is that we have to look further? This is my first question.

Anurag Soni: So you said two questions. I think this is -- you asked regarding the exports geography. Is there another question?

Rehan Syed: Yes, I have a two to three more questions. First, so we can go one-by-one or I just have one, I can quote all of them together.

- Anurag Soni:** No problem, I can answer this. So, export geographies is quite diversified. So we are exporting to I think about 50 plus countries. So we have a very balanced export portfolio. And so we are not really heavily dependent on a particular geography as such. So to answer that sustainability part, I believe that I think our exports are pretty sustainable. And we are seeing a continuous uptick there. So every quarter we are improving our export numbers and markets. So yes, it is a very sustainable number.
- Rehan Syed:** And like if you want to clear more that in which -- from which geography we are getting more traction, if you can anything you want to put here?
- Anurag Soni:** See, this depends on across segments and products. So like some products, the East side like Bangladesh and China are big geographies. On some products, Africa, Egypt, Turkey are a big geography. Some products, Latin America, South America are important. So it depends on product-to-product. So it's not like there is one particular country where we are heavily dependent on. It is across geographies.
- Rehan Syed:** Okay. And my second question is around your EBITDA margin. Like I want a bit guidance that if the company has significantly increased its renewable energy capacity with additional solar and hybrid projects. So just you can quote a ballpark number that by FY '27 what percentage of total power requirement do you expect to be met through renewable resources and how should we think about the full impact on EBITDA margin?
- Anurag Soni:** Well, I think see, as far as the renewable solutions are concerned, I think a lot of things are under process as we speak. And so currently we are about 10%, 15% of our needs are coming from renewable. Probably I think in a year's time, let's say June next year is when we expect that about 70% plus of our power will be renewable. So we've also put that in our presentation. I think the cumulative benefits to the EBITDA once everything is commissioned would be about INR50 to INR60 crores annually. So for all benefits to kick in, it will take about four to five quarters from now.
- Rehan Syed:** Like you are saying it will take time to transfer in an EBITDA at least four to five quarters going forward, right?
- Anurag Soni:** No, because we've taken, undertaken capex somewhere, we've done some PPA somewhere. So for everything to commission and come into effect, so currently we are about 15% of our power needs are coming from renewable. This will be 70% plus in five quarters from now. So every quarter we will have some kind of addition.
- Rehan Syed:** Okay. My next question is around the garment segment still contributes a relatively smaller portion of revenue despite being a high value-added segment. So what are the key bottlenecks in scaling this segment meaningfully going forward? Is there any opportunity that you are evaluating here?
- Anurag Soni:** Well, if we see our garment segment, I think operationally we are doing a lot better. We are at highest capacity utilizations compared to the last six to eight quarters that so we are operating at better utilization levels. We are almost at 50% now. And we expect that number to further

go up. So we have addressed a lot of challenges in the business over the last year. And I think we are in a good space today to further improve on the utilization.

So both sales have picked up significantly over the last quarter if you see our numbers, it's again in our presentation. And the utilization levels have also gone up. I would imagine that that would continue happening on the upward side.

Rehan Syed:

Okay. And last one bookkeeping question from my side and then I'll end my question. My last question is the company has built a strong integrated model from fibre to garment that we have seen. So are there still any gaps in the value chain where you would see further backward or forward integration that possible if you can evaluate going forward?

Anurag Soni:

See, I think as I mentioned in my opening remarks that there will be certain segments where we have to improve upon and there will be some investments that we will have to plan. So both on the on the backward integration side, there will be things on the -- so today we are about 50% of our polyester comes from in-house production. And 50% we are still buying from the market. So we would like to build on that to have better control on costs and raw material security.

Same for our denim fabrics. I think about 50% of our raw material is in-house and about 50% is buying from outside. So we'll probably increase some more capacities there. And on the energy side, we have to, the work is already on. So as I mentioned earlier that the question when you asked about energy, so that work is on. And then probably to there will be some capacity additions that we will do across the segments.

So a lot of things are under discussions and planning since you can see our capacity utilizations are pretty high. So I don't have anything concrete to say now, but there will be something and as and when that comes in, we will we will announce that.

Moderator:

Our next question comes from the line of Saransh Gupta from Svan Investment. Mr. Gupta, you may unmute and proceed ahead with your question.

Saransh Gupta:

So I had a couple of questions. Basically, I wanted to understand what is going on in the PV yarn segment? Like in this quarter, we know that there was some disturbance in the shipments that came through. So how have the spreads improved and what are they currently?

Anurag Soni:

Sorry, I think your question like your voice got disturbed in the middle. If I can capture the question correctly, you asked something about the PV margin, PV yarn margins and how that business is going with regards to the current disturbances. Is that correct?

Saransh Gupta:

Correct. And in this quarter or probably in the month of March, how have they moved? In terms of volatility?

Anurag Soni:

Right. See, PV yarn side, about majority of our business actually comes from the domestic market. About 10%, 15% comes from the export side. So there was probably some delays in shipments. I think 10% or 15% of our exports might have been delayed in March on the shipment side and some costs, the freights have also increased.

However, it's not a material impact on the overall business since that volume is not very high in the region where disturbances are there. So we've had a decent quarter in the on the PV yarn side. And even the month of March was very decent. So until now, we are being able to manage the situation and things are under control.

Saransh Gupta: So for the inventory, we are not facing any issues?

Anurag Soni: No, I think so probably on the inventory side, we might be at a multi-year low. So no, that's not a challenge.

Saransh Gupta: Okay. Do we have sufficient demand in this segment? For the domestic, as you said that 10% to 15% comes from the export side.

Anurag Soni: Yes, there is sufficient demand. There is no challenge there.

Saransh Gupta: Basically, I wanted to understand how has the customers, like probably how has their mind-set changed? Like are they pulling off from the inventory for as of now?

Anurag Soni: See, I think for the yarn business, why domestic demand is strong and see exports to markets like Turkey and in that region, see the costs for production are going up there. So I think in any case, like year-on-year, that business will shift towards the domestic side because domestic manufacturing is cheap.

So instead of exporting yarns, we'll probably start exporting fabrics more. So yarn side exports is not a very big worry. And anyway, like by strategy, that number is reducing year-on-year anyway. So domestic demand is okay. And since instead of yarn, the shift is more towards fabric on the export side. So no, this is not a very big issue.

Saransh Gupta: Okay. So my second question was, though we have been growing our presence in the garmenting segment, but still what do we need or do we have that will make it reach to somewhere around 65% to 70% and by when can we do that?

Anurag Soni: Sorry your voice got disturbed I could not understand the question could you repeat again?

Moderator: Mr. Gupta, I am sorry but we are not able to hear you. Yes Mr. Gupta please proceed.

Saransh Gupta: Yes. Basically, the question was like in the garmenting segment, though we have been growing our presence in the garmenting segment, our capacity utilisation is still low. So, like what do we need to make it reach to somewhere around 65 to 70 and by when can we do that?

Anurag Soni: So I could understand the first part there. I think you were asking about the garment capacity utilization has improved. But can you repeat the last line again? Like, what do we need to do for?

Moderator: Mr. Gupta, we are really sorry, but again, we lost you. We are not able to hear you properly. Mr. Gupta, you may re-join the queue again. And make sure that you fix the network please. Our next question comes from the line of Athar Syed from Smart Sync Services.

- Athar Syed:** And sorry, sir, if I ask something very basic question because I am very new to this company. Sir, I firstly wanted to understand like this time we saw great revenue upside as well as PAT growth in our PAT basically. So what is the main reason behind this?
- Anurag Soni:** See, I think I would lead -- probably attribute it to two things. One, capacity utilizations are high. So that has led to the volume. And with capacity utilizations and better operational efficiencies, PAT has gone up.
- Athar Syed:** Okay. And sir, I wanted to know right now our capacity utilization for yarn is 95%, if I am not wrong?
- Anurag Soni:** Yes, that is correct.
- Athar Syed:** So going forward, do we have any capex in pipeline like...?
- Anurag Soni:** Yes, so I did mention earlier in my call that there is something, there are discussions that are ongoing. So I don't have anything concrete now. As and when we finalize something, we will announce that.
- Athar Syed:** And do you also have plan how you will finance this through internal accruals or through that by preferential issues like...?
- Anurag Soni:** See, that is that is a problem to discuss probably once we are sure what we want to and how much we want to invest into the new capex. But, as of now, we have no plan for any kind of preferential issues.
- Athar Syed:** Because I am asking just because as of now we already achieved around 95%. So if we can plan as soon as possible, it would be great. And I wanted to understand, if I am not wrong, this time our PAT because this time we saw significant growth in our PAT. So what I understood is like because of this US, Iran war, what I understood is the prices of yarn and other cotton and all of these prices gone up.
- So those players who have a good inventory pile up or good inventory, they got good benefit. That's why some yarn players and other players saw good PAT growth. So if I am not wrong, is it correct? Like we gain this PAT growth basically mainly because of inventory, like we have inventory and we pass on the prices basically high prices, we took a benefit of high prices, if I am not wrong.
- Anurag Soni:** Well, so first part, due to the war, prices have gone up and they are going up. That is correct. However, we are discussing March quarter results. So war actually started probably I think 1st of March, 20th of February. And you normally operate on a on an order book of 60 to 75 days at any point in time. So no, I would not agree that the current quarter PAT is driven by any kind of one-time inventory gains.
- Because you always have an order book as well. And that order book is getting serviced, which these are orders that were probably booked in January, February that was pre-war

situation. So prices are going up. There is no doubt about that. However, I will not say there is any kind of inventory gains that have come into the PAT for the March quarter.

Athar Syed: Okay. And usually how much?

Moderator: I'm sorry to interrupt you, Mr. Syed, but please re-join the queue for more questions. Our next question comes from the line of Rahil S from Sapphire Capital.

Rahil S: Sir, firstly, with this aspiration you've given, about doubling the PAT again in FY '27, I'd just like to get a flavour on what sort of revenue growth are you targeting? And given your utilizations are, like at a peak level in almost all your major segments. So what will drive this the growth which you are targeting?

Anurag Soni: Well, I also mentioned along with that that yes, this is an aspiration. And we started my statement from that we have bettered every quarter in the last year. So if we are continuing on that same theme that we have to keep getting better every quarter, so it is a very simple math that you just multiply by that number and some kind of gains on the energy cost and some kind of gains on the operational efficiencies and it will take you somewhere close to that number.

Rahil S: So fair to assume a strong mid-teens growth or maybe more in terms of top line in FY '27?

Anurag Soni: So top line, I think growth will be similar to what we did last year. Again, what we did in Q4 and at similar capacity utilizations, there will be top line growth. And however, there cannot be abnormal growth on the top line because capacity utilizations already in the March quarter are high. So probably whatever the March top line is, we probably multiply that by four and some kind of inflation because prices are going up. So that there will be some top line growth for sure.

Rahil S: Okay. So is it fair to say that FY '27 will be a big year for you in terms of your bottom line and the margins, whereas top line will be will not be like, you know, exponential? And then this capex, you're expecting to conduct in FY '27, like first half or second half?

Anurag Soni: See, like again, mentioning that we want to get better every quarter. So we will probably celebrate every quarter as and when it comes. Definitely FY '27 should be a good year for us. As far as the capex is concerned, we've kind of you know, come at the back of a big capex cycle three years ago. And today we are at high capacity utilizations. So we'll probably take a quarter or something to plan further that what we want to do over the next couple of years.

And then take that into action. So any kind of capex that we undertake, any kind of financial benefits will not come in the coming financial year. It will probably there will be some benefits on the on the energy cost side. But any kind of new capex growth, any the benefits for that will probably start flowing from next year. Nothing in this year for sure.

Moderator: The next question comes from the line of Kamal Jeswani from YouFirst Capital.

Kamal Jeswani: I just wanted to know the margin outlook for the current quarter. If you can give us whether we'll be maintaining or growing the margins?

Anurag Soni: For the June quarter? Difficult to give a number on that. But I did say that we'll get better from the last quarter. So definitely we would like to maintain the margins. And see, very short term, very difficult to say anything because with so many uncertainties around in the world. So difficult to give an exact number. But yes, I think we should be able to maintain or better our margins from the March quarter for sure.

Kamal Jeswani: And the second question is how we see that there's still some more capacity utilization scope left in the garment business. So are we also planning to increase the capacity utilization this quarter on the garments? And what is the second question, second part of the question is regarding the brand, our brand C9 brand. What percentage of the total garment capacity is coming from the C9 brand and how much is coming from the contract manufacturing?

Anurag Soni: See, I think we can expect better capacity utilizations going forward as far as the manufacturing side is concerned. Now on the on the C9 brand, about 40% to 45% of the garment business is contributed by the C9 brand and the balance is contributed by contract manufacturing.

Moderator: Our next question comes from the line of Rohit Ohri from Progressive Shares PMS.

Rohit Ohri: Hi Anurag ji, Congrats on this good execution for the quarter under review as well as the entire year.

Anurag Soni: Thank you very much.

Rohit Ohri: Sir, I have some questions. Continuing with the export question which earlier participant had. Is this due to some sort of temporary order shift or is it because of China Plus One or maybe some currency tailwind that has come through?

Anurag Soni: No, see, I don't think that there is any kind of like a one-time jump in in any kind of sales numbers. See, this is probably a like over a period of time you are working to grow on markets. And so there is a continuous growth that is that is happening. So it is not that some kind of one-time shift is coming from somewhere or it's due to China or I would not attribute it to those reasons.

I think probably there is a supply chain that you build and when once you get into established developed markets, it takes time to get into the bigger brands. And once the confidence builds, the orders flow better. So I would say that it is a continuous process that is happening. And if you will see our numbers on the export side, probably every quarter we are doing better on that.

Rohit Ohri: True that. So is it because you have added new customers or is it because of the old customers are giving you a higher wallet share?

Anurag Soni: I think both are happening together. Because with volume growth, see, old customers where we already have a significant market share, it's difficult to grow a lot on that front. So there is some addition on new customers as well. And trying to maintain our market share with the existing customers.

Rohit Ohri: Anurag, you mentioned about utilization recovery and we can also see that there is some recovery in the margin also. So is this because of restocking of the inventory or is it the real demand that is coming through?

Anurag Soni: See, I think we've done some work on internally on planning and forecasting inventory better. So we've had a reduction in inventory now. This has again been a continuous process over the last four to six quarters. Continuously we are we are ramping up capacity and reducing our finished goods. So that is there.

Now as far as some kind of demand uptick or restocking in the market is concerned, definitely demand is better over the last probably six months demand is getting better. Demand is stronger than it was probably last year at similar times. So I think both are playing out together.

Rohit Ohri: Because we also noticed that some of the customer count has declined a bit. Well, is this because of some strategic pruning from your end or the management side or is it due to some loss of market share probably due to some of the competitor or somebody?

Anurag Soni: I'm not actually aware of where the customer count has gone down. If you can probably explain me better on that.

Rohit Ohri: I'll take that offline. It's there in the presentation. I'll take that offline.

Anurag Soni: Yes, you can probably ask a question over the email and probably we'll reply on that then.

Rohit Ohri: Yes. And in terms of the strategy mix, while we are also looking at capex, what do you think would be the strategy for man-made fibre versus the synthetic? Since you have shown some good interest in green fibre as well, which is probably running at 97% capacity utilization. So so what is the strategy going forward?

Anurag Soni: See, as far as strategy is concerned, we would like to have more control on our raw materials and costs. So we'll probably as I mentioned earlier that both on our denim side and synthetic fabric side, we have about 50% control on the fibre side. So we'll probably want to increase that maybe take that to 75%, 80% in-house production levels. So that is something that that we are working on, both polyester fibre and for denim fabric, we are working on raw materials there.

And since capacity utilizations are high, so we are -- we don't want to actually go into a new site or do a green field anywhere. We are looking at our existing plants where some kind of incremental capacities can be added. So we are looking at that. And energy costs, because that is that is our biggest cost driver.

So energy cost is something that we are looking at very aggressively, that how to bring that down. So that that plan is actually on the on the priority list. So we are doing that first. And then working on the backward integration side and then some capacity utilization. So strategy over the next six to eight quarters for capex would revolve around these points.

- Rohit Ohri:** Anurag, my last question before I fall back in the queue. Considering your commentary, which was quite strong in the beginning and the current market scenario also, do you think that by FY'29 we could have blended margins of more than 13% plus and have a top line of approximately INR4500 crores or something with ROCE maybe inching towards 20% or so by FY'29?
- Anurag Soni:** So, I think what I can tell you is that yes, over the next three years, FY'29 is about 12 -- I think 12, yes, 8 to 10 quarters is what you're talking about. So, the theme will continue on the same direction that better than before. So, if we are better than before every quarter, we'll probably be at numbers indicated by you, I think maybe at that levels or even better than that.
- Rohit Ohri:** Thanks for answering. I'll fall back in the queue. I have some more questions. I'll come back.
- Anurag Soni:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.
- Madhur Rathi:** Sir, thank you for the opportunity. Sir, I wanted to understand how has the spreads for polyester fiber changed post the quality control order? And sir, our strategy to increase the captive sourcing to 75%, 80%, sir, how does this sit versus just buying the PTA and MEG from China and like processing it in-house? Considering normalized spreads of like excluding the war situation. How should we see this segment?
- Anurag Soni:** Well, see, the idea of getting a 75%, 80% control on raw material is two front. One is obviously on the cost side and more importantly on the quality side as well. So, we have felt that over the last six months when we made this acquisition of the polyester fiber plant, we've been able to re-engineer a lot of products, work on our bill of material costs and on the yarn side. And I think that is aiding us in increasing our margins for yarn.
- So, it is from that point of view, we feel that we need to have more control and more in-house production levels for fiber. So, the strategy is both on the quality and the cost front. And then see, we are actually recycling plastic waste. And recycling waste is a very localized subject. So, you can't really work on costs with importing a lot of raw materials for the polyester fiber. You have to work on localized waste that gets generated and I think that anyways is enough waste that we can collect locally to enhance our capacities.
- Madhur Rathi:** Got it. Sir, I was asking more on the front of the quality control order removal on the – our raw materials for manufacturing this yarn. How has the spreads improved post that post the quality control order removal? Have we been able to get better pricing for our raw materials versus what we were sourcing from Indian IOCL or Reliance?
- Anurag Soni:** See, frankly, we hardly source anything from Reliance. So probably 5% of our polyester fiber actually comes from Reliance. So, it has kind of not made any kind of effect on our raw material costs.

- Madhur Rathi:** Right. And sir, how much would be the capex for increasing this sourcing capacity? And what would be the capex for our renewable the 30-megawatt renewal that are in pipeline currently and additional that we plan on adding over the next four quarters?
- Anurag Soni:** See, the capex on the renewal that we've already announced is roughly around INR150 crores, INR160 crores. And then there are some PPAs where we'll have some equity infusions. So that is another INR30 crores, INR35 crores. So, about INR200 crores is something we've already committed on the renewable side.
- As far as any kind of new capex or further numbers are concerned, as I mentioned earlier, we are still working on that. So, we are working on what kind of strategy we want to move forward. So, it will be a two-year cycle for the new capex that we want to plan. So, I do not really have anything concrete to say on that today. And but as and when we plan something, we I will get back on that.
- Madhur Rathi:** Got it. Sir, just one final question from my end. Sir, how much is gross margin better for polyester yarn that is manufactured through recycled PET versus like buying raw material from outside and manufacturing it? What would be the gross margin difference between both of these?
- Anurag Soni:** So, is your question regarding that if we have our own in-house fiber versus buying fiber from outside and making yarns, is that the comparison you're asking for?
- Madhur Rathi:** Yes, sir.
- Anurag Soni:** I think see, we -- I have not really made a comparison like I do not have that number on top of my mind. Is it okay? If I can respond on that maybe later? Like if you can...
- Madhur Rathi:** Yes, sir. Not a problem. That was from my end. Thank you so much and all the best.
- Anurag Soni:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Hello, sir. Thank you for taking my question and congrats for a great set of numbers. Sir, I wanted to understand, I think you said yarn spreads are going up. So, can you comment how much were yarn spreads in Q3 and how much in March and how are they now? If you can please share.
- Anurag Soni:** No, sir, I did not say yarn spreads are going up. I did mention that due to having our own in-house control over the raw materials, we've been able to increase our margins on the yarn side. And that is why we want to have more capacity in-house for our fiber production.
- Ankur Kumar:** But you said due to war, prices have gone up and are going up. So, what was regarding that?

Anurag Soni: See, this is a very evolving situation, right? With the war every day crude there is a big movement on the crude oil prices and so this is something that you have to actually you know, not take that into consideration that what the prices are today, right?

It is it is a dynamic scenario and we have to probably let it settle down more and see probably a month from now once things are under control that actually what kind of movement has happened on the cost front, how much the price has been factored in, how much we have been able to pass it on to the customers, what kind of impact that has happened on margins.

What I would say that as of now, if nothing changes the way it is, we've been able to pass on a significant portion of the costs on the prices. And we do feel that the effect of on the margins are minimal as of now. But it is a very dynamic scenario and we'll have to keep watching how this evolves.

Ankur Kumar: But in terms of Q3 versus Q4, can you share how what how much was the difference?

Anurag Soni: In Q4, I would again I would say that there is not a big impact of the war on the prices in in Q4 itself because the war actually started end of February or the first week of March and the prices movement actually started happening from the 10th or 15th of March on the upward side. So very little impact of anything on the pricing front has happened in the last quarter.

Ankur Kumar: Got it, sir. And sir, if crude stays somewhere near here, do we expect some gains in the Q1?

Anurag Soni: See, again, I would say see, it's a dynamic scenario because inventory gains are one side of it. There are dyes that we use, there are chemicals that we use, there is export freight shipments, domestic freights. So packaging material costs are so everything now so today I think we are the strategy only is that you know, plan for a week or plan for maximum a fortnight and see how things are moving.

So very difficult to comment and this is a very temporary and out of control kind of a scenario, right? So, we cannot really say that anything that Q1 will be better or because of this, right? As far as operational efficiencies are concerned, our own utilizations are concerned, I can comment on that, that we are getting better.

And without any external factors coming in, I think operationally we will be better. Now if there are some one-time gains or losses that come due to these crude prices being elevated, difficult to comment now.

Ankur Kumar: Sure, sir. Thank you and all the best.

Anurag Soni: Right.

Moderator: Thank you. Our next question comes from the line of Kamal Jeswani from Youfirst Capital. Please go ahead.

Kamal Jeswani: Thank you for the follow-up. What is our current order book? And regarding the shipments you just mentioned that how are the I mean the freight rates have gone up or insurance rates and I mean are we doing FOB billing or is it CNF? How is it?

Anurag Soni: Right. So, see, as far as the order book is concerned, so across our segments and divisions, I would say that our order book is anywhere between 50 to 70 days. So, we have a healthy order book that is in place. Secondly, as far as the export shipments are concerned, I think about majority, at least two-third or maybe even more of our exports are on FOB basis.

And any new bookings that we are doing today that are on where the freight is borne by us is actually factoring today's freight costs. So maybe some orders, some old orders, we'll have to bear some losses on the freights. But it is again not very significant and material.

Kamal Jeswani: Okay. And second question regarding the UK FTA you had mentioned in the presentation, have the benefits of this started flowing to us already or it is still in the pipeline?

Anurag Soni: No, I think this is still under process. So, we do feel that this is going to be beneficial in general for the Indian textile industry. But I think it is still the benefits will still take time.

Kamal Jeswani: Okay, got it. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Vikram Tugar, an Individual Investor. Please go ahead.

Vikram Tugar: Good afternoon and congratulations for an excellent number.

Anurag Soni: Thank you.

Vikram Tugar: Okay. Sir, I have a couple of questions. So, I'll just quickly go through them. Is that you were saying you are going to invest in you know, extra capacity utilization. So where would that go? I mean garments you already have a lot of capacity. So, is it going to be in garments or you would probably think of value addition somewhere else?

Anurag Soni: See, again, I would say that any kind of capacity addition or new capex plans are still under discussion. I can tell you that the theme that we are working on is energy, more having our own security on raw materials. And capacity additions, we will have some kind of capacity additions planned for all the segments except not really garments because that we are still at 49%. So that is something that there is room there.

However, garments for our denim business or the PV fabric business, there is some kind of thoughts on that, that should we try with smaller capacities and look at that. So that is still under discussions. Apart from that, capacity additions will come across all our segments, but we are not looking at some big additions or greenfield projects. Maybe some kind of additions in our existing plants wherever whatever is possible. The evaluation is on. So, as I have something concrete, I will come back on that.

Vikram Tugar: Sure. Sir, I have another question regarding garments. You have a lot of PLI in this garment scheme, but I do not see any other income. So, you are -- you were eligible for a garment if you had incremental turnover. And since you are going for incremental turnover, do we see any kind of PLI benefit coming in the next two years? Because 2024, '25 probably because

incremental turnover was not there, that is not showing in your I am not seeing it in the other income or...

Anurag Soni: Right. See, actually getting the benefits of the of the scheme that we are part of is, that there are some complications there. However, see, we are not really factoring in any benefits that may flow from that front. If anything comes in, it is great. But our business model is based like we are not really considering PLI incentives in any of our daily workings or operations. So, we want to increase the utilization anyway, with or without PLI. So, there will be growth there. If any kind of benefits kick in, it is great. Otherwise, there is no plan on that or...

Vikram Tugar: I understand it is like a bonus that comes in. But I'm just wondering because 2024, '25 and your incremental capacity is going up, so probably you would be eligible, right? And if that is so, how much would that be?

Anurag Soni: See, I think...

Vikram Tugar: I understand it won't come, it might or might not come, but...

Anurag Soni: Right. So no, then if anything like that comes, we'll just consider it as a one-time gain, right? So, let's not really put a number to that.

Vikram Tugar: Would it be substantial like INR200 crores, INR300 crores?

Anurag Soni: No, nothing like that. INR200 crores, INR300 crores how it will happen? Here it is INR100 crores turnover.

Vikram Tugar: Okay, sir, the other thing that I wanted to understand is that I am into real estate. So, I saw a real estate development, Sangam India on the Ajmer Road. In the next two years, some project of INR400 crores, you probably would have got the land. Is that in Sangam India or it is in some other promoter entity?

Anurag Soni: No, no, it is not, it has got nothing to do with Sangam India. That is a separate entity altogether. Nothing to do with this business.

Vikram Tugar: Okay, okay. Your name as Sangam India was mentioned there. So, I am just wondering if there is any project coming.

Anurag Soni: I would not say, I do not think Sangam India would be mentioned. Maybe Sangam, there will be something else. No, it is nothing to do with this company.

Vikram Tugar: I understand. No, it is just clarified, sir. No problem. Yes. Sir, I have one more this thing that your inventory is not 80 days. I mean like your inventory, you are revolving money very fast. Where do you think, is there any scope for further reduction there?

Anurag Soni: See, I think we've worked a lot on reducing our inventory on the finished goods sides. The reporting normally happens with overall inventory. So, we've kind of ramped up inventory on the raw material side. Finished good inventories are I think at very controllable levels. So, I do not see a lot of inventory numbers going down from here.

There may be some work that can be further done on the debtor side. I think our debtor numbers are still elevated in terms of number of days compared to two years ago. So, that is something that that would be a focus area in the coming year. So, we'll probably work on that number coming down. But inventory side, I do not see a lot of downside there.

Vikram Tugar: I think I get everything. So, I have just one more question is that if I were to ask you between energy savings and your garment volume scale up and your realization management, which would you think will really be the earnings driver for 2027?

Anurag Soni: See, energy is actually just plug and play, right? So as and when plants get commissioned, the EBITDA starts flowing from day one. So that is something that is just you just have to say yes to the capex, right? So that is the easiest part. Everything else is something that we work for when we come to office every day. So, both things are actually independent of each other. I think I would imagine that we would have improvements on both sides.

Vikram Tugar: Great, sir. Thank you so much. Have a great year ahead. Thank you so much.

Anurag Soni: Thank you.

Moderator: Our next question comes from the line of Madhur Rathi from Counter Cyclical Investment as a follow-up question. Please go ahead.

Madhur Rathi: Sir, thank you for the opportunity once again. Sir, what is the realization premium that we get on the yarns manufactured through recycled raw material?

Anurag Soni: No, I would not say that there is any kind of premium that comes on that. It is probably a good-to-have ESG initiative on that front. So, it helps you to sell better. But there is no premium on the pricing that you get because of that.

See, again, India domestically is a price-sensitive market. So, it is hard to actually imagine that you would get a premium for any ESG initiatives in the domestic market. Probably there are some European markets that would pay a premium for that. But again, the volumes there are not that high as what we do domestically.

Moderator: Thank you. Our next question comes from the line of Vikas Gadak, an Individual Investor. Please go ahead.

Vikas Gadak: Hi. Thanks for the opportunity. I just wanted to ask like what percent of the company's revenue contribution comes from the cotton yarn business? And considering India is spinning one of the cheapest cotton in the world, has that contribution increased in this quarter? And have we also experienced blend shift from polyester to cotton in overall scheme of things?

Anurag Soni: So, what percentage of our revenue comes from the cotton yarn? See, about 50% of our revenue comes from the yarn business. And about I think we have an even mix of cotton and PV there. So, you could I think it will be a number around 25% of the total revenue comes from the cotton yarn business. I would say that. As far as the shift between PV and cotton are

concerned, see, they are two very distinct markets and I think both are coexisting for a long period of time.

So, we do not really see it from that point of view that see, we have both products in our portfolio and we have teams that work on selling products from both segments. So no, I would not read too much into that shift from PV or to cotton or vice versa.

Vikas Gadak: Okay. And just one last question from my end. Like what is the cotton inventory the company is carrying? I mean, what is the coverage ratio if I want to know?

Anurag Soni: For raw materials?

Vikas Gadak: Yes. I mean, how much cotton inventory is company holding?

Anurag Soni: See, in general, I think what we are focusing right now is that because there is an inflationary move in prices and so we are not across all our divisions, not just cotton. We are, we have more coverage of raw material than the finished good orders in hand. So, we are working on that strategy as of now. But see, any of these calls are probably limited to 10, 15 days or maximum 30 days additional inventory in hand.

So, we do not really work too much on gains from that front that stock for a higher number of days or taking calls on inventory because it can actually work both ways. So as of now, because of the inflationary nature of prices, across all our divisions, we are more covered on raw material than orders of finished goods in hand.

Vikas Gadak: Okay, okay. And how much of cotton yarn is sold in forward contracts? I mean for how many months if I want to ask one last question?

Anurag Soni: They are not forward contracts. It is I would say that I think the question you're trying to ask is the order book for cotton yarn. Is that right?

Vikas Gadak: Right, right.

Anurag Soni: Right. Okay. So, order book again, I mentioned earlier that across all our segments, we have an order book between 50 to 70 days. So again, cotton would be somewhere there.

Vikas Gadak: Okay. Thanks. Thanks.

Anurag Soni: Thank you.

Moderator: Thank you. Our next question comes from the line of Avinash Nahata from Parami Financial Services. Please go ahead.

Avinash Nahata: Okay. Can you specifically talk about from the start of the year till the end of the year and into the new financial year about spreads in absolute both for synthetic as well as cotton? Cotton yarn spreads as well as for synthetic. How where we were at the start of the year, how did we end and into the new fiscal adjusted for one-time gains if any?

Anurag Soni: So first and foremost, I think we will say that from the start of the year or to now, see, I do not have the specific answer to your question regarding the yarn spreads movement from quarter-to-quarter. But I would say what we have done at the company level is that from Q1 to Q4 and or moving into the new financial year, across both cotton or PV side, we have we are working on a on a product mix continuously that that is yielding better contribution margins to the company.

We are working on our bill of material costs for all the products that we make that can we have any kind of alternate raw materials or cheaper alternatives to improve margins. We have improved our capacity utilizations; operations are more efficient across divisions. So, I would probably talk more on that.

And as far as any kind of movement in yarn spreads are concerned or one-time inventory gains, I've mentioned that earlier as well on the call that no, there are no one-time inventory gains in the last quarter. So, the margin improvement is due to better capacity utilizations and operational efficiencies.

Avinash Nahata: Yes, directionally I understand, but if you can talk about specific numbers on a per kg basis?

Anurag Soni: I do not have that handy now. I'm sorry.

Avinash Nahata: Okay. Thanks a lot, and all the very best.

Anurag Soni: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to the time constraint, that was the last question for today. I would like to hand the conference over to Mr. Anurag Soni for the closing remarks. Thank you and over to you, sir.

Anurag Soni: Well, I thank everyone for joining the call today. And I hope I've been able to answer all questions to your satisfaction. Thank you again for your time. Thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.