SWARAJ SUITING LIMITED

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Date: 12/06/2024

To,
The Manager
Listing & Compliance Department,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex, Bandra,
Mumbai- 400051.

Company Symbol: **SWARAJ** Series: **SM** ISIN: **INE0GMR01016**

Dear Sir/Madam,

Sub.: **Transcript of the H2 & FY24 Post Earnings Conference Call held on June 06, 2024**

In continuation of our letter dated June 03, 2024, June 06, 2024 and pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirement), Regulation, 2015, the transcript of the H2 & FY24 Post Earnings Conference Call held on June 06, 2024 is attached and also available on the Company's website at https://www.swarajsuiting.com/investor-meet-update.

Kindly take the same on record.

Thanking You,

Yours Faithfully,
For Swaraj Suiting Limited
Rahul Kumar Verma
Digitally signed by Rahul Kumar Verma
Date: 2024.06.12 13:35:25 +05'30'
Rahul Kumar Verma
Company Secretary and Compliance Officer

Encl.: as above

SWARAJ SUITING LIMITED

H2 & FY24

POST EARNINGS CONFERENCE CALL

June 6, 2024 01:00 PM IST

Management Team

Mr. Nasir Khan - Whole Time Director
Mr. Prakash C Jain - Chief Financial Officer

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the H2 and FY'24 Post Earnings Conference Call of Swaraj Suitings Limited. Today on the call from the management, we have with us Mr. Nasir Khan, Executive Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to run us through the investor presentation for the half year and FY'24 and share with us the business highlights, post which we will open the floor for Q&A. Over to you, Nasir.

Nasir Khan: Thank you, Vinay. Good afternoon, everyone, and welcome to the first con call of Swaraj Suiting Limited. So I'll start by explaining the company, what the company does and what are the USPs of the company. Swaraj Suiting Limited was basically incorporated in 2003, as a composite textile manufacturing as a trading mill that then got into manufacturing. So we are basically into manufacturing of denim fabric, non-denim fabric, and yarn, which are the facilities we will be starting now. And so basically, the company is currently engaged in yarn dyeing of denim. We have process in denim dyeing. So first one is yarn warping, second is yarn dyeing, third is weaving, fourth is processing, and fifth is finishing of fabric and developments.

So, I'm glad to tell everyone that, we are one of the fastest growing denim mills in the country with one of the highest rates in product developments. So we've developed numerous products, and we have achieved the success rate of around 50% to 60% developments in the market. So we are growing our market also very rapidly. And we will be commencing our new plant soon.

So firstly, as the results are out, and I hope everyone has gone through the results, I'll first start by going through the results. So, as the year closed, we achieved the revenue of around ₹325 crores with a Y-o-Y growth of estimated 46%. Our EBITDA closed at ₹39.7 crores, at around 69.2% growth. Our PAT margin was impact in crores was around at ₹18.2 crores with a growth of 228.6%. So, all this growth in the main reason why the EBITDA margins and PAT increased was due to last year being the first year that a new plant in Neemuch that was commenced in 2022 than a full-year.

So if you compare the H1 figures of FY'23 to H1 figures of FY'24, it will have a large difference due to the plant starting in H2 of FY'23. So that was the main reason of the incremental in revenue and increase in EBITDA and the profit margins. Also, I would like to tell everyone about achievements that we achieved last year. We entered Madhya Pradesh in 2020-'21, and we were awarded the award of Pride of Madhya Pradesh last year along with the award of Asia Excellence Awards from Madhya Pradesh itself, that'll be awarded to us this month.

In textile industry, we will be one of the few companies in India that is in the final stage of obtaining BSI certificates of numerous ISO and SA8000 along with many textile certification that will in total be a certification basket of around 10 to 11 certificates, which will help us in doing exports, plus help us in reaching a new markets that mainly work with PAT, that are mainly concentrated on brands.

And, along with that, I would like to tell you about that expansion that we're doing right now. So the current capacity that we're running on before the capacity, the new expansion is that around 1.8 crore metres per annum. So I'm talking about finished fabric capacity of denim fabrics. So the new plant that we're installing is the first expansion in denim . Our expansion will lead to increase of capacity of around 72 lakh metres from 1.8 crore metre per annum to 2.52 crore per annum. Expansion in non-denim, so we are entering non-denim segment also right now, which will lead to enhancement of capacity from 0 to 1.8 crore metres per annum.

Our expansion in yarn that will be commencing in October 2024 will lead to a new capacity of 21 tonnes per day. And we are also installing an air-jet unit of 72 looms that will solely be used for in-house use that will reduce our operating cost, and which we are dependent on outsourcing right now. Apart from the plans that we already have, we need to outsource our fabric through job work. So we'll be diverting it to our in-house plants. That will increase our EBITDA margins plus profits and plus revenues.

So the denim plant, the non-denim plant, and the weaving plant is estimated to be commenced in this month itself. And we're targeting a good revenue growth from Q2 of this financial year. So …after this expansion, it is completed. Apart from garmenting and ginning, we'll be having every aspect of textile industry from spinning to fine fabric. And along with that, I'd be happy to tell you that right now, we are installing a small garment division, which is a very small garment division. So that will be converting our wastage. So when we finish a particular set in denim and when we dye it, so basically there's 92% to 93% finished fresh fabric, and the rest 7% to 8% is going to wastage. So, we target to convert around 4% to 5% of that wastage into garments to increase the margins in that too. So that is a new thing we're coming up in. That is a very good R&D.

Our research and development team is now concentrating on export division itself, and it is now concentrating on after the certification that we're targeting, it will achieve a very good basket of developments in non-denim and denim segments, which will cause a target of 2,500 sample developments, which we are at right now at 1,600. Right now, due to the elections the market was a little down in textiles. But as the market is starting to pick up again right now, and we hope in the next 10, 15 days the dispatch will be in the normal criteria.

And our capacity utilisation for the last year, we did not slowdown in any capacity. And right now, also in the past two months of April, May compared to the other players, we were running a 100% capacity. We have an order book that is enough to fulfil the expansion market also. So these are the figures for the expansion, after expansion, the following FY'25 estimated figures for production, the installed capacity is 25.2 million metres for numeric denim fabric. For cotton fabric, it's 18 million metres and for cotton yarn it's 7,296 tonnes.

And apart from that, it is grey fabric that will be huge in house. It's on the next slide. The weaving plant that you're installing. It's the grey fabric. So the total plant of 13.55 million , 9 million plus 9 million. All this will be used for in house consumption only and will help us reduce the dependency of our job work of our grey fabric weaving through job work.

Next slide. So basically, this vertical integration will help us achieve approximately after all the expansions are completed and after completing expansions, we Swaraj has a tie up with the government for numerous subsidies and everything. But Swaraj will start receiving subsidies after the COD of weaving denim and non-denim plant. So after the commercial production of this plant has started, we hope to start receiving subsidy from the next quarter itself, which will have a huge impact on our balance sheet. That will help us to improve our margins alongside with the expansion that were coming that can reduce our operating costs.

So, we are targeting, so basically, when we close the 325 crores right now, we're targeting a good revenue growth of around 100% this year with a good improvement in margin right now is around 5.6%, 5.7%. We target to improve it by 1% this year.

Vinay Pandit: We have the financials after this, which you've already spoken.

Nasir Khan: Yes.

Vinay Pandit: Specifically, you would like to talk about or we can move to Q&A?

Nasir Khan: I think we can move to Q&A. Anything I'm missing?

Question-and-Answer Session

Moderator: Participants who wish to ask a question may use the option of raise hand. If you're unable to do that, you can send us your questions on chat, and we'll ask on your behalf, or we invite you to ask your questions.

We'll take the first question from Pawan Kumar. Pawan, you can go ahead, please.

Pawan Kumar: Thank you for the opportunity. As you alluded that already you have a quite a healthy order book. Can you give more details about that like?

Nasir Khan: Basically, I can. So the order book is something that we cannot disclose like this. But right now, I can tell you this. We have a healthy order book of around two months. So we have a capacity of 50 lakh metres right now. And along with the developments we have an estimated order book of 35 lakh metres right now with the clients like Marks & Spencer, H&M, and numerous clients like this along with the domestic clients. So it includes domestic orders also as well as the export orders also.

Pawan Kumar: Okay. And have you added some new clients or new brands?

Nasir Khan: Yes. So maybe we can go to the brands page. We have our investor presentation, which we have mentioned the brands that we tied up with recently. So we have started working with all these brands recently, and we've tied up with Reliance and ZARA. And these are the few players that we've tied up with and which we can disclose right now. And these are all new players. And so we were into manufacturing of grey fabric before manufacturing finished fabric for the past 10 years. So we started manufacturing finished fabric one and a half years ago only. But after seeing our developments, our standards that we follow along with all the efforts that my team put. So, we are one of the youngest player to supply denim to these players due to our developments and our team efforts and the way we operate to reduce our costings.

Pawan Kumar: Okay. And can you just elaborate what sort of tie up you have with this brand? Is it long-term, or is it again season-to-season?

Nasir Khan: In textile industry, there is no long-term tie up like this. That you have a written tie up of 10 lakh metres per month. There's no long-term tie up in textile industries. It is a job work then. So it all depends on the price variations and all the developments that we're doing. Due to the fast fashion industry that is growing right now, we have to keep developing. We have to provide them with numerous development, and we have to provide them a reasonable costing for that in which we maintain higher profit margins also along with providing them the best market price in the new developments.

Pawan Kumar: And how long you're working with these clients, some sense of that?

Nasir Khan: Basically, all our clients it's been, so once a client we have a repeated order from 90% of our clients, we get repeated orders. And one more thing I would like to tell you is we have had 0% rejection rate. Zero metres of fabric has been rejected by our clients and has been returned to us from the year we started.

Pawan Kumar: And you have mentioned in one of the slide that you are going for a ₹500 crore roughly expansion.

Nasir Khan: So, basically, so expansion that we're talking about, expansion is coming in denim, that'll enhance the capacity from 1.8 crores to 2.52 crores. It is coming in, basically, it is coming in non-denim of 1.8 crores. Non-denim and denim are basically a bother and sister. The client base for both the segments has the same. The yarn, that we're getting to yarn, 21 tonnes of yarn can be consumed in-house also, plus it can be sold out separately, also depending on the market conditions. And alongside with that, we're installing 72 air- jet looms.

Pawan Kumar: And you mentioned that you have got some new credentials, maybe from Madhya Pradesh and from other places?

Nasir Khan: Yes..yes..yes

Pawan Kumar: So can you elaborate how we are differentiating ourselves with our peers?

Nasir Khan: So, basically, I'll tell you this. The first thing that we're differentiating is the costing that we provide to our customers, in the developments that we do. And that is one of the USPs that we work on. The development team we have plus the way we use our technology to reduce the costing. It helps us provide the best development and the best quality at a very reasonable cost even after maintaining our profit margins. It includes the purchase, the raw material purchase. What kind of raw material purchase we do? It includes how we dye our yarn. It includes how we warp our yarn, how we weave our yarn. And how we finish our fabric. So the strength of the company lies in the technology plus the employees, plus the determination of everyone the company is working with.

Pawan Kumar: Thank you for answering all these questions. All the best. Thank you.

Nasir Khan: Thank you.

Moderator: Thanks, Pawan. We will take the next question from Chirag Jain. Chirag, you can go ahead.

Chirag Jain: Yeah, hi. Thanks for the opportunity. So continuing from the previous participant questions. So first question was the execution time period for the order book that you mentioned 35 lakh metre. What is the execution time for that?

Nasir Khan: So, basically what happens is I'll tell you an example. In exports, the main thing in exports is how fast you can get the fabric, and can you get the fabric in the timeline that they've mentioned? So right now, we're targeting export markets, and we're increasing our exports from, we're targeting export sale from 0% of revenue with 3% to 4% of revenue last year to around 30% to 40% of our revenue this year. So the main thing in export is, achieving the timeline that the brand gives us.

So if I'm working with a particular brand such as ZARA or, Steve Jeans or something like that, so I give them us a developments. And then they give me a particular timeline that, can you give this fabric in the next 25 days? So the main advantage that we will have after achieving the capacity expansion is that we lose order. We lose more than 5 lakh to 7 lakh metres of orders every month due to unavailability of capacity and unable to provide that fabric on time.

So this will help us provide the fabric on time. And one more thing is, so even right now, we work on basis in which we do stock fabric, but the stock that we have is already sold.

Chirag Jain: Okay. So, just first on the export margins. So how much margins do they have?

Nasir Khan: Basically, if I talk about, if I compare from domestic to export, I can only compare from domestic. So if a margin in domestic is around 5%, then I'll anyhow achieve more margin of around 0.7% to 1% in exports fabric, if I target the right customers and if I can provide the fabric on time. So basically, there are three things in this industry. And they are the three segments. So the first segment is a trader, second is brands, and third is garmenters. It includes both exports and domestic. I'm not, defining it, but there are three types of purchasers of fabric. So the traders give us the top line. The brands and the garmenters give us the bottom line.

Chirag Jain: So how much would be…

Nasir Khan: So, basically, if you talk about this, so around 40% to 50% of our revenue is right from traders, 25% from garmenters, 25% from cutters from brands. So, we are targeting to shift the capacity that is with traders to export. That'll help us improve our margins more. So the certifications that we're getting right now, they're very expensive certifications that we're getting, but these certificates will help us go a long way in export.

Chirag Jain: Okay, understood. So what kind of specification except for the ISO that you mentioned? What are the other specifications?

Nasir Khan: GOTS, GRS, ORS and numerous from Control Union that is there. Plus, we'll be getting, Worldly. There's a website called Worldly that helps us get into brands. Basically, we have to give our sustainability numbers, our wastage discharges, our electricity consumption, and how we provide employment, everything. And how do we use our profits to help the environment. There's numerous things and there's thing called Worldly, it helps, the brands needs for us to get them. It discloses the company's basic sustainability goal.

So we're targeting to go there. For a company of our size, it is very difficult to provide that, but we are very close to providing that. And for a company for our size to get these ISO certificate from BSI also is very tough. Getting an ISO certificate is easy. But getting it from BSI, which is one of the most renowned ISO provider in the country, it is very difficult along with SA8000.

Chirag Jain: Okay. So that's an interesting part that's available with you. So how many players in India would be having that type of certification that you have?

Nasir Khan: I cannot tell you exactly, but in the region that we work in right now, I only know a few players roughly around three to four players that have these certifications because these certifications are very hard to get. Because you have to construct your industry in that way that you can get the certifications. You can't construct an industry and you can't build an industry and then ask for certifications, if you can't comply with the standards of that certification.

Chirag Jain: So what was I trying to understand that for example, ZARA wants to buy from Indian supplier, okay. So would it be mandatory to have those certifications in order to have ZARA buy?

Nasir Khan: So it depends on brand-to-brand, plus it depends on order-to-order. So there are numerous things like if I talk about BCI. So BCI is basically better cotton initiative that we work on. So brands usually, like if they're giving us an order of 1 lakh metres, they would want 30,000 to 40,000 metres of fabric to be processed through the certifications like BSI, BCI, and through SA8000 and all that. Plus the 50%, 60% would accompany it by providing these 40%. So if I have these certifications, I can get the 1 lakh metre order. If I don't have a certificate, we need these certificates for 40,000 metres. But along with that 40,000 metres, we can get an order of 1 lakh metre due to this.

Chirag Jain: So I think we would be getting additional margins on the…

Nasir Khan: Yes, exactly. It would impact our margins also. Along our margins would also be impacted by the, like the financial cost will be impacted by the starting of our interest subsidy now. So basically, if you are paying full interest till now. But as our plant commences right now, we'll be starting to get that also.

Chirag Jain: Okay. So, the certifications, I mean, that we get are from plant-to-plant, or is it for the whole company?

Nasir Khan: Whole, we have taken for every plant. It's plant-to-plant, but we have taken for every plant.

Chirag Jain: So that is why we are seeing a shortage of fulfilment orders.

Nasir Khan: Yes. That is why also plus our developments. So, if any day you come to our industry, I'll make you visit the industry and how we're developing new kinds of fabric that are totally different from the market. So our research team, we have a research team of around six to 10 people, which are the best in the industry. I'll make you meet them also. So how they construct the fabric in such a way so, basically, there are two things in setting a fabric.

Firstly, you have to have a good quality, plus you have to have a reasonable cost also. You can't make a good quality fabric with a higher cost. The brands won't buy it. So you have to make a fabric that has a reasonable rate plus profit margins, plus a new development. New and quality development.

Chirag Jain: So that's interesting part. So next question comes to costing part that you mentioned. As we meet our margins in the range of 6% to 7%, okay? And on the other side, we need to replace our machines in order to stay competitive on the cost. So I assume that in approximately 10 years of time, the textile industry machines would get cost obsolete in terms of competition. So how are we targeting to hit on that part? Because on 5% to 6% margins, we won't be able to cope up on returns. So, how do you see that?

Nasir Khan: So, basically, if I talk about this, so we're talking about 10 to 15 years. So, basically, a life expectancy of the plant that we've installed right now. It is a future plan. So we will install everything four years, five years ahead of us. Even if we talk about the width of the looms, the current running looms in industry is 230 centimetres. We've installed 250 centimetres, which is three to four years ahead of the competition right now. We invest a little more right now in technology depend -- that will help us sustain this plant for longer run.

Along with that, we always believe in providing the best like, getting the best output out of the current machineries that we have. So we started this plant in 2011-12, the first plant that we installed of Air-Jet division. We're still running those machines at 90% of efficiency right now, and the machine will, no doubtedly run for additional five to six years. So the kind of maintenance we do, the kind of product we run on the machines, it all depends on that.

Chirag Jain: So what's currently the expected life of the new machines that we have installed to remain cost competitive?

Nasir Khan: Yeah. It will be around 15 to 16 years. It will help us stay competitive because, these are the machines of future. No machines are obsolete or no machines are being installed by other players two or three years back. The machine that we're installing right now, the other competitors will be installing it after two, three years.

Chirag Jain: Okay. So the machines we install in 2012, those machines would be producing the general generic kind of thing that's sold to the traders.

Nasir Khan: No. It also manufactures the fabric that is sold to brands. Because they have been maintained in such a way, and the product that we can develop is similar to the products that the new machines can develop. Because we have been maintaining the machines in such a way.

Chirag Jain: So, don't our ROCE ratio would be affected due to that?

Nasir Khan: What ratio?

Chirag Jain: ROCE, return on capital.

Nasir Khan: Return on capital.

Chirag Jain: So for example, you employed 100 bucks, okay. You're earning only 5 to 7 bucks for 10 years, okay? So in total, you have earned 70 to 80 bucks only out of 100 invested. So how do you think on that part?

Nasir Khan: So basically, I've paid all the instalments. After paying all the instalments for the machine that I took, after repaying all the money, including debt and equity I'm talking about. So the instalments on the machines, right? The term loan that I take.. after repaying all the debts on the machine and taking off my margin, after repaying all those, then I earn 5% to 6%.

Chirag Jain: Okay. Fair enough. So, that's all I could…

Nasir Khan: Yes.

Chirag Jain: Okay. So what's our utilisation rates for the new machine that we have installed?

Nasir Khan: So the new machines that are already working right now or that will be starting this month?

Chirag Jain: That are working this month.

Nasir Khan: The machine that starting this month will have a, will achieve full capacity after three to four months, because there are numerous plants in the machines take time. And that can be seen in our H2 numbers also last in FY'23.

Chirag Jain: Yeah. And for the machines that wouldn't have been installed?

Nasir Khan: Basically, we are running at 100% capacity. We are running at the maximum capacity that we can put from the machine.

Chirag Jain: Next, one of the machinery part continuing on that. So why can't the competitor just bring the 250 centimetre machine and compete with you?

Nasir Khan: Basically, the competitor can install the same machine. So what defines a business is the vision of the company and its employees. Everyone can install any machines. If you have the abundant money, you can install the machines. But it is how you run the machine? How your team works with you? What vision you carry with the product that you make? And how do you work to provide the best to the customers after retaining everything that you have in retaining your profit?

So basically, there are numerous textile companies. And not all of them are running a 100% capacity. But why are we running a 100% capacity? The reason is that the development, the kind of hard work we put in the development, the kind of hard work our team puts in reducing the costing of on every aspect, whether it'd be the wastage that comes out like, if you manufacture 100 metres fabric, the competition is producing a basis of 11 metres or 12 metres and producing a basis of 6 to 7 metres. So a small, small elimination of costing in every stage helps us grow.

Chirag Jain: Okay. Last question before I get back in the queue. How much of our raw material is for cotton, and how much percentage of the polyester used?

Nasir Khan: So, basically, 60% to 70% is a cotton, and 30% to 40% is textiles.

Chirag Jain: So 60% is cotton?

Nasir Khan: Yes. 60% to 70% is cotton.

Chirag Jain: Okay. So what is the cotton price outlook for the year for you?

Nasir Khan: So basically what happens is, right now, it is stable right now. Not so much variations are coming in. And how do we mitigate the costing? I'll tell you. It's a very interesting part. So, when we sell the fabric to a customer, we take the current rate of the yarn. We book the yarn on the current date, and then we sell the fabric. So we mitigate the variation of raw material there. And also, even if we talk about purchasing cotton, we have one of the best buyings in the industry right now.

So if you compare the raw material rates, whenever you visit our plant, I'll show you to them that how we are competing with others by buying the raw material at such a rate with the best quality that no one else can compete with our buying.

Chirag Jain: Okay. Fair enough. Understood. Also some on that spindle parts, that spindle capacity function you are doing. So we -- that would mean that we would be buying cotton bales from the market.

Nasir Khan: Yes. So, basically 25,000 spindles, we're installing right now.

Chirag Jain: So we would be much more integrated and much more higher market.

Nasir Khan: We'll have the first hand in developments. So, basically, if I want to develop a product, I'll have to wait for the spinning mill. We'll have to request them. We'll have to ask them to may match our costing in that development. Because, everyone want to earn profit. No one gives any product for free. And our developments will be much easier if we have in-house spinning. We can play with yarn. We can play with costing. And we can improve our margins along with that. So it will be totally integrated unit from cotton to finished fabric.

Chirag Jain: So we won't be installing any polyester spindle?

Nasir Khan: No. That is not see, right now, the main aspect is cotton right now. Polyester spinning will be installed after two or three years after seeing the market.

Chirag Jain: Thanks. That's so helpful, and would definitely like to visit your plant because…

Nasir Khan: Sure. Anytime, please. You're welcome.

Chirag Jain: Thanks. I'll get back in the queue.

Moderator: Yeah. We'll go to the next participant, Agastya. You can go ahead, please.

Agastya: Thank you for the opportunity, Vinay bhai. And Nasir ji, thank you very much for the opportunity as well. Let me lower the standards of the questions by asking a few very silly questions. If I go through your presentation on Slide 22, which is the CapEx for the slide. You say that you are doing two phases, right? And that total is 500 crores. And then in the subsequent slide, you have described the Phase I only, right?

Nasir Khan: Can you please go to the next slide?

Agastya: This is on Phase I, right? This in the next slide.

Nasir Khan: This is on Phase I and Phase II both. So basically, if you turn back the slide, if you go to the previous slide. You see Phase II is consisting of spindles, new Air-Jet looms, additional indigo dyeing and sizing lines, Cotton Process House. Phase I…

Agastya: Correct. Which is the 24th slide, right? All that the Phase II is 24th slide. Phase I is 23rd slide, right?

Nasir Khan: I'll explain to you, simply.

Agastya: Yes. Please do. Please do. Yes.

Nasir Khan: In a Very simple language, I will explain this. The plant that was commenced on 22, I was talking about that improved our revenues and profit margin is H2 '23.

Agastya: Yes.

Nasir Khan: That is Phase I. That was installation of…

Agastya: So Phase I is completely done?

Nasir Khan: Yes. It has been in operation from the past year. All the revenues and the profits have already been infused in the last financial year.

Agastya: Perfect.

Nasir Khan: Phase I. Now if we talk about Phase II, can you please go to next slide? So FY '24-'25 estimated. So basically, the 19.76 finished fabric metres. So you'll see the utilisation percent at 42% here. So the plant was commenced up to seven months. So that's why the utilisation percent of that particular Phase I was low. The same utilisation percent is 90% in FY'24.

Agastya: Okay. So now that this I've clarified, my question is that if you start at FY'22 end/or let's say FY'23 just after the Phase 1 was starting, like starting commercial production, can you bridge a margin bridge for us between then and FY'25? My question is that in this business, there is so much volatility in spreads. So because…

Nasir Khan: We maintain the margins.

Agastya: Not just maintaining the margins. Because the way so much has been added by you guys in terms of capacity and capability, can you just tell me on a like-to-like basis, how has individual margins move not just for product segments, but also in various steps? There are multiple steps in production, right? In every step how things are being done, and in denim overnight extra capacity comes in. And from deficit to surplus, it moves within a month.

And the margins get compressed. So if you can give some understanding as to how margins have moved, taking what is the current demand supply situation macro. So I understood everything that you said about your company, but on macro basis, domestically and internationally, what is it? And a little bit…. in your future, you said that you will improve your margins by a 100 to 150 basis points.

I get the logic behind that. But let's say if there is a downturn in the Denim market. Although it seems that the -- we are closer to the recovery rather than to the next downturn. But let's say the next time whenever there is a downturn, how much do you think, what percentage of your business is really vulnerable to cyclical change in the commodity aspect of the business? And what percentage of your business or which segments are more stable because of the various initiatives that you have just described in terms of adding new clients and new capabilities? So that is my question.

Nasir Khan: So firstly, I'll start by telling you that this expansion that we took this wasn't just our 3 year hardwork, it took us 25 years to come to a place which we are confident enough to invest in this. Because, they gave, the project that we came up with, we invested so much money of ours that we had to be confident for this.

Our IPO was of merely ₹10 crores, ₹11 crores that then when we came up with IPO. So, compared to the project size, that was very, very, negligible. I'll tell you the whole story of our company first, then I will tell you how we will do it. So, basically, in 2000 we started in Denim and cotton industry. We started working in 2011, '12. So the first company that worked with us was Arvind Limited and Arvind International. And they were pioneers in Denim that time. I would not know it right now, but they were pioneers in Denim that time. And the companies that gave Denim a brand that that you can sell Denim finished fabric also. Before that, Raymond's was there that used to only sell PV fabric. It was not in Denim.

And Raymond could not ever, Raymond could never achieve the thing that Arvind Denim achieved. So, basically, we started working in Arvind in 2012. And for the next eight years till 2019, 2020 around, we work with Arvind in such a way in which it taught us how Denim is made, how you can achieve the best quality with lowest cost thing, how you supply to a brand. Because Arvind, usually had brands coming to our factory and to our industry and explain how they work and how different, how do they need a company to different, and what all they do they need from a company to start them, like to start working with them.

So it took us eight to nine years to first research and then expand a little bit job weaving only and then learn. Then after getting into job work, we transfer it to purchasing and selling off grey fabric. So we started manufacturing grey fabric. Grey fabric is nothing else, but we already had a industry. We purchased our own yarn. We made it dyed or we made it grey. We weaved it, and then we sold it to the customers.

So, basically, there was a year in which our revenue grow from ₹59 crores, ₹60 crores to ₹129 crores. So that was the year in which we transferred our capacity from job work manufacturing to grey fabric manufacturing. So that was the first time we understood how a purchase is done and how do we -- and if we manufacture the fabric in such a way that we've been manufacturing from the past 10 years, do how -- what kind of market response do we get?

And the market response was really good, and the profit percentage in in terms of percent decreased that time, due to our transfer from job work manufacturing to grey fabric manufacturing. Our raw material consumption increased drastically, and the profit in absolute terms increased. And then we learned that we can sell finished fabric after having success rating in grey fabric. Then we installed a first plant in Neemuch, Madhya Pradesh for Denim industry. And then we started manufacturing Denim.

So the first five, six months were we stabilised our plants. We bought our customers. We designed a sales route or a sales team and sales -- we designed a sales team in such a way that how can we achieve the maximum sales and minimum stock time? And even if we stock the fabric, it has to be sold. So we maintain that perspective with us. Now, if we talk about this, how do we differentiate ourselves from others? So basically, how we differentiate ourselves with others how we work. I mean, our 15 years of experience, we had -- We put our whole team -- our team which is there, one of the most experienced in denim. So our team devoted all its time to how do we develop the best products, and how do we reduce the costing? It is one of the main aspects, because there you can develop numerous products. You can develop unlimited kind of products, but achieving a rate of 60%, success rate of 1,600 samples that we develop. We develop 1,600 samples that that will transfer to an estimated 16,000 different type of jeans.

So if you develop that many jeans, and you achieve 50% to 60% success rate in product development. That is a very good sign for a company that is going right now and along with providing the best rates. And if we talk about capacity expansion, what was the next question? I forgot.

Agastya: The margins.

Nasir Khan: The margins if I talk about.

Agastya: The commodity part of the business, the margins would be…

Nasir Khan: The commodity part of the business.

Agastya: When you're fully done. So I have a simpler way of asking that question. When you're fully done with your expansion, what percentage of your EBITDA, whatever be that EBITDA, what percentage of your EBITDA will be vulnerable to commodity case swings, and what percentage of your EBITDA will be relatively stable because all these initiatives that you have taken?

Nasir Khan: If I think, all the incentives that we'll be getting, it will be a different thing altogether. Because, if I take all the incentives that I'll be getting along with the, so I'll give you one example of power rate. So the power rate that we get in Rajasthan, and in MP also we have high power rate, but the power rate that has been offered to us. I'll personally share it with you, but that itself makes a huge difference, because we'll have a consumption of around 1,50,000 units per day after starting of all the plants. And that will impact, that will give us a return of estimatedly , it will make an impact on our balance sheet of minimum 5.5 Cr to 6 Cr, if I compare to the existing units.

Agastya: For the full capacity. Okay. That's interesting.

Nasir Khan: Yes, for the full capacity. And this is just one thing. So, if I talk about, we never incorporate raw material. We never incorporate our incentives in the balance sheets or the figures that we give you due to because, even if there's a volatility in the raw material prices, we can mitigate it by the incentives. So even if we talk about EBITDA margins, if our PAT margins, the PAT margin, EBITDA margins are very less likely to be impacted due to our incentives minimising the impacts.

Agastya: Got it. One final question. These are like number questions. What would be the peak depreciation for you post all the expansions?

Nasir Khan: I expect it to be around ₹23 crores, ₹24 crores, I guess peak, if I talk about.

Agastya: ₹23 crores.

Nasir Khan: ₹23 crores, ₹24 crores. I will have to take a look, I think ₹23 crores, ₹24 crores will come.

Agastya: Okay, good. And final question, I think either your opening commentary or to answer to one of the questions, you mentioned that your margins were like 5%, and it will go to 6%. I don't know whether

I understood it correctly or not, misheard it. I do not know. You mentioned something at 5%. But when I look at your numbers, I was a bit surprised, because EBITDA margins are slightly higher, right? So you said 5% for something. I don't know whether there was margins or something else?

Nasir Khan: PAT margins.

Agastya: Even if it is PAT and numbers are higher, right, if I look at them.

Nasir Khan: I think its 5.7%.

Agastya: Okay, so you are not looking at H2. I was looking only at H2.

Nasir Khan: No, I was talking about FY'24.

Agastya: So maybe if I look at for the entire year, you were at five point some percent. You said it will go to 6%, but that would be below your H2 numbers, but that's wrong, right, your H2 will…

Nasir Khan: No, basically what happened was, if I talk about 6.5%, I'm talking about a conservative side right now. Our revenues will be doubling due to the capacity expansion. So FY'24, revenues and profits were from, so basically this was the full-year that we operate it on, and H1 in textile industry is very slow in every textile industry I talk about. What happens in H1, Eid and other things comes up, so all the products are slow.

Agastya: Understood. But your H2 EBITDA 13.5%, is that sustainable given the certification?

Nasir Khan: It is very sustainable for us. Basically I will tell you that when you visit the plant, and the kind of booking you see with us, because defining something in the books is a different thing. And when you see it with your own eyes and, when you see it how we work then you will see that this margin is also less.

Agastya: Great. Thank you very much, Nasir. I may have some questions. I'll get back to you through Vinay. Thank you very much. All the best. Thank you, Vinay.

Nasir Khan: Thank you.

Moderator: Thank you. We'll take the next question from Aathi. Aathi, you can go ahead.

Aathi: Thank you. You were saying about the certification which you have earned. Sorry, I haven't got that exactly. What is that certification is about?

Nasir Khan: So, basically, it's a BSI certification. BSI is a company that provide ISO certification.

Aathi: What type of ISO certification, if I may know?

Nasir Khan: 9000, 45000, 14000, SA8000.

Aathi: Okay. For QMS for…

Nasir Khan: Yes, if you want, I can share it with you. The certifications that in financial year getting. That's the number.

Aathi: Okay, perfect. Okay. All right. So now the second question, it is about the Vision 2026. So you have shown us some strategic initiatives. I have seen only one initiative, which is the integration part, right? Vertical integration.

Nasir Khan: We talked about in the presentation.

Aathi: Okay.

Nasir Khan: Can we open that in the presentation? Yes.

Aathi: So do you think, this one strategic initiative would suffice to achieve Vision 2026? Or is there any other initiatives that need to be taken to achieve your vission?

Nasir Khan: First of all, we have to, so basically the thing right now that we are targeting is we actually work on zero discharge right now. So if we are sustainable, if our growth is sustainable and if we implement the best systems. So right now, we are the first company in India to implement SAP, SAP S/4 HANA Cloud version, public cloud version in a textile composite mill. And that was one of the toughest implementation phase that we had in the past six, seven months.

But we implemented it successfully. And right now, we are at that stage that we have everything on our tips right now. Be it our developments, be it our consumptions, be it expense in units, electricity units, water consumption, anything. So basically, the Vision 2026 of our company is to minimise the costings and to increase the transparency that we have with our investors, with our bankers, with the employees of our company. And achieving the maximum capacity that we can take from the plants that we're installing.

Aathi: Got it. Thank you. And next, I have two more questions. The business plan 2024, you have explained to us. How we are positioned now? I understood from other members who have asked this question that, we will be doubling our revenues if it is planned as course, right.

Nasir Khan: Yes.

Aathi: So what other areas you're looking at to ensure we are on track and we'll be able to achieve what we're supposed to achieve as per the business plan?

Nasir Khan: So, basically, I'll tell you this one thing. We are including in a basket. So, basically, there's a basket of developments and PD sort that we offer to our customers. So we are implementing denim division plus non-denim division in our baskets right now, which will give a diverse portfolio to a basket, that the customer can purchase all the bottoms. Bottom fabric that it want from a single supplier.

Aathi: Okay.

Nasir Khan: And along with that, if I talk about the capacity that we have installed right now will decrease our utility costing, to like if in example, if I talk about costing is ₹30 right now, then our costing will be reduced ₹24. I'm giving you examples, the utility costing I'm talking about because we have installed the plant in the same utility. The plant that you have installed right now, denim division and of a non-denim division. It has been installed with the same utility that was in place for the two denim lines.

Aathi: I'm so sorry because I'm not from the textile industry. This question might be little naive. But tell me like, you were talking about the technology part from beginning, like which is helping you to evolve as well as to reduce the cost. What type of technology we are talking about here?

Nasir Khan: We're talking about technology in terms of the latest machineries that provide us the minimum wastage. So if you see all our machines, they are all the latest machines with the minimum wastage things. We've installed in every segment or every part of our industry, we've implemented lean manufacturing. We've implemented processes to minimise the costing. Like if we talk about a particular timeline, if I talk about a particular timeline. So when I'll purchase yarn, or when I'll be purchasing cotton.

So, we have defined a system in our industry that in a particular timeline, you have to get it done in this particular area, then we have to get it done in this particular area. And if it does not happen in that area, you'll have to give a particular reason for it. So these are the kind of initiatives our company and our employees are taking to provide the best usage of the machineries along with the maximum production that we can take. And in a way, it reduces the costing for the fabric also.

Aathi: Final question from my side. Thank you. And this machineries and the technologies that have been installed in the plants. Have you conducted any OT, operational technology audits or any cyber security audits because like we are hearing now and then about the cyberattacks that is concentrated on…?

Nasir Khan: Basically, if I talk about cyberattacks, so we have one of the most secure servers. SAP, we have a cloud server right now, the main reason for purchasing cloud server because we didn't want to install the private server in premises. So we installed, we purchased the cloud server version due to this issue only that we want our company to have the maximum security. All the securities are in hand with SAP now. And it is one of the most renowned company in the world for ERPs.

Aathi: SAP, right?

Nasir Khan: Yes. SAP.

Aathi: Okay. So the ERP will be under SAP, but rest of the systems your customer information's and everything?

Nasir Khan: ERP will be in the SAP. And apart from that, we have connected everything with SAP. We have integrated it.

Aathi: Okay.

Nasir Khan: Yes. Be it our taxations, be it our machine log books.

Aathi: All right, okay. Fine. Thank you. That's it from my side.

Nasir Khan: Thank you.

Moderator: We'll take the next question from Sreeni. Sreeni, you can go ahead.

Sreeni: So by October 2024, your capacity expansion will be completed, right? Are we on track?

Nasir Khan: Spinning division, yes. For, weaving, for denim and for non-denim, it will be completed this month itself.

Sreeni: Okay. So after this phase of expansion, any future plans in the coming next three to five years?

Nasir Khan: Not currently that I can discuss with you right now, because if there is any expansion plan then management will have a discussion. We'll let the investors know about that.

Sreeni: Thank you. That's all for me.

Moderator: We'll take the next question from Namesh Gupta. Namesh, you can go ahead. Hello, Namesh? We'll go to the next participant, Naitik. Naitik, you can go ahead.

Naitik: Thank you for the opportunity. So I'm fairly new to your company. So I have couple of basic questions, like regarding this year. So on our FY'24 top line, is the entire sale out of a denim fabric sale…?

Nasir Khan: No, the running year we are talking about, right.

Naitik: Yeah.

Nasir Khan: To the sales the running that we are talking about. That will include a sales of denim fabric plus non-denim fabric.

Naitik: So, could you quantify both of them?

Nasir Khan: So if I quantify both of them so, if I talk about 1.8 crores, we have existing capacity of 1.8 crores that is already running at 100% capacity. That can generate the revenue of 350 to 380 crores. The existing capacity that is running. The additional capacity, if I talk about of 72 lakhs plus 1.8 lakhs, 1.8 crores has a maximum capacity of around 550 crores, the fabric division that I'm talking about. 550

crores is the maximum. And now basically one quarter has passed. So I'm targeting with this we will be able to achieve roughly 60% to 70% production in this year. That will impact our balance sheets. Because the plant will be starting this month. So we're targeting, so if I talk about non-denim, non-denim will have a revenue segment of around ₹250 crores to ₹300 crores and the rest part will be denim.

Naitik: Okay. Also basically, we are backward integrating into spinning as well as weaving. So all this, will it lead to some kind of gross margin expansion on a…?

Nasir Khan: So, basically right now, we're dependent on outsourcing. So, if you see this year, last year we paid an hour. We did a job work of around 18 to 19 crores of job work we did outside. So that particular job work will be minimised to, I think 50% because the capacity will also increase of us. And that'll come down to do the in-house installations of weaving. Along with the spinning we talk about, the margins will increase.

Naitik: Okay. So, if you could quantify, like this year we did somewhere around 86% to 87% of gross margin, not full-year numbers. So from next year 14% or 15% or?

Nasir Khan: We did have, it was around, I think the EBITDA margin was 12.43%, I guess.

Naitik: I'm asking about gross margin.

Nasir Khan: Gross margin, you're talking about.

Naitik: Yeah.

Nasir Khan: So I'll just talk about EBITDA margins, if I talk about EBITDA margins.

Naitik: Okay. So basically, from the denim side, we are expecting somewhere around ₹380 crores to ₹400 crores of revenue. And from the non-denim, we are expecting some ₹200 odd crores revenue for FY'25.

Nasir Khan: So the revenue of ₹650 crores to 700 crores.

Naitik: Okay. Perfect. All right. Thank you.

Moderator: Thank you. We'll go back to Namesh Gupta. Namesh, you can go ahead, please. Hello, Namesh?

Namesh Gupta: So first, congratulations on a good set of numbers. And I think you have achieved what you have guided us here.

Nasir Khan: How are you?

Namesh Gupta: I'm very fine, I'm absolutely fine.

Nasir Khan: Fine, go ahead.

Namesh Gupta: Okay. So my question is, like we are like as earlier, we were guiding for a doubling of our revenue. So first like I mean I will again just like to understand in brief, like how we are actually planning. Our capacity is undoubtedly increasing, but it will not be just the capacity that will double your revenue. You should have your orders in hand first. You should have the clients, I mean your number of clients must also have increased.

So, I mean first question is like how we are so much confident that we will increase, we will double our turnover. And my second question is, currently our PAT is 5.7%. Now we are doubling our revenue. So why we are so much like conservative that we are just guiding a 0.7% increase in PAT, since efficiencies of scale will also be there. So should it not be like 2% to 3% more?

Nasir Khan: There were a question, before you that if the raw material prices or the volatility increases in quarter, how will you mitigate that?

Namesh Gupta: Okay.

Nasir Khan: To meet that, so, basically there are many things that you'll be getting. We will be getting incentives. We'll be reducing our utility costings. We'll have better margins in every way possible. We can provide a bit of caution to our customers in every way possible. But be on conservative side because to mitigate the volatility and to be on a confident side that what the management provides the investors of the company needs to be achieved by this company. So the reason we are going on a conservative side is because to mitigate every negative way of aspect there is in the industry.

Namesh Gupta: And regarding my first question?

Nasir Khan: Your first question, how do we propose to achieve the sales for the upcoming expansion that we're coming up with?

Namesh Gupta: Yes.

Nasir Khan: Means the first thing is, we have started, since we have made a very strong supply chain in the main markets of India for denim fabrics along with making a strong supply chain to one of the biggest importers Bangladesh of denim fabrics. So we have opened an office in Delhi itself where our sales team sits. They will develop our products in such a way with which are cost effective, and we convert those product developments to commercial sort in the fastest way possible. So if a particular product is on trial then, so we try to convert it. If it is successful in the market, we try to convert it into commercial product in the next 30 days.

And our sales team has gotten enough orders from tying up with brands. We have tied up with Reliance Trends, which have a very huge brands portfolio right now. We're tied up with Reliance Trends and apart from that, we are not tying up in terms of quantity, but as a tie up in such a way that that company shall give us the first tie up supply the fabric to them in such a way that we already have an order book of two months right now. And, we are so confident because we already have the order book. If we did not have the order book, we wouldn't be that confident and invest so much money in this project.

Namesh Gupta: I think we have an order book of like 35 lakh metres. If I talk about last year at the same time, what would be your order book approximate?

Nasir Khan: That time my order book was around 17 lakhs to 20 lakhs. That time we were growing.

Namesh Gupta: 17 lakhs to 20 lakhs. So approximate my order book has doubled.

Nasir Khan: Because our developments have increased and customers base have also increased.

Namesh Gupta: Perfect. Thank you.

Nasir Khan: Thank you.

Moderator: Thank you. We'll take one person from chat for the next question. Mr. Utsav Shrivastava. You can go ahead.

Utsav Shrivastava: Hi, Nasir. How are you?

Nasir Khan: Fine, you tell me.

Utsav Shrivastava: Nasir, my question is that what is the total subsidies that are due to us, and when will they start accruing? And when will we see it in the cash flow?

Nasir Khan: The total subsidies we talk about including of spinning, weaving, finishing, and everything if I talk about. So, the subsidies will increase from ₹130 crores to ₹140 crores. The subsidies will be coming.

Utsav Shrivastava: As of now. No. Basically, just a subsidy on the project that we have completed or near completion.

Nasir Khan: Yes, that is completed, right. That will completed in October itself, right. I am telling you by combining all of them. My subsidy will exceed from ₹130 crores to ₹150 crores including interest subsidies, electricity subsidies, capital subsidies that will be directly credited to the account. It will all get credited.

Utsav Shrivastava: When will this start comming?

Nasir Khan: I hope that in the next quarter, the initial first tranche of ₹10 - ₹15 crores will be released.

Utsav Shrivastava: Very good. So this will help you in your future CapEx also?

Nasir Khan: Yes. That that will help me in future CapEx or anything wherever we put it.

Utsav Shrivastava: Understood. The other question that I had is that, how easy is it to start supplying to Zara and H&M and brands like these? Like, is it a very cumbersome process, or is it a easy process?

Nasir Khan: It took us one and a half years to make and develop the product. We work so hard. We have invested so much money in providing every sustainable thing that we can in the plant along with hiring the best HR managers, hiring the best fire safety managers from all over corporates in India along with in getting to a finance agent achieving these certificates. All these things --- that was a very tiresome process. But after this process, it will be a little easier for us because after this the company will have a different image in the eyes of the brands.

Utsav Shrivastava: So the cloth that Zara and H&M buy, is it the same cloth or does it have the same processes that our Indian jean manufacturer buys or is the certifications separate?

Nasir Khan: For India, the certifications used are very few.

Utsav Shrivastava: And what about there?

Nasir Khan: For them, they use very heavy certifications. Not only certifications, how do I keep my employees, do I keep them well, plus how am I protecting my environment, plus how am I using chemicals, plus how am I using my yarn, how am I dealing with my farmers which they are producing the yarn, all these things. We have to incorporate all these things and give it them.

Utsav Shrivastava: Understood. Okay. Thanks.

Nasir Khan: Thank you.

Moderator: Thank you. We'll take the follow-up question from Chirag Jain. Chirag?

Chirag Jain: Thanks for the follow-up. Can you please mention the amount again of subsidy?

Nasir Khan: It will be exceeding. I'm talking about conservative side ₹130 crores to ₹140 crores.

Chirag Jain: ₹150 crores.

Nasir Khan: Yes.

Chirag Jain: Okay. So, also on the next part is, CapEx amount that was mentioned. So there was some discrepancy that I observed, that I couldn't match to. So CapEx amount that we are spending on is near about ₹300 crores -- ₹500 crores. Out of which, we are targeting about ₹250 crores from bank debt.

Nasir Khan: Basically this investment of mine consists of working capital investment too, so the investing is will be around ₹300 crores.

Chirag Jain: Gross block is ₹300 crores, and ₹200 crores is the working capital that could be required.

Nasir Khan: Yes, working capital plus different things are there in it.

Chirag Jain: So how much is the receivable days currently ranging?

Nasir Khan: The receivable days right now, it has increased a little bit, but the average is around 60 days.

Chirag Jain: 60 days, right. Understood. Are we going to finance the working capital? Because we have been rated only for the ₹300 crores. So you mentioned about the subsidy amount get coming in.

Nasir Khan: We won't be getting subsidy. We won't be including subsidies in working capital amount. So basically, we have a working capital of ₹80 crores that was sanctioned by the bank along with 25% margin of ours.

Chirag Jain: So we would be competing on that.

Nasir Khan: Yes, 110 to 120. That is, I guess, we can work with that right now. Going forward -- so we are comfortable to get anything, any minimal working capital or something like that. That won't be a problem for us.

Chirag Jain: Last question before I get back. The PPT mentions about polyester viscose yarn. So do we manufacture…

Nasir Khan: Not Yarn, it tells us about the weaving of polyester and viscose fabric.

Chirag Jain: Okay. So it's not polyester viscose yarn?

Nasir Khan: No. no, no. You can once again open it up and see, it's fabric. We do not manufacture yarn.

Chirag Jain: So what's the difference between that? Can you please explain that?

Nasir Khan: So basically, the polyester and viscose yarn is spinning division in which we -- in which you convert polyester and viscose and mix it and then you convert it to yarn. It is same as cotton. I am taking raw cotton from the ginning mills and then it is converting into yarn. And then we are converting that yarn into fabric.

Chirag Jain: Yeah. Understood. That's the process.

Nasir Khan: So when we manufacture PV fabric, that means we are converting polyester viscose yarn into fabric.

Chirag Jain: Okay. So where is that used then? Because I understand that…

Nasir Khan: That is basically our associate concern. Modway Suiting Private Limited is an associate concern of us that has a unit for Sulzer Looms that we manufacture on job work basis on that unit, and that is a different segment altogether. That is a small segment of ours, and we work for Siyaram's, and we work for PV plants like that on that.

Chirag Jain: Okay. So what's the amount of polyester viscose that we sell?

Nasir Khan: So we have a capacity of manufacturing 5 lakh metres per month.

Chirag Jain: So what will be that amount into rupees?

Nasir Khan: So basically, the revenue that we closed in Modway Suiting last year was ₹30 crores, and around ₹15 crores to ₹20 crores was from polyester and viscose segment. The rest was from cotton segment.

Chirag Jain: And the associated company that works in this segment, how much revenue does they have done?

Nasir Khan: I'm talking about that only. Total revenue of that concern is ₹30 crores, and this PV manufacturing is in that company only associate concern.

Chirag Jain: So any plans to merge?

Nasir Khan: Not of currently, we'll discuss it with the management, and we'll discuss with them and finalise. We'll go with the best way possible in this.

Chirag Jain: Okay. Thank you.

Nasir Khan: Thank you. We'll take the next follow-up question from Pawan Kumar. Pawan, you can go ahead.

Pawan Kumar: Thank you for the opportunity again. Can you just repeat again the amount of subsidy and when will we getting this?

Nasir Khan: So, basically, the subsidy will be around ₹130 crores to ₹140 crores. I'm talking about conservative side, and it includes many aspects. So, there's a capital subsidy that we'll be getting in seven years divided into seven. So the total investment in plant & machinery plus building will be divided into 7. There's a ₹4 crore subsidy of central government that is pending right now, that will be released next to next month.

Along with that, the numerous subsidies in land, land reimbursement subsidy that we're getting under the plant subsidy, power subsidy, electricity subsidy, and along with that the numerous subsidies that we'll be getting. So these subsidies will apart from capital subsidy, these subsidies will be dispersed quarterly.

Pawan Kumar: Yeah. So any ballpark figure for coming year of these subsidies?

Nasir Khan: Basically, initial subsidies, we will be getting around ₹10 crores to ₹12 crores of subsidies in the next quarter, we're targeting that. After the commencement of this project of Weaving Denim and non-denim, we'll be getting a subsidy of around ₹10 crores, ₹15 crores in the next quarter. And then, I'm targeting around ₹15 crores to ₹20 crores of subsidy per year. So there -- we can't -- it can come anytime in the year, the interest subsidy that is there usually released, like, if I finish this quarter, it will be released in the next quarter till next quarter end along with the power rate subsidies.

Pawan Kumar: So yearly, roughly ₹20 crores, ₹25 crores.

Nasir Khan: Yes, you can divide it into seven years and you can calculate it, you can divide it into seven.

Pawan Kumar: Okay. Another question, you mentioned like company is putting a lot of effort to getting a lot of certification, a lot of effort in the ERG kind of thing so that you can increase your exporter brands. Can you tell me like for the next two, three years, what is your aspiration? How much percentage or revenue can you're looking to come from brands?

Nasir Khan: So we right now, the brands are at 25%, like I mentioned. 25% cutters and garment is as I mentioned, but 50% was traders. I mentioned that. So we are targeting to reduce the trader segment and the cutter segment and increase the export segment. So we are targeting to reduce the trading segment by 25%. So we'll keep a portfolio of around 20%, 25% of cutters, 25% to 30% of brands, and 25%, 30% of exports, and the rest will be divided into trading.

Pawan Kumar: Can we see like in three years' time, we'll be having 30% to 35% from our brands?

Nasir Khan: Yes. Absolutely.

Pawan Kumar: And the last question, like you mentioned that we'll be growing 1x in terms of revenue. Any risk you can really point out, maybe macro and micro which you can anticipate in this target?

Nasir Khan: As far as I think, the company we did not incorporated any subsidies or anything in the EBITDA margins or PAT margins, so I think we secure that way, because the financial cost will be reduced drastically after resuming their subsidy, the electricity consumption cost will be reduced drastically. I won't even talk about capital subsidy. In terms of EBITDA margins and PAT margins, we add some in terms of EBITDA margins, PAT margins, and interest finance cost, we are conservative right now.

And in terms of revenue, already we have a good order book right now. But raw material prices, we have an extreme fluctuations happening. Right now the government had become a little unstable, but it is stable, i.e. the same government will continue, so, we don't have problems in the government issues also. So we hope for the best, and we hope to achieve a conservative. We hope to achieve the revenue and the PAT get targeting.

Pawan Kumar: So right now, when you're giving a target of 6% PAT, you're not including the subsidies?

Nasir Khan: We did it nothing.

Pawan Kumar: Okay. Wonderful. Thank you for all the answers. Thank you. All the best.

Nasir Khan: Thank you.

Moderator: We'll take the last question for the day from Naitik. Naitik, you can go ahead, please.

Naitik: Yes. Thank you for the follow-up. So I wanted a couple of clarifications. So like for the entire CapEx, what is the total amount that we had spent in FY'24, and what will we be spending in FY'25?

Nasir Khan: So FY'24, we'll be commencing all the CapEx this year. The total investment will be completed.

Naitik: Yeah. But I'm looking out for the number, like how much money that we actually spent in FY'24, and then how much are we spending in FY'25?

Nasir Khan: So basically investment in plant and machinery, building and every aspect of the project will be completed by December 2024.

Naitik: Okay. Also, what would so I understand that the entire ₹500 crore CapEx that we have taken, we are planning to take somewhere around ₹250 crores to ₹300 crores of debt for the project. So, what will be our peak debt?

Nasir Khan: Sorry?

Naitik: I'm trying to understand what will be our peak debt number, like right now…

Nasir Khan: Peak debt number will be around ₹220 crores of term loan.

Naitik: ₹220 crores of term loan. Okay. Also, regarding these subsidies, so I'm fairly new to the company that's why I do not really understand what is the subsidy structure. So are we getting, we are getting interest subsidised? We are getting capital cost subsidised, and also we are getting a subsidy on our plant and machinery cost. Is that understanding correct?

Nasir Khan: Capital subsidies is the same as plant and machinery capital subsidy.

Naitik: All right. So could you just clarify the percentage? Like, what percent of interest is…

Nasir Khan: I'll clarify it. So, basically, the total investment in plant, machinery and building will be subsidised by 30%. The actual subsidiary that will be released will be around 32%, 33%. But on the conservative side, I'm talking about 30% right now. So basically, if I invest ₹100 crores in plant and machinery plus building, then it will be ₹30 crores divided by seven.

Naitik: Yeah. Over a period of seven years.

Nasir Khan: Yes. Over the period of seven years, it will be released on…

Naitik: And on the interest side?

Nasir Khan: Interest side, if I talk about so, basically if I say ₹200 crores of loan is my loan, then you can calculate 7% on ₹200 crores. After preparing a drawdown schedule, you can, the repayment will be reduced and the remaining 7% subsidy will be released on quarterly basis.

Naitik: Okay. All right. Thank you. That was helpful.

Nasir Khan: Thank you so much.

Moderator: Thank you so much. We have one more hand raised from Mr. Sanjay Keswani. Sanjay, please go ahead.

Sanjay Keswani: Hello. Thank you for giving the opportunity. Nasir, sir, as you said, you have order book of ₹35 crores?

Nasir Khan: 35 lakh meters.

Sanjay Keswani: Yes sorry, 35 lakh meters of order, sir. So, can you tell us the percentage wise, as to how much is exports order you have and how much is from local traders…?

Nasir Khan: Sure. Currently, we have an order book of export of 5 lakh metres right now. We have about 5 lakh to 6 lakh metres of exports orders in hand. Now, let's assume that we will have an order book of around 15 lakhs to 17 lakhs of trading. But apart from that, my order book is divided between garments and brands.

Sanjay Keswani: Okay. And second question is you said that you do job work worth ₹18 crores. How many lakh meters of quantity is the output?

Nasir Khan: You can assume that. So, basically, that will include a job work of around 5 lakh to 10 lakh metres per month.

Sanjay Keswani: Okay. 5 lakh to 10 lakh metres per month. But the total order book of ₹18 crores so you are saying that you do job work worth ₹18 crores of job work…?

Nasir Khan: ₹18 crores of job work is in a years. So, basically job work revenue is defined by the per pick rates. So, the weaving, the weaving revenue is defined by the per pick rates. And job work you charge for weaving in per pick rate. So, if a per pick rate, average of per pick rate is around 24 to 25 paisa.

Sanjay Keswani: Okay. I want to clear, I want to know that you work on ₹18 crores in a year. So, how much total output in metres do you have in ₹18 crores?

Nasir Khan: Around 10 lakh meters per month, 8 to 10 lakh per month. So, if you convert it for a year it will be around 1 crore.

Sanjay Keswani: Okay. Yeah. I got it. Yeah. Thank you.

Nasir Khan: Thank you so much.

Vinay Pandit: Thank you. Thank you to all the participants for joining us on this call, and thank you to the management for giving us their valuable time. That brings us to the end of today's con call. You may all disconnect now.

Nasir Khan: Thank you.

Vinay Pandit: Thank you.